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DEVELOPMENTS IN CURRENCY AND BANKING AT THE CAPE BETWEEN 1782 and 1825, WITH AN ACCOUNT OF CONTEMPORARY CONTROVERSIES.

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of the Ph.D degree in the
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by

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P R E F A C E.

The investigation that forms the substance of this thesis has been conducted on historical lines. An intensive study of the Currency and Banking developments in the old Cape Colony between the years 1782 and about 1825, reveals the typical currency development from a money economy to a credit economy. Prior to the beginning of the nineteenth century there were no commercial banks with the result that there was no credit structure built up on a metallic reserve whereby the amount available for trade could have been multiplied several times.

This study of the origin and development of the inconvertible paper rixdollar will enable us to form a correct judgement of the various methods adopted to supply the public exigencies, and the effects of such tampering, in destroying the credit as well as the value of the currency. It will be seen that inconvertible notes can be issued without any limit and when the issuers have a free hand their value depends solely on the moderation of the issue. The inflation of an inconvertible paper currency may be either automatic or deliberate. The authorities may issue increased currency to meet what they believe to be trade demands, but, in fact, they may issue more than enough and the result will be unconscious inflation. The authorities will argue that more currency is needed because prices are rising, while their opponents will contend that prices are rising because too much currency is being issued. Further, this investigation will reveal the dangers of Government Banking and Government interference in the sphere of currency; the ease with which paper is issued and the difficulty of stopping the issue of notes. Inconvertible notes may be limited to an amount which can circulate without any depreciation, but in that case there can be no more of them than there would have been if they

had been convertible, and no object is served by their being inconvertible.

Generally, it may be said that the immediate cause of resort to inconvertible paper has almost always been the pressure of public finance. Funds must be raised in some way, and an additional issue of inconvertible notes affords the easiest, though not the best, method of raising them. Such issues lead eventually to uncertainty, discredit and depreciation, which harm the nation's credit and disorganise trade.

The development of banking at the Cape reveals the dangers of Government monopoly in that sphere. The investigation exhibits a detailed view of the several creations of currency and the various expedients resorted to, in order to supply the wants of Government. As a convenient instrument for such purpose the Government instituted what they called a bank, which, when subject to the control and direction of Government, dwindled into a machine for enabling Government to tamper with the currency, in order to supply their own wants, and not the wants of the public, for a circulating medium. An injudicious and ill-regulated system of bank issues has precisely the same effect as a forced issue of paper money. We will consider the circumstances in which it originated, the principles on which it was conducted, and the character of the individuals who had the management of it.

In examining the state of the Colonial currency and the circumstances which appear to have diminished its value, two obvious questions present themselves: firstly, the causes and extent of depreciation; and secondly, the influence of this depreciation. Though the practical evils of an unredeemable paper currency were understood by the people, various explanations were given. The currency, exchange, and price phenomena gave rise to controversial literature and the contemporary par-

ticipants in the controversy arrayed themselves fairly sharply in two opposing groups: the one traced the evil to the issue itself, while the other explained it on the basis of over-importation, creating an unfavourable balance of trade and so raising the premium on sterling bills. Further, the study reveals that changes in the value of money are generally harmful because they tend to benefit some classes and injure others.

A period of extreme inflation will always end in disaster. The value of money sinks so fast and eventually so low that it is no longer effective in performing its function of acting as a medium of exchange. Trade as a result becomes paralysed, chaos and panic ensue, and steps have to be taken to stabilise the currency once more. If the depreciation had been allowed to continue, the progress could not have been stopped without changing the nature of the currency. By fixing the rixdollar at the value to which it had really depreciated to, the British Government had arrested the progress of the evil. Although a certain amount of injustice was inevitably involved in the reform of the currency the Imperial Government was justified in taking that action in the interests of the future development of the Colony.

My research work was carried out in the Government Archives, Cape Town. All the available documents bearing on this subject have been thoroughly exhausted over a period of approximately three years. There are, however, some important documents to which reference is made in other documents in our possession which cannot be traced in the Archives. This is especially true of the period 1803 to 1806 when the Cape Colony was under the rule of the Batavian Republic. Moreover, there are still important documents in the Public Record Office in London which would be a most valuable addition to the existing documentary data in our Archives. I have, however, succeeded in tracing some of the most important ones and the officials in

London were kind enough to let me have copies of the originals.

It remains for me to acknowledge with much gratitude the kindness and assistance which I have received from Mr. J.W. Boonzaaier of Steenberg, who read through the manuscript. I also wish to tender my thanks to Dr. P.J. Venter, his colleague Miss Gienie du Toit and the other assistants at the Cape Archives, to Mr. Roos, Parliamentary Librarian, to Mr. Marais of the Carnegie Library, Stellenbosch, and to the staff of the South African Public Library, especially Mr. D.H. Varley and Miss Julie te Groen, for the help they have always given so ungrudgingly.

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ABBREVIATIONS USED IN THE FOOTNOTES.

B.O.	First British Occupation.
B.R.	Batavian Republic.
C.O.	Colonial Office.
G.H.	Government House.
R.G.	Receiver-General.
B.P.P.	British Parliamentary Papers.
K.C.	Kaapsche Courant.
I.L.W.	Inspector of Government Lands and Woods.
V.C.	Verbatim Copies.
L.B.	Lombard Bank.
S.A.C.A.	South African Commercial Advertiser.
S.A.C.M.A.	South African Chronicle and Mercantile Advertiser.
P.A.O.N.	Proclamations, Advertisements, and other Official Notices.
Rec.	Theal's Records of the Cape Colony.

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PART I.

CURRENCY DEVELOPMENT.

the transactions of external commerce. The amount of metallic coins in circulation, and, after 1782, of paper money, represented the amount with which trade could be carried on. Owing

CHAPTER 1.

REGIME OF DUTCH EAST INDIA COMPANY (1782-1795).

During the mercantilist period of the mother country in its efforts to secure a favourable balance of trade invariably placed its Colonies in the position of inferiority as regards commerce with the result that most of the Colonies during this period suffered from problems of depreciated currency. The Cape was occupied for the benefit of a commercial body which had but one aim, viz., to make maximum monopoly profits. This basic fact will explain the subsequent developments at the Cape under the administration of the Company.

During the early years of the Dutch Company at the Cape, there were no facilities for the use of credit commercial paper or bills of exchange, but during the later stages the barter economy was gradually replaced by a money economy. The nature of the regulations relating to the trade of the Colony under the administration of the Dutch Company by whom it was entirely engrossed, restricted the transactions of the Colonists within very narrow limits. The supplies of cattle and corn from the country being exchanged for merchandise imported by the Company, the maintenance of its establishments depended upon the profits of the traffic as well as on the land assessments and other sources of revenue. In those transactions when they were not accomplished by means of barter, specie had been employed until the year 1781 when the interruption in the commerce of the Dutch occasioned by their participation in the American war, led to the issue of paper currency which continued to be the prevailing medium of exchange within the Colony although from its inconvertible nature it was not available in the transactions of external commerce. The amount of metallic coins in circulation, and, after 1782, of paper money, represented the amount with which trade could be carried on. Owing

to the complete absence of commercial Banks there was no credit structure built up on a metallic reserve whereby the amount available for trade could have been increased several times. It was only at the very end of the eighteenth century that the Cape Colony went through the operation from a money economy to a credit economy.

When the Dutch Company established their settlement at the Cape they naturally introduced the Dutch coinage. The standard coin was the silver ducaton and various other Dutch coins such as the driegulden, the dollar, the gulden, the zesthalf (5½d) and the double stiver,[1] were also brought into circulation from time to time. In addition there was a whole variety of foreign coins which were introduced into concurrent circulation with the Dutch coins by ships calling at the Cape on the route between Europe and the East, and which should be regarded more as commercial specie than as actual currency. Of these there were the Spanish dollar (or real of eight or piastre), the Indian rupee , the German reichsthaler, French and English crowns, Russian roubles etc.[2] With the exception of the copper stiver all of these were silver coins as very little gold was used in the commerce at the Cape. The Dutch coins circulated in the Cape Colony at the same rates and value as they bore in Holland.[3] The moneys of account[4] were the fictitious Cape guilder (1/6) and the Cape rixdollar (4/-) which served as fixed basis for commercial and financial transactions. But the rixdollar became the standard monetary unit in the Colony and accounts were kept in rixdollars, skillings and stivers in the ratio of 6 stivers to a skilling and 8 skillings to a rixdollar.

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1) De Mist: Memorandum pp. 143, 278.
2) Vide - De Kock: Economic History of South Africa p. 70; Chalmers: A History of Currency etc. p. 230; Arndt: Banking and Currency Development in South Africa (1652-1927) pp. 2-3; B.O.61, p. 1, 1st Oct., 1795.
3) Arndt: Op. Cit., p. 5.
4) Rec.23, p. 107.

With such a variety of coins in circulation a new problem arose, viz., internal and external rates of exchange. There were no Banks or exchange institutions where foreign money could be exchanged for the standard money of the country and so kept out of circulation. The result was that the rates of exchange of those coins in circulation at the Cape were determined partly by their relative metallic values depending upon the weight and fineness of the metal so far as that could be ascertained, and partly by the demand for them in trade.[5] The restrictions on trade imposed by the Dutch Company had limited the volume of trade to such an extent as to minimise the real need for and the scope of a credit economy but nevertheless there was always more or less scarcity of money in the Colony. Whereas the illicit trade with the ships of foreign nations and with the seamen of the Company rarely consisted in bartering, the balance of payment turned against the Colonists. This one-sided development was helped on by the big sums of money that were forwarded to the Netherlands, in the first place to pay for stocks ordered from there, secondly to support relatives of the officials that had remained behind, and finally to pay out legacies and such monies to people who lived there. Members of the garrison and Company officials preferred to have their salaries paid out in Holland where the gulden was worth 20 heavy stivers, whereas at the Cape it was worth only 15 light stivers. There were frequent complaints of a scarcity of money due to the excessive drainage of coins from the Colony which in turn was due to the fact that more goods were imported, legally or clandestinely, into the Colony than were exported or sold to ships in the bay. Till 1782 the currency consisted solely of coins: there was no paper money in circulation.

In 1781 Holland became involved in a war with England and the former was in alliance with France. The French arrived at the Cape in that same year and stationed their garrison here.[6]

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5) De Kock: Op. Cit., p. 70.
6) Rec.1, pp. 139-140; B.O.3, p. 558; C.O.235 No. 101; C.O. 226 No. 60.

This occupation by the French rendered it impossible to import the usual supply of money for the support of the civil and military establishments. Expenditure had constantly been in excess of revenue and now, with the Cape completely cut off from Holland, the Governor was confronted with serious financial problems. In addition to the normal expenditure, the several new regiments which were all in the pay of the Dutch Company, had to be provided for.[7] The Governor, Joachim van Plettenberg, therefore decided to appeal to the public for financial aid. By virtue of an advertisement of 26th March, 1782, the public was invited to advance to Government any cash (contante penningen) on loan on which ½ per cent. interest per month would be paid during the period the funds were needed.[8] This, however, did not solve the financial headaches of the Governor: expenditure increased, the boats from Holland were delayed and the advances from the Colonists were insufficient. Van Plettenberg, therefore, conducted his borrowing in a very simple manner by having certain pieces of parchment stamped and signed by three people.[9] The following values were stamped: 12, 24 and 36 stivers, 1, 2, 3, 4, 5, 6, 8, 10, 12, 15, 20, 25, 30, 40, 50 and 60 rixdollars. He further directed all and every inhabitant of the Colony to accept the parchment coin as good and lawful cash in all transactions. No one should venture to refuse to accept them under any pretext whatever. To reconcile the people to this innovation, the Governor promised that not only would this parchment coin be re-accepted at the same value but that the whole would be re-exchanged for specie usually current in the Colony on a general peace or as soon as the necessary supplies could be obtained from Holland.

It was also considered expedient to fix the values of the foreign gold coins in circulation, viz :-

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7) Arndt: Op. Cit., p. 5.
8) Kaapse Plakkaatboek (1754-1786) p.134, 26th March, 1782.
9) Ibid., pp. 134-136, 30th April/6th May, 1782.

Port Johanna	at	$8\frac{1}{2}$	Rixdollars
So-called Gold "Mooren"	"	7	"
Gold Rupees	"	$6\frac{1}{2}$	"
Louis D'Or	"	$4\frac{3}{4}$	"
"Quinji"	"	$4\frac{3}{4}$	"
"Pequinen"	"	$2\frac{1}{4}$	"
"Pagoden"	"	$1\frac{3}{4}$	"
Persian or Moorish Ducaton known here as Turquoison	"	$1\frac{1}{2}$	"

at which rates they would be accepted by the Company. Finally the export of all coins through Company or foreign ships under any pretext whatever was prohibited under penalty of being forfeited.

This transaction was exceedingly creditable to van Plettenberg, as, instead of tendering a delusive mortgage of lands or houses, he offered no security but the good faith of the Dutch Government. This borrowing was executed in the name of the Dutch Company which was solemnly pledged for its repayment. The value of these notes was further sustained by the proclamation of 16/23rd September, 1783,[10] which strictly forbade that any person in possession of gold or silver coin should exchange the same with any least advance, agio or addition, for paper currency, such having the effect of contributing towards the depreciation of the paper currency.

Thus, the Government had engaged to repay the notes in specie at the rate of 48 stivers Dutch current for each rixdollar, on a general peace, or as soon as conveniently could be done. In the meantime it supplied the Colonists with necessaries out of its stores at very moderate prices, for paper currency equally as for specie.[11] In addition the Government also granted bills on Holland,[12] in exchange for the paper so issued for such amount as was required for remittance to Europe at a premium of $8\frac{7}{8}$ % as being equivalent to the charges incident to the transport of specie.[13]

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10) Ibid., p. 158, 16/23rd Sept., 1783.
11) Arndt: Op. Cit. p. 6.
12) Strombom: A Statement on Currency etc. p. 17.
13) Edben: Correspondence relative to Currency etc. p. 3; Strombom: Op. Cit., p. 17.

On the 31st May, 1782, van Plettenberg issued only a small amount of paper money, viz., 47,696 rds. 4 sk. The rix-dollar was adopted as the unit of the paper money and thereby given a tangible form instead of being merely a fictitious unit. This paper money was denominated rixdollar of 48 stivers Hollands currency each or four shillings in British money; the gulden was worth 24 stivers and the Spanish dollar was fixed at 54 stivers each, and all other kinds of specie in like proportion. The difference of the currency above its intrinsic value in Europe was added solely at a moderate calculation to make up for the expenses of freight, insurance, plus mercantile commission and interest which would be incurred by the importation of specie from India or Europe.[14] The parchment supply was soon exhausted and accordingly notes were ordered to be printed on ordinary paper.[15] These new notes were also to be considered as good and lawful money and notes were issued for amounts as small as two stivers.[16]

Between 31st May and 31st August, 1782, notes were issued to the amount of Rds. 159,607-6-4. From 1st September, 1782, to 31st August, 1783, the Government added Rds.554,747-0-4 and from 1st September, 1783, to 30th August, 1784, a further Rds. 210,865-0-2.[17] Thus between 1782 and 1784 notes were issued to the amount of Rds. 925,219-7-4 (or roughly £185,043)

To a small extent these notes were redeemed immediately after the conclusion of peace in 1784 as the boats brought in supplies of metallic coin.[18] After F85,000[19] in specie had been received in the year 1784 consisting of drieguldens, dollars, gulders, zesthalven and double stivers, and subsequent to the publication of an advertisement dated 3rd May, 1784,[20]

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14) Arndt: Op. Cit., p. 6.
15) Kaapse Plakkaatboek (1754-1786) p.140, 25/28th May, 1782.
16) Ibid., p. 143, 25th June, 1782.
17) Rec.22, pp. 123-128; C.O. 6114.
18) Arndt: Op. Cit., p. 8.
19) De Mist: Op. Cit., p. 282.
20) Kaapse Plakkaatboek (1754-1786) pp.161-162, Adv. 27 April and 3rd May, 1784; Geyer: Das Wirtschaftliche System, pp.79-80.

fixing the rate of exchange of the driegulden etc., and calling in all the paper currency of one rixdollar or less, the credit of the paper currency was gradually restored. The reason why this redemption could be carried out in small measure only was most probably due to the fact that most of the metallic coin had been drained from the Colony by cash payment for imported or smuggled goods in spite of the prohibition of the exportation of gold or silver by proclamation in May, 1782 and December, 1783; moreover, as coins were received from Holland in small quantities only they disappeared from circulation soon after they were brought into the Colony. The promise to pay specie for these notes was partially fulfilled on 7th March, 1787, 18th April, 1788, and 31st August, 1789, when Rds. 825,904-6 were cancelled in exchange for specie and bills on Holland.[21] The remaining quantity, viz., Rds. 99,315-1-4 was accepted at par and indifferently with coin in every transaction throughout the Colony.[22] "Its credit was so well sustained that it was possible to make profitable use of it in every-day transactions without inconvenience, and to exchange it for specie without loss. It was only in cases where large sums of money, especially if they were in commercial currency, had to be paid to foreigners that any exchange percentage had to be deducted."[23]

On 16th September, 1783, it was announced that complaints were being received daily regarding the discrimination between coin and the paper money.[24] The prohibition of 30th April, 1782, of the export of all coin, was accordingly renewed.

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21) Rec.22, pp.123-128; Strombom: Op. Cit. p. 17; Geyer: Op. Cit. pp. 79-80.
22) Rec.9, p.473; Ibid.,23, p.109; C.O.235 No.101; Ibid.,6114.
23) De Mist: Op. Cit. p.282.
24) Kaapse Plakkaatboek (1754-1786) pp.155-158, 16/23rd Sept., 1783. As early as 15th July, 1783, the Council of Policy received a letter signed by Jan Smook, J.G. Van Reenen and D.P. Van Reenen who were licensed Butchers and they complained that "zijlieden het vee thans niet dan tot enorme hooge prijsen, van de Landlieden kunnen inkoopen te meer daar deselve Landlieden, volstrekt begeeren te werden betaald in silvere speciën dewelke d' onderget. ten dien einde reeds tot 25 p'r C'to toe voor papiere geld ingewisseld hebben....." vide Kaapse Argiefstukken, Vol.,1, p. 164.

Under a penalty of 100 Rds. wine sellers, bakers, butchers and merchants were not to discriminate between cash and paper money in the prices of necessaries supplied by them. Paper money was to be accepted for agricultural produce and artisans' wages. Rent was also to be accepted in paper money. Certain people with gold and silver coin were also demanding a premium of 20 per cent. in exchange for paper which to a large extent tended to discredit the paper money. Accordingly the exchange of coin with any advance, agio or addition or whatever it might be called was henceforth prohibited under penalty of 100 Rds.

As early as 3rd September, 1782,[25] it was announced that counterfeit notes of Rds. 3, 5 and 8 were in circulation and a reward of 1,000 Rds. was offered for information leading to the conviction of the forgers. On 5th August, 1785,[26] it was again announced that despite this offer of reward more forgeries were being detected daily. Therefore, in addition to renewing the offer, the Government promised not to disclose the name of any informant and not even to prosecute a confessing accomplice.

On 27th April, 1784,[27] it was made known that a supply of three gulden pieces "daalders", gulden, skillings and double stivers had been received by the recent boats from the Netherlands. The values of these coins were accordingly fixed as follows :-

The three gulden at 72 stivers or 12 skillings
The "daalder" at 36 stivers or 6 skillings
The whole gulden at 24 stivers or 4 skillings

at which rates they would be received by the Company.

The receipt of these supplies would enable them to exchange :-

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25) Kaapse Plakkaatboek (1754 - 1786) p. 147, 3/4th September, 1782.
26) Ibid., pp. 170-171, 5/10th August, 1785.
27) Ibid., pp. 161-162, 27th April/3rd May, 1784.

1 rixdollar at 48 stivers
6 skillings at 36 stivers
4 skillings at 24 stivers
2 skillings at 12 stivers
1 skilling at 6 stivers
and 2 stivers

As from Friday the 7th, notes would be redeemed at these rates on Tuesdays and Fridays. Notes of 48, 36, 24, 12, 6 and 2 stivers would no longer be current after the expiration of two months and no one would be obliged to accept them thereafter. But all other notes were still to be accepted in all transactions at their full value.[28] On 24th August, 1784, a similar announcement followed on account of enough silver being received to redeem certain notes, viz., those of Rds. 6 to 8 at the current rate of 24 stivers per gulden.

In general, however, there would seem to have been no marked depreciation of this inconvertible paper money during the period 1782 to 1789. This may be explained by the fact that as the result of the drainage of metallic money or the increase of trade resulting from the presence of French and later English ships in the bay, or from the augmentation of the garrison and the improvement of the fortifications, there was not an excessive quantity of money in circulation. The value of the rixdollar was maintained at 48 stivers because there was not an over supply of money for the trade of the Colony. It was, therefore, only in cases where large sums of metallic money had to be paid to foreigners that paper money was exchanged for metallic money at a small discount, and that was of course due to the periodically greater demand for one form of money than another. When metallic money began to arrive the notes were gradually redeemed and this measure established the credit of the paper.

Unfortunately for the public, however, this redemption of the pledge of Van Plettenberg gave extreme facility to a future Governor to pursue the plan of creating rixdollars on

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28) Ibid., pp. 163-164, 24/27th August, 1784.

any emergency. The necessities of the Dutch Government and the difficulties under which it laboured induced it to adopt every means, however unprincipled, to supply its necessities; and we may be justified in saying that it would not limit its issues of paper to the extent of actual demand for a circulating medium, but would rather force the currency to the utmost practical extent consistent with its own safety, and to any limit, short of absolute insolvency.

With the arrival of the French in 1781 a temporary economic salvation had come to the Cape. They occupied the Cape for three years and during this time there was a great coming and going of troops.[29] The demand for produce was so great that the Company had to fix maximum prices to protect itself and its allies. House property, slaves and horses had within sixteen years increased in price from 50 to 100 per cent. All kinds of European wares were introduced in Danish ships and were sold at enormous profits. The Cape became known as "Little Paris" and according to De Mist[30] the French had "entirely corrupted the standard of living at the Cape, and extravagance and indulgence in an unbroken round of amusements and diversions have come to be regarded as necessities." Money seemed plentiful[31] and people forgot that the apparent prosperity was based upon the insecure foundation of military expenditure. The prosperity was, however, fictitious.

Whereas the Colonists sent more money out of the country than they received from outside, it was of fundamental importance that the expenditure of the Government surpassed

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29) Walker: A History of South Africa pp. 108-109; Geyer: Op. Cit. p. 50.
30) De Mist: Op. Cit. p. 201.
31) B.R. 64, pp. 350-1. Immense sums of money found their way into the Colony and according to W.S. Van Ryneveld "de Spaansche matten wierden met wagen vragten door de Kaap gereeden". There was the case of an erstwhile poor man named Vos, who made a fortune by supplying the ships with bread and biscuits baked by himself. Vos made such good business "dat hy de Spaansche Matten niet kon laten dragen, maar met wagen vragten naar syn huis moest reiden."

the revenue by far. The revenue had in the meantime steadily been increasing from £17,274 in 1781 to £28,912 in 1791. From 1st July, 1781, to 1st July, 1791, the total revenue received amounted to £221,075 or an average of £22,107. 10. 0. per annum. But against this the public expenditure or the money paid out of the Company's chest for all purposes at the Cape reached a sum of over £120,000 a year.[32] In the years 1786 to 1790 the total expenditure amounted to 8,046,138 florins and the income to 1,886,642 so that there was an annual deficit of 1,231,899 florins. Part of this deficit was covered by the money paid for transfer, the rest had to be sent from the Netherlands. Each year the Government forwarded to the Netherlands a preliminary budget of the necessary money.[33]

The Chamber of Seventeen continuously complained about the high expenditure at the Cape but they never took decisive steps to cut the expenses. However, pressed by circumstances, the Seventeen ordered the Cape Government on 2nd October, 1790, to introduce a number of drastic economic regulations.[34] All work upon fortifications was to be stopped and the workers employed on those were to be dismissed; only maintenance works were permitted but where extensive repairs were concerned the permission of the Seventeen had first to be obtained; military outposts were to be abandoned; the Governor's country seat at Newlands was to be sold and the number of slaves employed to be reduced. The matter was so pressing that instructions were given for sending the last regiment of hired soldiers stationed at the Cape, the Wurtemburg Regiment, to Batavia. When the Commissioners, Nederburgh and Frykenius, arrived in 1792 they could report that more or less all the prescribed measures had been carried out.[35] The fortification works were closed down and the new military posts

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32) Theal: History of South Africa before 1795, III, p. 184.
33) Geyer: Op. Cit. pp. 78, 82.
34) Ibid., p. 53.
35) Geyer: Op. Cit. p. 54; Walker: Op. Cit. p. 111.

withdrawn from the Swellendam district; most of the Swiss and South German mercenaries sailed away; in other words, some 1,500 officials, 14,000 burghers, and 17,000 slaves were practically left to their own devices. The nett result of all this was a complete cessation of business and culminated in great distress.

Accordingly, it is not surprising to find recourse again being had to the convenient device of issuing paper money. On 31st August, 1791, an amount of Rds. 97,041-4 was destroyed which meant that practically the entire war issue had been annihilated. But, between 22nd March, 1788, and 5th October, 1790, no less than 843,120 Rds. had again been issued and this was supplemented by further increased between 2nd December, 1790, and 16th June, 1792, of 49,750 Rds.[36] The usual supplies from Holland, in consequence of the disturbances in that country, were not forthcoming; the loss of several of the Company's ships with stores for the Colony, the redemption of large sums of paper money, the exportation of coins, and finally, a decrease in the Company's expenditure at the Cape combined with an increase in the revenue which caused the currency to be accumulated in the Government coffers, necessitated increases in the already circulating paper money. Thus by 30th June, 1792, the total paper money in circulation had risen to Rds. 895,143-5-4.[37]

The Colony, however, laboured under very pressing inconveniences. In consequence of the helplessness to which the Dutch Company was reduced, the States General resolved to send two Commissioners to the Cape to investigate the affairs of the Company. Some eight weeks before his appointment as General Commissioner, on the 7th March, 1791, Nederburgh[38] read a paper on the position of the Company in which he expressed

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36) Rec.22, pp. 123-128.
37) Rec.22, pp. 123-128; Strombom: Op. Cit. p. 17.
38) Geyer: Op. Cit. p. 104.

the conviction that bankruptcy was unavoidable and that the important question now was how to avoid complete chaos with the coming collapse. In June, 1792, Messrs. Nederburgh and Frykenius arrived at the Cape to reorganise the administration in the simplest and least expensive manner and to endeavour to increase the revenue.[39] They arrived at a time when there was almost a total cessation of trade and when distress was general, particularly as a result of the reduction of the garrison. The Commissioners found the major portion of the population financially ruined: the rolls of the Court of Justice at each session filled with demands for the payment of debts and piles of orders-of-court awaiting execution since the dire needs of creditors made it impossible for them to allow debtors any extensions of time. People were unable to pay debts less than one-tenth of the nominal value of fixed property in their possession, and in some cases judgements of court could not be satisfied since buyers for land could not be found at any price.[40] As a result of the acute scarcity of money in the colony prices declined and the value of property depreciated in terms of money. War raged in Europe and the French invaded the Netherlands which circumstance eliminated the possibility of importing any supply of money.[41]

Before we discuss the measures adopted by the Commissioners we have to consider the financial policy at the Cape more closely. The silver money which was introduced did not remain long in the Colony. Their export, it is true, was forbidden but smuggling being so general, such an embargo had no effect. The demand for silver for smuggling and for sending over to the Netherlands in consequence of the low figure of the total sum that could be remitted, was so great that even the increase in value of the silver gulden from 20 to 24 stivers

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39) B.O.3, pp. 560-561.
40) Theal: Op. Cit., before 1795, III, p. 208.
41) Kaapse Plakkaatboek (1803-1806) pp. 284-285, 15th March, 1793.

in 1793 could not put a stop to its export.[42] This shortage of silver necessarily caused a rise in the price of silver whereas the paper notes were only valid within the Colony.

As we have seen before large sums of money were forwarded to the Netherlands in the first place to pay for goods ordered from there, secondly to support relatives of the officials that had remained behind, thirdly to pay out legacies and such monies to people who lived there, and finally, back pay for officials. According to regulations such remittances could only be carried out by the Company who made a substantial profit out of it. The Government could undertake to transfer up to 300,000 florins which was usually done in April.[43] As standard of value the ducaton was taken, the value of which in the Colony was fixed at 72 stivers but which, when it came to payments made to the Government, was valued at 67 stivers. This money was actually paid out to the recipient only at the end of the year so that, in addition to their profit of nearly 7½ per cent., they also had the interest on the money for nearly six months. In this way also, the Company avoided the risk and the cost that went with the transfer of so much money. Further, each year the Government forwarded to the Netherlands a preliminary budget and the authorities in the Netherlands had to send out money to cover the annual deficit.[44]

The Company, therefore, played the role of some sort of an exchange Bank. The Colonists, however, paid for the money to be transferred in paper and it was particularly in the interest of the Company to allow this only in a moderately small way. During the war no money could be forwarded and in the meantime the debts of the Colonists accumulated in Europe. In consequence of this the sum to be remitted was increased in 1788 from 300,000 to 500,000 florins.[45] As a result of the efforts

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42) Geyer: Op. Cit. p. 81.
43) Ibid., p. 79
44) Ibid., pp. 78-79.
45) Ibid., pp. 80-81.

of the Commissioners expenses were reduced and income increased. Applications to have money transferred were so plentiful that the income actually exceeded the expenditure.[46] However, instead of acceding to the request of the Cape Government to increase the amount of money to be transferred the authorities in the Netherlands resolved to decrease the amount again to 300,000 florins.[47] In the meantime, however, the Commissioners had fixed the amount on 400,000 florins.

How unbearable things had become since 1791 was also shown in another way. Silver, as we have seen, had disappeared from the Colony and now after the new regulations the paper money flamed back into the coffers of the Government so that the time when there would be no circulating medium was fast approaching. Only the Government could issue paper money, but they did not have a shortage. It was estimated that in August, 1793, they had about two million paper gulden on hand. Whereas this amount had to increase annually the Government was instructed to destroy each year 300,000 florins of the surplus notes.[48] The Government never thought of printing new money and in accordance with their policy to look only after their own interests the Company did nothing to solve the problem of the Colonists which had arisen as a result of the shortage of currency - a shortage which, as the Commissioners had pointed out, was beginning to undermine the industrial life in the Colony.

The Commissioners saw a possibility of reducing expenditure to about £66,000 per annum while the revenue was to be increased by the imposition of various duties and taxes. Thus, for the three years ending 31st August, 1794, they succeeded in reducing the annual deficit from £92,000 to £27,000.[49]

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46) Ibid., p. 82.
47) Ibid., p. 83.
48) Ibid., p. 84
49) Theal: Op. Cit. before 1795, III, p. 203;
Geyer: Op. Cit. Chapters 5 and 8.

The Colonists were at the same time granted certain privileges[50] so that the Commissioners could claim that the benefits greatly outweighed the burdens imposed by the increased taxation.[51]

The Commissioners dealt with the currency question in their proclamation of 15th March, 1793.[52] It had come to their notice that certain selfish persons were still exporting gold and silver coins to the detriment of the general interests of the inhabitants, notwithstanding the laws and regulations issued from time to time, especially the Placaats of 6th May, 1782, and 16th December, 1783. Moreover far-reaching malpractices were going on in buying up the salary claims of officials, which the latter were at liberty to have made payable in the Netherlands. This practice, which was repugnant to the orders issued from time to time, also deprived the Colony of the money which would otherwise have come into circulation if the salaries had been paid out at the Cape. Further, the Company's practice of accepting money for transmission to Holland[53] had helped to contribute to the so conspicuous scarcity of money in the Colony, which had virtually brought daily transactions to a standstill. The result was that people with substantial means were unable to meet their obligations.

Accordingly the previous Placaats prohibiting the export of gold and silver coin in private, Company or foreign boats, were re-affirmed, except that with the prior permission of the Fiscal, Spanish reals could be exported for the purpose of slave trade. The right to have salaries made payable in the Netherlands was to cease and everybody would henceforth be paid at the Cape at the rate of 20 stivers per gulden. Further the amount to be accepted for transmission to Holland, payable

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50) Geyer: Op. Cit., Chp. 9.
51) Ibid., Chp. 6.
52) Kaapse Plakkaatboek (1803-1806) pp. 284-294, 15th March, 1793.
53) Geyer: Op. Cit., Chp. 8.

at the rate of 67 stivers per ducaton, was increased to 400,000 gulden.[54]

Finally a Loan Bank was to be established on account of the inability of inhabitants with substantial property to meet their obligations owing to the acute scarcity of money. It was hoped through this means trading amongst the inhabitants would be resumed by bringing more money into circulation and to prevent as far as possible a further decline in the value of all property and to place a check upon those usurious transactions which naturally accompany a currency insufficient for the commercial and home transactions of any society.[55] Accordingly, the Commissioners resolved that it would be safe to issue and keep in circulation for several years paper money amounting to one million rixdollars, if from time to time moderate sums of money were paid out in hard coin.[56] This was necessary to maintain the confidence that the Dutch Company actually possessed the money represented by the paper currency since its credit depended solely upon the good opinion of the people. It was accordingly decreed that the entire amount in circulation should not exceed 1,000,000 Rds.[57] As security the castle and all public works and buildings valued at 1,161,268 were pledged.[58] An amount of 680,000 rds. in paper money was advanced in several instalments to form the capital of the Bank, called the Lombard Bank.[59] It was considered both essential and profitable at all times to keep at least as much paper in circulation as was brought in by the capital on loan among the Colonists from this Bank.

Thus, in order to avoid the back flow of the money into the treasury of the Government the Commissioners had made

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54) Kaapse Plakkaatboek (1803-1806) pp. 284-294, 15th March, 1793.
55) Ibid., p. 286.
56) C.O. 6114.
57) Rec.22, pp. 123-128.
58) Rec.23, p. 109; Rec.22, p. 124.
59) G.H. 23/1, p. 120.

the above regulations for sending out money. In future only so much money could be accepted for forwarding as equalled the difference between the expenditure and the total income of the Government and with the latter was reckoned the silver annually sent from the Netherlands. In this way the balance between the credit balance and the notes in circulation should be maintained and an accumulation of money in the treasury avoided. Although the annual maximum sum that could be remitted was fixed at 400,000 florins, it did not take into account the requests of the Colonists who wanted to send larger sums to the Netherlands. The Commissioners, however, did admit that the fixed maximum was actually smaller than what could and had to be paid by the Colonists.[60]

Governor Sluysken tried his best under the very trying circumstances to satisfy both the Commissioners and the Colonists. Frequently he wrote to Amsterdam and Batavia regarding the total insufficiency of specie.[61] Owing to the continuation of war and the poor financial condition of both the Dutch Company and the Cape Colony a further Rds. 291,276-7 were issued between 11th June and 15th September, 1795.[62] At the surrender of the Cape to the British forces on 16th September, 1795, the total paper currency in circulation had therefore risen to Rds.1,291,276-42, i.e. to Rds. 611,276-42 exclusive of the capital of the Bank.

The value of the paper currency had been kept up by partial issues in specie and bills of exchange at $8\frac{7}{8}$ per cent., so that, with a few temporary exceptions, it only bore a mercantile, though illegal, discount from 3 to 8 per cent. until the latter end of 1794/5 when it rose to 15 and 20 per cent, and in a few instances to 30 per cent.[63]

Thus, the Colonial currency, regulated by limitation as to quantity, occasionally redeemed and destroyed by issues of

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60) Geyer: Op. Cit., pp. 85-86.
61) Boeseken: Die Nederlandse Kommissarisse etc. p. 187.
62) Rec.22, pp. 123-128; B.O.30, pp.69-71; 12th Oct., 1795.
63) Strombom: Op. Cit., p. 19.

bills on the Mother Country, negotiated at the moderate rate of $8\frac{7}{8}$ per cent, as an equivalent to cover the freight and insurance on specie, and by partial substitution of specie, possessing not only the credit due to a paper formed by the Government, but strengthened by the collateral security of all the public works and lands, maintained the full value it was issued to represent, and moreover passed in exchange with foreign countries at a discount barely equal to the charges of transit of bullion and even in the year 1797 was to acquire more than its par value in exchange for bills on the British Government.

Résumé of Note Issues from 1782 to 1795.[64]

First Series: Issues.

1782	31 May	Rds. 47,696-4--
	30 June	56,370-2-4
	31 July	26,022-7-4
	31 August	29,518---2
	1 Sept., 1782 to 31 Aug., 1783	554,747---4
	1 Sept., 1783 to 31 Aug., 1784	210,865---2
	Total in circulation at 31st August, 1784	Rds.925,219-46

Exchanged for Specie or Bills and afterwards burnt:

1787	7 March	Rds.172,768-24	
1788	8 April	225,824	
1789	31 August	427,312-12	Rds.825,904-36
		Balance	Rds. 99,315-10

On 7th December this balance consisted of the following sums:

Defaced and worn out money in Government Treasury	Rds. 79,952-42
In circulation	19,362-16
	Rds. 99,315-10

64) Rec.22, pp. 123-128; C.O. 6114; G.H. 23/1, p. 120.

Second Series:

	Balance Brought Forward /....		Rds. 99,315-10
	Issued between 22 March, 1788, and 5 October, 1790		843,120
	Consisting of, on 7 Dec., 1790:		
	New notes in Govt. Treasury	Rds.158,200	
	Defaced notes -do-	1,189	
	In circulation	683,731	
		Rds.843,120	
1790	Issues.		
	2 December	20,000	
1791	6 January	2,200	
	18 January	1,800	
	8 March	4,500	
	19 March	625	
	2 April	1,000	
	31 May	5,500	
	31 August	4,725	Rds. 40,350
	Total in circulation on 31st August, 1791		Rds.982,785-10
	Destroyed on 31st August, 1791		97,041-24
	Balance		Rds.885,743-34
	Consisting of:		
	In Govt. Great Treasury	Rds.314,276	
	In Govt. Small Treasury	15,700-16	
	In Wages Treasury	9,658-21	
	In circulation	546,108-27	
		Rds.885,743-34	
1791	Issues.		
	31 December	Rds. 5,000	
1792	16 June	4,400	9,400
	Total amount in circulation on 31st July, 1792		Rds.895,143-34

Third Series:

	In 1793 the Commissioners-General and subsequently the Governor and Council, on occasion of establishing a Lombard Bank, ordered that the total amount of paper currency including the above existing sum of Rds. 895,143-34 should not exceed one million rixdollars which was accordingly issued	Rds.1,000,000
	Since this period, between 11th June, 1795, and 15th September, 1795, the paper money was further increased	Rds. 291,276-42
	Total paper money in circulation on 15th September, 1795	Rds.1,291,276-42

CHAPTER II.

FIRST BRITISH OCCUPATION (1795 - 1803).

Upon the surrender of the Cape Colony to the British forces on the 16th September, 1795, the paper currency in circulation was found to amount to Rds. 1,291,276-42. Of this amount 680,000 rds. belonged to the Lombard Bank and Government was responsible for the remaining Rds. 611,276-42 and no more. For it must be perfectly clear that Government could, when it chose, stop the accommodations of the Lombard Bank and receive back all the loans till nothing remained in circulation except the sum of Rds. 611,276-42 issued by itself for the supply of its own necessities. According to the 8th article of the Capitulation[1] the British authorities agreed that the property of the Dutch Company in the settlement would continue to serve as security for that part of the paper money which was not already secured through the Lombard Bank by mortgages upon the estates of individuals i.e. for 613,910 Rds.[2] This was to be, however, without prejudice to the Government of Great Britain having the use of buildings for public purposes. It was finally promised that they would make representations to the Home Government upon the infinite importance of this subject and request that they would take it into consideration in order to make such arrangements as might appear proper for the further security, if necessary, or for its final liquidation if practicable.

Thus, it was agreed to continue the paper money at its then present value. This was no great thing to promise because when it began to depreciate the Government had only to stop the accommodations of the Bank till such of the loans were returned in due course, as would, by reducing the quantity in

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1) Rec.I pp. 129-130 16th Sept., 1795; C.O.5965 p. 371; V.C.81 p. 107; Rec.20 pp. 100-101.
2) Rec.I p. 277; Rec.2 p. 7.

circulation, raise the remainder to its original value. If the Government chose to pay off the Rds. 611,276-42 for which he now became responsible, he had the lands and houses, the property of the Dutch East India Company, to protect him against any loss, there being, and continuing mortgaged for that sum - not to mention all the unappropriated land in the Colony which might be made available for the same purpose. As we have seen in the previous paragraph such a final liquidation, if practicable, was certainly contemplated at the surrender, but so long as its value was kept up no immediate cause of complaint existed on the part of the inhabitants.

There was still another proof that the currency was to be estimated at its original value and in conformity with the 8th article of the Capitulation no alteration had been permitted. When the naval yard was removed to Simonstown it was the Commissioner's wish to exchange a piece of ground which stood too far from the beach, for a small spot more conveniently situated, belonging to the Colonial Government. Application was accordingly made to the Governor who refused the request alleging that the ground offered by the Commissioners stood pledged for the paper currency and could not be alienated. The subject was referred successively to the Navy Board, the Admiralty and the Treasury; the latter decided that whatever was pledged for the security of the paper currency, must be considered as unalienable.[3]

The British authorities were, however, inadequately provided with specie to defray the military expenses and it would appear that they were totally ignorant regarding the currency situation.[4] In June, 1795, Admiral Elphinstone wrote to the Right Hon. Henry Dundas that "the greatest difficulty seems to be the paper money in circulation here amounting to two millions of Rix Dollars which is the only payment offered

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3) Ebden: Op. Cit. p. 14.
4) Rec.2 pp. 194, 203, 212, 288.

and of which many of the First Men have a considerable stock." He went on to say that the paper money was of little or no value and that no one would accept it.[5] The Admiral was, therefore, compelled to approach General Clarke at St. Salvador and Governor Brooke at St. Helena to provide a supply of specie.[6]

The British naturally made attempts to obtain the goodwill of the Dutch Colonists by showing that the English would find means for liquidating at least part of the paper money.[7] They said that it was their wish to adopt every measure which might appear proper to promote the prosperity of the settlement and the happiness of the inhabitants. Moreover, the inhabitants of Swellendam, very much under the French influence, were assured that the British Government intended to maintain the value of the paper money and that they would make their payments in hard money, while the French could only substitute one paper for another.[8]

One of the first measures taken by the British Commanders that did much to conciliate the colonists was an attempt to place the paper money on a par with metal. In order to prevent disputes and also for the regularity of the trade they issued a proclamation[9] on 1st October, 1795, for fixing the rates of exchange between paper rixdollars and British and Spanish coin, viz:-

A Guinea			44 Skillings	22/-	264	Stivers
" Johanna 8 Spanish Dollars			80 "	40/-	480	"
" Ducat			19 "	9/6	114	"
" Venetian Sequir			19 "	9/6	114	"
" Gold Mohur	15	sec.rupees				
" Pagoda	16	" "		8/-	96	"
" Spanish Dollar	10	" "		5/-	60	"
" Rupee	5	" "		2/6	30	"
" English Shilling	2	" "		1/-	12	"

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5) Rec.I pp. 60-61 17th June, 1795 - Admiral Elphinstone to the Rt. Hon. Henry Dundas.
6) Ibid., p. 61; Vide Rec.I pp. 56, 57, 63, 116, 123.
7) Rec.I p. 54.
8) B.O.61 p. 5 18th Sept., 1795. - Letter from the British Commanders to the inhabitants of Swellendam; Rec.I pp. 131-132.
9) B.O.61 p. 1 1st Oct., 1795; B.O.62 pp. 269-273 14th January, 1800.

This proclamation was of great service in relieving the apprehensions of the Colonists, although it was impossible to keep up the value of the paper by such means. Persons owing money in Europe, for instance, could not obtain bills of exchange under twenty or thirty per cent premium, and in common dealings three shillings in silver would purchase as much as a paper rixdollar. Copper coin that was paid to the troops was eagerly sought by shopkeepers, and penny pieces passed current as equal to two stivers, instead of only one.[10] A few years later, in 1800, this value was put upon them by law to prevent their immediate exportation. For the time, however, the attempt of the British Commanders to place the paper money on a par with metal had the desired effect of doing much towards concilliating the Colonists. It was, of course, impossible to prevent the continued depreciation of the paper rixdollar by such means, but this proclamation certainly did allay the immediate fears of the Colonists.

The absence of specie curtailed the commercial transactions with foreign nations since the paper rixdollar ceased[11] to be specie as soon as it was brought into any foreign dominion. There were occasions when recourse had to be had to barter trade with foreigners owing to the absence of sufficient specie.[12] Some of the Colonists even refused to accept the paper rixdollar as legal money with the inevitable consequence that internal commercial transactions virtually came to a standstill.[13] On the 27th December, 1795, General Craig wrote to the Rt. Hon.[14] H. Dundas that the paper money was at a discount of from 20 to 30 per cent. and that it has always been a source of great discontent among the people. He went on to say that the specie

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10) Rec.5 p. 2. Even today these coppers are often called by the coloured people "dubbeltjies".
11) B.0.21 pp. 73-78, 3rd Dec., 1795; B.0.24 pp. 9-33, 14 Dec., 1795, - letter from Heemraden of Swellendam; B.0.5 pp. 110-111, 27th Feb., 1797.
12) B.0.48 p.87, 27th Dec., 1795; B.0.5 p.752, 24th Nov., 1801.
13) B.0.5 p.46, 23rd March, 1796; B.R.12 p.20, 48. - 1805.
14) Rec.I pp. 276, 277, 278. Gen. Craig to Rt.Hon. Henry Dundas.

which they had brought with them and which was put into circulation had totally disappeared. A very considerable difficulty was experienced for the want of a smaller currency than the skilling (6d) which was the smallest denomination available.[15] If a currency of less value than a skilling could be put into circulation, and if means could be adopted for substituting a coin in the room of all paper money of less value than a rix-dollar, he had little doubt but that the paper would regain its credit and serve every purpose of the internal circulation of the colony till means could be found for its final annihilation "if thought proper in the course of time, for it is the easy destruction by the continual circulation of the smaller species, and the frequency of imposition among the blacks who cannot read, which is the greatest source of complaint." The principal coins which the British have introduced were Portugese half Johannas, Pagodas, Spanish dollars, Rupees, some Guineas and a few coins of other denominations.[16] General Craig, being supported in this idea by the principal inhabitants, thought it would be highly beneficial to the Colony if a coinage of small money expressly for the Cape Colony could be sent out and issued as pay to the troops. This coinage should be of some composition of higher value than copper so as to reduce it in bulk from what it would be if of that metal and yet to be near the intrinsic value of its denomination. The rupee passed as half a Spanish dollar, which is more than its value, the stiver as a penny, and the skilling as a sixpence. He thought that the most convenient coins would probably be stivers, skillings, two skillings and four skillings. If this should be established, it would be necessary at the same time to adopt some method for withdrawing the paper money under the value of a dollar from circulation. General Craig thought this could be accomplished by calling in,

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15) See Also B.O.5 pp. 45-46, 23rd March, 1796 - Burgher Senate to Gen. Craig.
Ibid., 1, pp.201-209, 11th Dec., 1796, Burgher Senate to Gen. Craig.

16) Rec.1, p.279, 27th Dec., 1795, Gen. Craig to Rt. Hon. H. Dundas.

and exchanging it for paper of a higher denomination or by the sale of several lots of woodland near the Town.[17] The scarcity of small money still prevailed, however, and on 20th January, 1798, the Burgher Senate again represented to Lord MaCartney that the inhabitants were as a consequence necessitated to give one another tickets in lieu of money.[18]

The arrival of the British forces had an important effect on the value of the paper currency. The value of the paper rixdollar began to improve as a result of the large military expenditures of the British authorities in the Colony. There was an increase both in the local demand for products as well as in the volume of foreign trade. Payment for military supplies was at first made by the import of silver coins but as we have stated before these disappeared from circulation almost at once on account of the great demand for specie. Later, however, instructions were given that payments were to be made as far as possible in paper money which was purchased by the Paymaster-General in exchange for his bills on the British Treasury.[19] Both methods of payment would result in a rise in prices or a depreciation of money relatively to commodities.[20] These bills on the British Treasury were first sold to importers or others who had to make payments abroad at a premium of 25%.[21] This is tantamount to saying that in terms of English (sterling) money the paper rixdollar was at a discount. On account of the considerable supply of commissariat bills on London relatively to the demand the depreciation of money was checked relatively to bills and consequently, English sterling.[22] In July, 1796,

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17) Ibid., p.279.
18) B.O.5, pp.393-394, 20th January, 1798, Burgher Senate to Lord MaCartney; B.O.5, pp. 9-10; See also B.O.5, pp. 205-207, 25th July, 1797.
19) Kaapse Plakkaatboek (1795-1803) pp. 18, 51-2, 54, 97.
20) Leslie: Paper Money and the Gold Exchange Standard at the Cape, p. 159.
21) B.O.64, pp. 41,69,74,130; Rec.1, p.276; Rec.2, p.37.
22) Rec.1, p.406, 10th July, 1796, Gen. Craig to Rt. Hon. H. Dundas: See also Rec.5, p.2; C.O.226 No.60; B.O.1, p.287; B.O.21, pp.73-78.

the Paymaster-General sold bills on London at a premium of 25% but this premium dropped to 10% by October, 1796, and by April, 1797, the exchange was at par, i.e. the paper rixdollar regained its original value (4/-) in foreign exchange.

The importation of specie being liable to heavy expenses of freight, insurance etc., such was the confidence in this Government paper that Treasury bills were at a discount in exchange for it by 1797. Many factors are assignable for this circumstance. In the first place, there was a large naval and military force either at the Cape during this period or deriving their supplies from it, as well as money for the payment of troops and dock-yards; there was likewise considerable exportations of produce from the Colony to Europe, particularly of corn; many prizes also were brought in, their cargoes sold, and re-exported to Europe. From these various sources, therefore, an abundant means of remittance presented itself, and Treasury bills were not required. The paper rixdollar passed in exchange with foreign countries at a discount barely equal to the charges of transit of bullion and even in the year 1797 had acquired more than its par value in exchange for bills on the British Government.[23] Although General Craig had offered bills on London at par, an evident proof of the credit in which the rixdollar was then held, he found it impossible to procure the paper currency required. This circumstance caused the ordinary business to slacken "and it is even no longer possible to procure the necessary supplies for the troops."[24] The British authorities had already appropriated 40,000 rds. of the surplus revenue of the Colony to defray the extraordinaries of the army.[25] General Craig was, therefore, reluctantly compelled on 21st March, 1797, to give instructions for the issue of paper money to the amount

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23) C.O.226 No.60; Ebden: Op. Cit. pp.14-15; Rec.1, pp.271-2.
24) B.O.64, p.90, 21st March, 1797; Rec.2, p.194.
25) Rec.1, p.464, 1st Oct., 1796, Gen. Craig to Rt. Hon. H. Dundas; See also Rec.2, p.43.

of 250,000 Rds. "to stand upon the same footing and to be secured in the same manner as the old paper money is secured by the capitulation....." [26] Although this step would relieve the difficulties with respect to the extraordinary expenses of the military service, the subsistence of the troops was now reduced since they had previously received an advantage of 20 to 25 per cent and sometimes 40 per cent for their hard money whereas they now only received par. General Craig expressed the wish, however, that Lord MaCartney would bring the money he had already asked for in his former letters. [27]

While the rixdollar was appreciating in value in terms of sterling it was falling in terms of local purchasing power. The increased quantity of money and the greater velocity of circulation caused a substantial rise in prices. A comparison of the prices in 1798 with those which prevailed before 1795 shows that all prices had risen. [28] In most instances the prices of local products had doubled or even more, while imported goods had also risen though in a smaller proportion due partially to

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26) B.O.64, p.90, 21st March, 1797, procl. by Gen. Craig; See also Rec.9, p.473; B.O.1, pp.272-280, 24th May, 1797; B.O.5, pp110-111, 27th Feb., 1797.
The Burgher Senate had very strongly represented to General Craig on the evils that would result upon the issue of money "of no intrinsic value" (B.O.5, pp.105-112, 27th Feb., 1797) Gen. Craig replied as follows "at the same time that I confess that it has been the necessity of the case alone which has compelled me to have recourse to means to which from motives of a personal nature, I had the strongest reluctance, I have no scruple to say that I do not consider it in a light by any means so detrimental to the Colony as you seem to apprehend. That it would be a very desirable event that all the paper money should be annihilated and that nothing but specie should be seen in currency cannot be denied but without entering into an argument upon the circumstances relating to all Colonies in general, or those peculiar to this which render such a situation very improbable perhaps impracticable, I shall only observe that of £75,000 sterling which we have introduced into the Colony in the short space of 16 months not one farthing is now to be seen and with respect to paper money which it appears must be the only circulating medium the sum which I have ordered to be issued cannot be more than what is demanded by the immense increase of circulation occassioned by an expense which for the Army alone amounts to upward of 20,000 a week exclusive of that of the Navy". (B.O.5, p.134, 6th April, 1797)

27) Rec.2, p.71, 2nd April, 1797, Gen. Craig to Rt.Hon. H. Dundas

28) H.G. Swart: Ontwikkeling van Handel aan die Kaap (1795-1806) App. H. Rec.2, pp.236-237, 20th Feb., 1798.

the fall in exchange.[29] By 1798 bills were at a discount of 20 per cent., i.e., the rixdollar was at a premium in terms of English money. The increased quantity of paper money, besides causing a considerable decline in the purchasing power of the paper rixdollar in the Colony also caused a decline in the value of the rixdollar in terms of bills on England from the premium of 1798 to a discount of from 20 to 30 per cent.[30]

The dangers of the paper money were fully realised in England as a result of information sent by General Craig.[31] There were in circulation an amount of Rds. 1,291,276-42 of which 677,366 Rds. had been lent to individuals through the medium of the Lombard Bank upon fixed and moveable security while the remaining 613,910 Rds. were mortgaged upon the lands and buildings that belonged to the Dutch Company. It was also found that this paper money circulated at a considerable discount. It appeared that the sum of 677,366 Rds. lent to individuals was useful for all the purposes of internal exchange provided it could be issued and circulated at par. The British authorities in Great Britain thought that the first step towards attaining this important object was to recall the whole paper currency in circulation and that a portion of the sum which has for security the public property of the Colony might be redeemed by the sale of such parts thereof without any injurious effects to the public interests. The remainder was then to be replaced by coins imported from Great Britain of such denominations and value as might be best adapted for the circulation in the Colony. With respect to that part of the sum which has been lent to individuals it was to be replaced by a new paper currency to be made in England in order to preclude the possibility of forgery. The new Governor, Lord MaCartney, was sent out early in 1797 with instructions,[32] immediately upon his arrival at the Cape, to

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29) Leslie: Op. Cit. p. 159.
30) De Kock: Op. Cit. pp.357-358; Chalmers: Op. Cit. p.231.
31) Rec.2, p. 8.
32) Ibid.,2, pp. 8-9, 30th December, 1796, - Instructions to Lord MaCartney.

procure the most accurate information possible on the subject. He was furthermore to report as to what amount of notes might be redeemed by the sale of government property on which it was mortgaged without detriment to the public interest of the settlement; whether it would be advantageous to replace the remainder by specie; how the money lent to individuals might be replaced. On the 20th October, 1797, he reported[33] that the public property would not fetch a quarter of the paper money supposed to be charged on it and that some of the property, being indispensibly necessary to Government, could not be sold. The security of the lands and houses for the paper money was a mere illusion as not being convertible into immediate value. In reality the paper money depended upon the credit and solidity of the Government alone.[34] Professor Leslie pointed out, however, that securing issues on property is not sufficient to prevent depreciation; it would only be efficacious if it results in the limitation of the amount issued and the same effect would be obtained however the limitation was made. The depreciation at the Cape was not caused by the fact that the security on which the paper was issued was insufficient. It would have been equally great if the mortgaged property had been four times as valuable as it was. With regard to the 250,000 Rds. Lord MaCartney thought that it was in fact a loan to the British Treasury and might be annihilated by the Treasury remitting the amount in specie to buy it up. He doubted, however, whether such a measure would be at present advisable, because immediate inconvenience would arise from the paying off of so large a sum in these times of public difficulty and distress, which it now has the use of without having given any specific value or security in exchange, or even paying any interest for it. Moreover, he thought that this additional new paper together with the old, was not more than sufficient, considering the increased

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33) Ibid.,2, pp. 188-196, 20th Oct., 1797, - Lord MaCartney to the Rt. Hon. H. Dundas.
34) Leslie: Op. Cit. p. 159.

transactions of the Colony, to carry on the internal trade and that if it was now to be paid off they might soon find it necessary to coin paper afresh to replace it for the convenience of the inhabitants. If the 250,000 Rds. were to be redeemed it could be done in two ways to the advantage of Government. One mode would be by sending out a quantity of Spanish dollars assigned to this use alone and to be laid out occasionally in buying up 250,000 Rds. worth of paper according as the value of silver should be found to exceed and rise above that of paper which has been since his arrival in the Colony from 20 to 30 per cent. The other scheme would be by striking a silver coin in England containing one-fifth allay which would probably not be worthwhile to export from the Cape Colony and, therefore, would remain as a current money to that amount. This scheme of MaCartney revealed a great ignorance of the causes that had brought about the depreciation. For that very reason, as the quantity of money would have remained exactly the same, the depreciation would have continued. He went on to say that "I have great doubt, however, whether any operation short of a total annihilation of the whole paper currency, would produce a radical benefit, but I know not how such annihilation can be effected, for it never could be expected that Government should stand to the loss, and I have no idea that the Colony itself will ever be able or willing to charge the burthen, by any modification whatever either of revenue or security."[35]

The whole sum outstanding for which Government is responsible, amounts to Rds. 631,521-30 old paper at the surrender in 1795, 250,000 Rds. new paper coined by General Craig in 1797, to which is to be added 14,500 Rds. taken from the loan bank by General Craig in 1796 by which act its former capital of Rds. 659,755-2 was reduced to Rds. 645,255-2 - total Rds. 896,021-30. On the money lent out by the bank a clear 4% or about 25,000 Rds. per annum accrues to Government

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35) Rec.2, p. 195, 20th Oct., 1797, - Lord MaCartney to the Rt. Hon. H. Dundas

"which appeared to Lord MaCartney rather a singular one and different from the practice and policy of most other States.[36] If it was found to be true that the paper circulation be too much by 250,000 Rds. created by General Craig, Lord MaCartney suggested that it would be a right measure to get rid of the bank entirely. This could be done by gradually transferring the mortgages to individuals and to the monied bodies at the Cape, such as the Orphan Chamber and other charitable institutions charged with pecuniary administrations who might be empowered and directed to lay out the balances accruing from time to time under their management, in the purchase of bank mortgages and securities till the whole bank capital should be reimbursed and paid off.[37] This would probably be an operation of two or three years but the paper in circulation would be diminished by 645,255 Rds., the Government would be relieved from its debtors and the bank cease to be "an instrument of mistaken policy and exceptionable profit."[38] It is true, that by cancelling this paper the Government would lose the interest of it but being a revenue of a very recent creation, of an unnatural growth and of a usurious nature, it might be replaced by some other source.

Lord MaCartney found it difficult to make an estimate with precision of the amount of paper money in circulation. On the one hand there could be a probable deficiency occasioned by loss or obliteration which would make the total less than what appears on the register, and on the other hand there could be an increase in the total circulation owing to frauds and forgery. He, therefore, suggested that all the paper should be called in before a certain fixed day and exchanged for other, and that all the old paper not brought in before that day should be declared null and void and of no further currency or value.[39]

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36) Ibid.,2, p. 191.
37) Ibid.,2, p. 192.
38) Ibid.,2, p. 192, 20th Oct., 1797, - Lord MaCartney to the Rt. Hon. H. Dundas.
39) Ibid.,2, pp. 192, 193.

The Governor fully realised, however, that in order to put his scheme into operation it would probably take up a good deal of time and much deliberation. In the meanwhile it was absolutely necessary to supply the Cape Colony with specie sufficient to discharge the subsistence of the forces.[40]

Before the British Government in England could act on Lord MaCartney's recommendations the Bank of England, whose stability was being threatened by the Napoleonic War, resolved to suspend the convertibility of its notes. England had incurred such expenditure that her financial position became menaced. The gold reserve at the Bank of England had been seriously depleted, and when rumours of a French landing brought about a panic and a demand for gold, an Order-in-Council had to be issued in 1797 permitting the Bank to suspend payments in cash. Extra notes were issued to meet the deficiency in the currency, but the issue was in excess of actual requirements, with the result that the notes became depreciated in value, while gold coins disappeared from circulation. It was not until 1821 when the bank note currency was established on a convertible basis following legislation passed in 1819, providing for the gradual resumption of specie payments. Under these circumstances, therefore, it could not be expected that the British Government should follow a more rigorous policy at the Cape. It is not suprising that the War Office resolved that no material alterations should be made in the Cape currency

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40) Ibid.,2, p. 195.
"I flatter myself that you will excuse me for so strongly pressing the regular remittance of specie here for the payment of the private soldiers. I am the more solicitous on this point, because I am apprehensive that an idea may be entertained of the probability of persuading them to take their subsistance in paper, with the addition of the difference between it and specie. I do not absolutely deny the possibility of it, but I know the nature of these gentry so well that I could have little hopes of their long remaining satisfied, for from their not well comprehending the fluctuation of exchange, and from their suspicious nature, they would be apt to complain of being cheated, and would bring forward the circumstance, in addition to other imaginary grievances."

till the conclusion of peace. They agreed however to send out £5,000 in copper as there was a great need of small change.[41]

On the arrival of a considerable supply of copper coins, Sir George Yonge, who succeeded Lord MaCartney as Governor of the Cape Colony, proclaimed on 14th January, 1800,[42] that these coins weighing one English ounce would be issued to the garrison and would thus be brought into circulation at the rate of twopence or two stivers for each copper; and in order that no one may plead ignorance of the rate or legality of this or of any other coins circulating in the Colony, he judged it most expedient to publish a table of all the specie legally circulating in the Colony with the rate affixed to each at which they should be considered a legal tender in all transactions. Except with the addition of the new copper coin this table is the same as the one published on 1st October, 1795, by the British Commanders. "It does not appear necessary to mention the paper money as each piece has its own denomination marked upon it."

No money either paper or specie were in circulation of denominations smaller than a skilling or sixpence or six stivers. It became necessary, therefore, to permit some corporations and individuals who had to make small payments, to issue and circulate private cards or notes for dividends of the skilling. But, seeing that a copper coin was now to be circulated in the Colony, this practice of private cards or notes was now prohibited. The copper specie having been sent to relieve the inconvenience of persons requiring to make small payments, nobody was to collect the same for making payments, nor would it be deemed a legal tender to offer them in payment of any sum exceeding £6 or 30 Rds. It was found, however, that the law prohibiting the exportation of any specie from the Colony had been frequently

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41) Rec.2, pp. 258-261, 18th June, 1798, - Letter from the War Office to Lord MaCartney.

42) B.O.62, pp. 269-273, 14th January, 1800, procl. by Sir George Yonge.
See also Rec.3, p.26, 12th Jan., 1800, - Sir George Yonge to Rt. Hon. H. Dundas.

evaded in a fraudulent manner.[43] Since it was difficult to fix the current value of the copper coin in such a manner so as to remove the risk of its being either exported or imported, the export or import of any sum exceeding £10 or 50 Rds. was made punishable by a fine of treble the value, confiscation of the ship and cargo, or condemnation by sentence of the Court of Justice.

Sir George Yonge felt that the increasing commerce called for more paper money.[44] He wrote to the authorities in England that he had received some very pressing applications to increase the paper money. This seemed to him a matter worthy of consideration "but the doubt is, whether an addition to the quantity of paper already great, will not depreciate the present value of the paper, now issued, by overloading the market, as well as whether all increase of paper currency, not supported by specie, but absolutely substituted in the room of it, will not tend to drain the Colony of all the specie that is left."[45] It was clear to him, however, that paper currency not supported by effects to answer the amount if called upon, could never stand its ground. He considered the best method would be to establish a Colonial Bank.[46] This Bank was to issue currency like the Bank of England payable to bearer and answerable in specie on demand; in addition it was to discount merchant's bills and all other bills of good credit; and, finally, all persons pouring specie into the Bank at a denomination to be fixed were to receive a certain rate of interest after a given time or become a stock-holder at his option. Nothing, however, became of this proposal.

Professor Leslie[47] pointed out that one of the mis-fortunes which attend an increase in the quantity of money is

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43) Vide., B.O.38 No.81; Ibid.,39, Nos.63, 69; Rec.3, p.323.
44) Rec.3, p. 323, 22nd Oct., 1800, - Sir George Yonge to the Rt. Hon. H. Dundas.
45) Ibid.,3, pp. 394-395, 10th Jan., 1801, - Sir George Yonge to the Rt. Hon. H. Dundas.
46) Ibid.
47) Leslie: Op. Cit. p. 160.

that once a higher level of prices has resulted these come to be looked on as natural. If the higher price is to be maintained a greater amount of circulating medium is required. It may even seem that there is not enough money in circulation to carry on trade with these prices. The same thing happened at the Cape Colony. In November, 1801, the Burgher Senate very strongly represented to Lieutenant-General Dundas the serious inconveniences experienced by the small quantity of paper currency in circulation bearing no proportion to the increased trade nor to the property it is meant to represent. In two memorials on the subject they requested that at least 300,000 Rds. should be put into circulation through medium of the Lombard Bank because "the scarcity of paper money has reached its ultimate point."[48] By a proclamation[49] issued on 1st January, 1802, Lieutenant-General Dundas created an additional 100,000 Rds. The interest arising from this newly created sum was not to be paid into the Government Treasury as was the case with that proceeding from the capital in the Bank, but it was to be paid into the Treasury of the Burgher Senate to be applied for the general benefit and improvement of the Town and thus alleviate the heavy pressure of the assessments raised for that purpose. A further sum of 100,000 Rds. was placed at the disposal of a Corn Committee in order to buy all the corn brought into Cape Town. It was the intention, however, to destroy the 100,000 Rds. as soon as the corn was issued to the bakers. A further amount of 80,000 Rds. was also advanced to the Corn Committee for the purchase of rice to provide against famine in the Colony; the rice was to remain as a pledge in the same manner as the wheat-corn and the paper money representing it was to be destroyed as soon as the rice

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48) B.O.3, pp.557-575, 24th Nov., 1801; B.O.5, pp.749-762, 24th Nov., 1801; See also L.B.10, 28th July, 1801, - Letter of A. de Smidt to Caledon.

49) B.O.62, pp.509-516, 1st Jan., 1802, procl. by Lt.Gen. Dundas.
Ibid.,64, pp. 351-352, 2nd Jan., 1802, - procl. by Lt. Gen. Dundas.
Ibid.,53, No. 442, 4th Feb., 1802; Rec.4, pp. 135, 139, 141.

was sold. It will be noticed, however, that these two last mentioned sums for the Corn-Committee was not to be added to those already in circulation. It must be considered merely as a temporary measure and mutual accommodation between the Government and the inhabitants.

Subsequently, 65,000 Rds. were provisionally transferred from the Corn Committee to the Loan Bank, thus raising its capital to 845,000 Rds. [50] The remaining 35,000 Rds. were cancelled. [51] The paper money issued for the purchase of wheat was destroyed as soon as the wheat was sold, [52] but the greater part of the rice purchased was still in the magazines and an Officer was left behind when the British evacuated the Colony in 1803, to sell it as soon as possible. [53]

On delivering over the Colony to the Batavian Government the 250,000 Rds. issued by General Craig was secured to the new Government by the transfer of 365 slaves valued at 150 Rds. or £30 each and for the residue various kinds of military stores. [54] Both the 250,000 Rds. created to meet public expenses and the 80,000 Rds. created as a fund for the purchase of grain were, therefore, duly accounted for by the British Government to the Batavian Commissioner and constituted a part of the debt for which the Batavian Government became exclusively responsible. When the Cape Colony was restored to the Batavian Republic in March, 1803, the total amount of paper money in circulation was Rds. 1,786,276-7. Of this sum 810,255 Rds. constituted the capital of the Lombard Bank, and which it was empowered to issue in loans upon mortgage of fixed property. It might have been hoped that this opportunity for purging this important Colony of the scourge of unsecured paper money would

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50) B.O.64, pp. 355-356, Govt. Adv., 28th Jan., 1802; B.O.53, No. 442, 4th Feb., 1802.
51) Ibid.,64, pp.382-383, 16th Dec., 1802; Rec.9, p. 474.
52) Rec.4, p. 135.
53) Theal: Op. Cit. since 1795. 1, p. 99.
54) Rec.9, p. 473; Rec.6, p. 274.

have been taken by the Dutch, and that they would have now remedied the evil introduced by them into the Colony some twenty years before. But, unfortunately, during the Dutch re-occupation from 1803 to 1806 the evil was aggravated rather than alleviated.

Prices had again risen in the meantime and the paper Rixdollar again declined in value. This depreciation relatively to bills, however, had been reduced by the large remittances made for the support of the British forces. Although the paper money was secured by the property of the former Dutch Company or by mortgages on private property, it was not sufficient to prevent depreciation of the Rixdollar because the money was not convertible into specie and was issued in excess.[55]

Résumé of Note Issues 1795-1803.

Total circulation 15th September, 1795	Rds.	1,291,276-42
Issues:		
21st March, 1797		250,000
9th February, 1802, for Loan Bank		165,000
9th February, 1802, for Grain Committee		80,000
Total circulation of paper money on 9th February, 1802.	Rds.	1,786,276-42

Of this sum 810,255 Rds. were in the hands of the Lombard Bank; the remaining Rds. 976,021-42 was the amount of His Majesty's debt to the inhabitants. The Bank capital was either in its coffers, or constituted a debt due by individuals to that establishment.

The course of the Rixdollar under the First British Occupation can now be briefly traced. All transactions at the Cape by advances of paper money (and specie) on bills of exchange on the British Government in London had from the year 1780 to 1795 always been drawn at the rate of 48 stivers Holland current,

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55) De Kock: Op. Cit. p. 358.
Leslie: Op. Cit. p. 160.

with $8\frac{7}{8}$ per cent. advance, and private bills $4\frac{1}{2}$ Rds. per £ sterling between Amsterdam and London.[56] Owing to the increased mercantile, agricultural and military transactions which demanded additional capital and greater circulating medium, while the importation of specie during the war being always liable to an increased expense of freight, insurance, etc., and less remittance being wanted to England, Government bills had fallen to a discount (or less value) by September, 1797. This was also the case in India and on the Continent and all other places where Government had occasion to obtain money often at 20 and 30 per cent. discount. Instead of upholding the value of the Government paper currency by paying the exchange of the day equally as for the specie it represented, the British authorities issued additional paper currency to the amount of 330,000 Rds. A further 165,000 Rds. were added to the note circulation which made the total addition of 495,000 Rds. These several issues again reduced and depreciated the paper currency and the exchange accordingly rose to 20, 25 and 30 per cent. It would probably have risen still higher had not Lord MaCartney in 1798 very wisely ordered (to keep up the value of the paper currency) that the Paymaster-General was not to accept any offer above, but give all Government bills at 20 per cent.[57] Instead of granting bills at 4/- sterling per rixdollar to destroy the 250,000 Rds., General Dundas had resolved to give some military and naval stores to the Dutch authorities and by this time the exchange had risen to 35 per cent. As the 330,000 Rds. were so accurately accounted for, a fair inference may be drawn that the British Government had been equally tenacious of its credit in this instance also, by making, on relinquishing the Colony, an arrangement for the redemption of this sum perfectly satisfactory to the Dutch authorities. Had not this been the case, it must have occasioned some diplomatic discussion. From this view of the subject, it appears that the British Government have in every instance fulfilled the pledge given, on behalf of the currency relative to its security.

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56) Strembom: Op. Cit. p. 21.
57) Ebden: Op. Cit. p. 11; G.H. 34/3, pp. 15-20.

CHAPTER III.

THE CAPE UNDER THE BATAVIAN REPUBLIC (1803 - 1806).

On 27th March, 1802, a definite treaty of peace between England on the one side, and France, Spain and the Batavian Republic on the other, was signed at Amiens, in which it was stipulated that the Cape Colony should be restored to the Batavian Republic in full sovereignty as before the war. The Council for Asiatic Possessions and Establishments was anxious to make a clean sweep of past abuses and to open a new era in Colonial administration. J.A. de Mist, a distinguished lawyer, was ordered to examine the relationship of the Cape with the mother country in all its bearings and to report. De Mist had to advice the Dutch Government on the possible form and administration of government at the Cape. The Memorandum which be submitted in 1802 was an extremely able document which gained the warm approval of the Council. Naturally, the currency problem also received attention in his Report. An important fact concerning this document is that it was written before De Mist had ever visited the Cape and it was based on official Company records and the writings of John Barrow. Lieutenant-General Janssens was appointed Governor and De Mist accompanied him as Commissioner-General to put his recommendations into effect.

The task of the new Government, however, was not an easy one and matters were further complicated by the resumption of war on 12th May, 1803, less than three months after the restoration of the Cape.[1] Lavish expenditure[2] during the

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1) Arndt: Op. Cit., p.20; B.R. 39, p.349.
2) de Kock: Op. Cit., p.86.

British occupation had caused a new prosperity to spread throughout the Colony; imports of luxury increased and the prices of local commodities became exorbitant, while landed property increased in value by a third. Unlimited credit was the order of the day and everyone could obtain large amounts quite out of proportion to their standing or their income. But when the more economical Dutch rulers came to the head of affairs credit ceased and poverty became more evident from day to day. The moment it became known that peace had been declared, the British residents at the Cape decided to pack up and preferred to sell their property even at a loss.[3)]

Memorandum of de Mist.[4)] — The coins which were commonly found circulating at the Cape, he informs us, were the ducaton, the driegulden, the dollar, the gulden, the zesthalf (5½d) and the double stiver. In addition to these real coins, the rixdollar and the Cape gulden were also in use as well as coins such as the Piatre, the Rupee, etc., which he regarded more as commercial specie than as actual currency. The ducaton which should have been valued at 66 stivers Netherlands, circulated at the rate of I½ rixdollars or I2 skillings or 72 stivers. The driegulden, dollar, and gulden were first introduced at the Cape in I784. According to a proclamation of 3rd May,I784, they were to be circulated at the following rates: the driegulden at 72 stivers or I2 skillings; the dollar at 36 stivers or 6 skillings; and the gulden at 24 stivers or 4 skillings. The silver piece or zesthalf was put into circulation, without having been authorised by proclamation, at the rate of I skilling or I2 for a ducaton or driegulden. The double stiver, called the dubbeltjie, was circulated at 36 for one ducaton or driegulden, and I2 for one gulden.

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3. Arndt: Op. Cit., pp.20-2I.
4. de Mist: Op.Cit., pp.276-283; B.R.86.

De Mist pointed out that the harmful effect of the circulation of the double stiver was brought to the notice of the Directors in Holland through the Cape trade books. They immediately expressed their displeasure, and issued instructions that during the year 1791 the double stivers still in the treasury should be circulated in the proportion of the drie-gulden, i.e., 30 for a driegulden or ducaton. This would fix the value of the double stiver at $2\frac{2}{5}$ stivers. But the performance of this task was so little to the taste of the Cape ministers that they let the remaining double stivers be idle in the treasury until the arrival of Commissioners-General, who then, according to their general report, found it necessary to allow the rest of the coins to be circulated at a nominal value, that is, at the original value of 36 for a driegulden. This course they were forced to pursue owing to the inconvenience caused by non-payments. They advised the Government not to send any more single or double stivers to the Cape.

"The rixdollar is an imaginary coin or so-called money of account, valued at 48 stuivers or $\frac{2}{3}$ of a ducaton or driegulden; but at the time of the introduction of the paper currency in the year 1782, it was given a tangible form, since all the paper money was stamped with the denomination of rix-dollar. The Cape gulden is also an imaginary coin, and is usually employed by the Cape burghers in transacting sales, or in valuing immovable property. It is worth 16 stuivers, and thus three Cape gulders are equivalent to 1 rixdollar."

There had been wide fluctuations in the values of the various coins. The ducaton, valued at 63 Netherlands stivers had increased in its face value by 9 stivers, or $14\frac{2}{7}$ per cent; or, if reckoned according to the value of 66 stivers placed upon it by the East India Company, its value had been enhanced by 6 stivers or $9\frac{1}{4}$ per cent. The driegulden, dollar or

gulden had increased in face value by 20 per cent, the zesthalf by 9⅓ per cent., while the double stivers had decreased by 16 2/3 per cent. "The fact that, in 1784, the driegulden obtained the same face value as the ducaton, was bound to have the effect of causing the gradual disappearance of the latter, which it was found could be exported to India with profit. For this reason the Commissioners-General sent the remainder of these coins found in the treasury, numbering 2092, to Batavia. It is very possible that the same thing happened in connection with the double stuivers and zesthalven, especially with the dubbeltjes, upon which 25 per cent profit could be made by sending them to India, and 20 per cent by sending them to the Motherland. By sending the zesthalven, the driegulden dollar or gulden to the Motherland a profit of 10 TO 11 per cent could be obtained." Thus, in several instances substantial profits could be made by exporting these coins to Holland or India.

Accordingly, in order to establish a fixed rate of exchange for the different coins in future, de Mist proposed that the driegulden or gulden be made the unit or standard coin. "The rate of exchange should be 20 per cent above its nominal value here in Holland; that is, the driegulden circulates at 72 stuivers and the gulden at 24, just as they circulated in 1784, in future only the driegulden, dollar, gulden, half, quarter and eighth gulden should be allowed to circulate, as laid down by the Commissioners-General, and confirmed by the former East India Government."

The Company also sought and obtained the sanction of Government to mint half, quarter and eighth gulders, by Resolution of 31st December, 1793. Owing, however, to the outbreak of war just at that time, they did not make use of the sanction granted." The effect of this resolution, therefore, would

have to be reclaimed, but in that case it must be borne in mind that the smallest coin in circulation would have the value of 3 stuivers. This would not be enough for carrying on every-day business." De Mist accordingly suggested that sixteenths should be minted in the same proportion and in the same manner as was laid down by the Resolution before mentioned, obtained from 172 stivers, that is, to divide the further small coins into whole or half doits, with a rate of exchange equal to one fourth or one eighth of a stiver, similar to the coins in circulation in the Indian possessions. These coins had now and again drifted to the Cape and had been in circulation at this rate of exchange among the Cape Colonists. The Colonists would much prefer these coins, valued at sixteenths of a gulden, and doits to the copper coins introduced by the Commissioners-General, valued at $1\frac{1}{2}$ and $\frac{3}{4}$ of a Cape stiver or at 10 and 5 doits Netherlands currency. De Mist pointed out that these coins, since they were quite new and unfamiliar, would not be received and adopted as readily as the doits with which the Colonists were already familiar, were it not for the fact that without the introduction of fresh coins of a smaller denomination, those already in use could not be divided up into smaller parts. In addition to these coins the ducaton should also be retained in circulation since it had been the most accredited coin in the Cape and in India for many years. "This would be a most useful arrangement, since the value of the ducaton in the Netherlands is 66 stuivers, and it is valued at that rate both at the Cape and in India, with the addition of 20 per cent exchange, which raises its purchasing power to 79.75 stuivers. Its value could therefore be fixed at 80 stuivers, at which it has circulated in India for many years."

De Mist then proceeded to state the reasons why the rate of exchange was fixed at 20 per cent above its value in the mother country. In the first place the exchange had been on this basis for a great number of years; secondly, the rate would in that case coincide with that of the other Dutch Colonies in America; and lastly, it had already been brought to the notice of the Dutch authorities "that in the Colony of Surinam all units of money one circulated at 20 per cent above their nominal value." It therefore seemed advisable, he considered, to apply the same rule to the possessions in the East Indies, especially since it would greatly facilitate all relations between the Cape and India and might possibly bring about a regular system of exchange between those two countries. It would also facilitate the exchange of specie between the Netherlands and the Colonies by placing them all on an equal footing. Finally, it would be most convenient to reckon currency by means of the familiar imaginary rixdollar which had been in general use for so many years, and which could only be recalled from circulation with great inconvenience while the paper currency continues to be legal tender. A driegulden would thus be I½ rixdollars, a gulden ½ rixdollar; and this would be bound to facilitate trade.

No matter which of these coins it was decided to retain it was necessary that the Commissioners to be sent to the Cape should be supplied with at least 100,000 guldens, consisting of a certain number of these various coins. Part of this sum they were to take with them and part they were to receive shortly after their arrival at the Cape. This money was to be distributed as soon as it was necessary to increase the circulating medium, and immediately after the introduction of the new Government the colonists should be informed by proclamation of the new standard coins adopted by the Netherlands Government and also the new rates at which the currency

would in future be received and paid out. All other coins were to be accepted only as units of trade, and each individual was to be entitled to regulate the rate of exchange as best suited his own convenience and profit, without being bound to accept the conditions of any other person. "Such a public advertisement would not only place the value of money on a firm basis but would also have a favourable effect upon paper currency through the medium of money paid out in specie, especially when payment of large sums is not wholly made in hard cash, but partly in paper money. By this means specie would more quickly be put into circulation, especially if, after the lapse of a year, a similar sum of the same currency, amounting to £100,000 could be despatched to the Cape, when the credit of the Government would immediately be placed on a firmer basis."

Old Paper Money Replaced. — The Commissary-General, immediately after the restoration of the Colony to the Batavian Republic, took into serious consideration the very important subject of the paper money in circulation:[5] "van den aanvang af, dat ik deeze volkplanting voor de Bataafsche Republiek hebbe overgenomen, is my de materie van de hier courante cartonnen of papieren munt toegeschreenen eenen van de meest gewigtige pointen". Early in 1803 be issued provisional instructions[6] to the Council of Policy with regard to the paper money and it was suggested to the Governor and Council to maintain the credit of the paper money. In addition they had to prepare as soon as possible a register of the quantity of paper money in circulation "en 't regelmatig doen aanhouden van dit Register met de successive veranderingen, verwisselingen voor versletene stukken, of vernietigingen daar omtrent plaats hebbende, altyd met byvoeging der nummers, met welke ieder der bysondere cartonne geld stukken zyn gequotiseerd — en daar by het aanhoudend bedagt zyn, om

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5) B.R. 110, p.233 22nd Aug.,1803; B.R. 114,p. 35 Feb./ March 1803; B.R. 5, p.93.
6) B.R. 114, p. 35 Feb./ March 1803.

hetzelve tot op eene onschadelyke hoeveelheid te doen verminderen, en de beste middelen daar toe aan den Commissaris Generaal, of ook, na zyn vertrek, aan den Asiatischen Raad op te geven". Yet for many reasons de Mist deemed it most prudent to come to no determination on this subject, or to make no other restriction until a longer stay in the Cape Colony should have made him better acquainted with the actual circumstance and utility of the paper money, and by collecting the necessary information from all quarters, should have obtained that certainty which was absolutely necessary to advance by sure paces and to establish such regulations in this respect which were to confirm the Colonists in their confidence in the Batavian Government and the value of the paper money in circulation by their authority.

De Mist had had access to the Secret Resolutions of the former Governor Sluysken and the Council of Policy taken on I6th and 20th February,I795, as well as other official documents. These had convinced him of "de onvergeeflyke slordigheid (om geene andere, misschien meer verdiende woorden te gebruiken) die zo by de creatie - als hy de successive verbranding en wederaanvulling van dit papiergeld heeft plaats gehad. Niemand is er, die self by raaming, op 25 m Ryksdaalders na, zou durven zeggen hoe veel er werklyk in roulance is. Nergens vind men voldoende bewyzen dat de successive ter verbranding gedestineerde specien werklyk verbrand zyn, en of de geduurige creatien van nieuwe munt specien altyd gestaan heboen in de juiste en arithmetische evenredigheid met het bedragen van de vernietigde."[7] Thus, from the moment of the first creation of this paper money so many alterations had taken place as to the stamping, signing and circulation thereof, that it was impossible for the Government to know, with sufficient certainty, whether

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7) B.R. IIO p.234 22 Aug. I803.

the respective sums appearing in the books, or whether more or less, were in circulation. Moreover, there were considerable sums of money unfit for circulation in the hands of the acting Receiver-General, which could not be disposed of and which of course might be considered as a loss to the Colonial finances. This evidently caused a hindrance to the circulation of money. These circumstances have caused an uncertainty as to the total amount of this paper money which of course must have a fatal influence on the value which ought to be given to it. The Commissary-General was therefore convinced that the only method to obtain certainty was to exchange all the old paper money for new issues.

The Governor and Council likewise postponed action and it was only on 28th January,1804, that[8] Governor Janssens issued a proclamation to this effect. In consequence of the freedom of trade already granted and further to be granted, he declared, the exports and imports would not balance. Accordingly there was no hope that the Batavian specie, in whatever great quantity it might be imported, would remain in circulation. "Consequently the continuation of the paper money, at least provisionally, is of a positive and incontrovertible necessity."

It was further proclaimed that new paper money was to be prepared equal to the amount in circulation which would be exchanged against the old paper money which was then to be destroyed by fire in public. A certain day was to be fixed, calculated at the possibility that all the inhabitants of the most remote limits might have obtained proper information, and three months after the expiration of that day, the old paper money should be of no value and considered withdrawn from circulation.

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8) B.R. II5, pp. 383-390 I8th/28th January, I804. This proclamation was enacted on I8th January, I804, and promulgated on 28th January, I804.

The total amount of the new issue was to be for I,706,000 rds which would bring about a decrease of Rds 240,000-42. In the above amount would be included 8I0,255 rds of the Lombard Bank, but not the 80,000 rds created by the British Government in I802 for the purchase of rice. A considerable quantity of rice was still in the granary and this sum was required to pay for the grain laid up in the granary as a stock. Governor and Council, however, engaged to "destroy this sum as soon as the reasons are removed why such granary is continued on the part of government." A special Committee was appointed to supervise this new issue.[9] Every precaution was also observed to prevent forgery. The conversion of notes would commence on Ist February, I804, after which day the new rates were to be considered fit for circulation and of full value. "The utmost regularity, despatch and publicity shall be observed by the committee, as to the successively destroying of the exchanged old notes; for which purpose, as soon as the conversion shall have commenced, and as after as there shall be a sufficient quantity of exchanged old notes on hard, a public burning thereof shall be effected; and at each time official communication-----

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9) B.R. II0, pp. II7-II8 25th August, I803; B.R. II5, p.387 28th I8th/January, I804, Governor and Council, by their resolution of 23rd August, I803, entrusted the direction of the note conversion to a particular committee, consisting of two members of the Council and the respective presidents of the Colonial Accountant department, of the Orphan Chamber and of the Lombard Bank. These departments in their several situations, were the most interested in the solidity of the Colonial money.

Vide B.R. 3, pp. I605-I606.

shall be made through the Cape Gazette".[10]

Acting on the suggestion of the Committee of Conversion General Janssens issued a proclamation on 24th August, 1804, to the effect that as from the 1st February, 1805,[11] the old paper money would cease to pass as currency. By this operation the whole sum of current rixdollars created with or without security was thrown into one common undistinguished mass and all question of priority or preference set at rest. By this transaction

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10) B.R. 115, pp. 388-390; procl. 18th/28th January, 1804. Procedure for Conversion:

I) "All public departments having the administration of any monies, shall be called upon to effect the conversion on the second day of said month(February), and will be required to make a statement of the old paper money in their possession, and to transmit such statement, together with the old paper money, to said Committee; and which notes are to be put, sort by sort, and for as much as possible ten together; and having received the new notes in return, they shall have to grant an acquittal written on said statements."

2) "On a next day, to be communicated through the medium of the Cape Gazette, all public officers having any administration of money shall be called upon in manner and for the purpose as aforesaid.

3) "These departments and officers are hereby seriously recommended, in receiving from individuals, and even in exchanging monies, to give every facility, since they are at liberty to call on each fourteenth day, in order to exchange the old notes received by them for new ones in the mean time.

4) "All individuals who, either for themselves or jointly with others, have rixdollars 10,000 to tender for conversion, shall be called upon in manner as aforesaid, and to add a statement thereto, the notes made up by ten pieces, and to sign a receipt.

5) "On a further day, and by medium of the Gazette, all those who have one thousand to 10,000 rixdollars, and less,to exchange, shall be called upon in manner as aforesaid, and so further respecting smaller sums, as to the Committee may seem expedient and necessary to prevent confusion.

6) "Finally, the remainder of the new notes shall by round sums be placed in the hands of the Receiver-General, for the accommodation of individuals in the conversion.

11) B.R. 115 pp.541-543 25th April/24th Aug., 1804 procl. by General Janssens.

Government also gained 32,I96 rds in the non-appearance of old paper.[I2] According to every principle of good faith and honour, the 250,000 rds and 80,000 rds duely accounted for by the British authorities at the currender of the Colony, should have no longer remained a burden upon the public as tending to depreciate the original issues. But it would seem that the apparent advantage of the moment had superseded every other consideration. The 80,000 rds created in I802 for the purchase of rice, instead of being destroyed, was converted into a corn fund.[I3] It follows therefore that these sums had in reality no security.

On I8th February, I805,[I4] Janssens was able to inform de Mist that the Committee had completed its task and proposed that each member of the Committee should be given as a token of appreciation a piece of household silver, and that the officers who helped in executing the task be given a monetary reward of 5 per cent of the profits made in this exchange.

It was discovered, however, that forged paper money was put into circulation and in March,I805,[I5] Janssens issued a proclamation offering 500 rds to the person who could lead to the conviction of the forger.

Copper Money. ___ Owing to the fact that the balance of trade at the Cape was always unfavourable it was inevitable that more specie should always be exported out of the Colony than entered it. The money for foreign payments had to be either hard currency or valid bills of exchange, for example, on the British Government or the Asiatic Council. Spanish dollars left the Colony more swiftly than it entered it and according to Janssens they were "de eenige munt specie die in

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I2) Rec 9, p.474.
I3) Rec 22, pp.I23-I24; C.O: 6II4; See also R.G. 5, pp. 86, 3II, 375, 576, 584, 647.
I4) Van der Merwe: Die Kaap onder die Bataafse Republiek(I803-I806) p. 345. See also R.G. 3, pp. 294, 335, 487, I804; B.R. 3,pp.I559; B.R. 6, pp.942,949, I098, I263, I426, B.R. 8, pp. 2450, 2697.
I5) B.R. II5, p.7I3 20/23 March I805 procl.by General Janssens R.G.5 p.4II.

den buytenlandschen handel gebeezigd word."[16]

When the Batavian authorities arrived at the Cape there was in the Colony a considerable quantity of gold and silver money. This was to a certain extent increased by the sale of eastern goods such as coffee, sugar, etc., the hard currency received from foreign ships for refreshment, and quantities of specie received, for instance, from Batavia.[17] But when the English left the Colony in 1803, diminution had already begun. It was caused "deur het inkoopen van zilveren en goude munt specien door de Engelsche, die na de overgaav zich na Europa of Indien begaven; - door den noodzaaklyken uitvoer om de benodigde goederen magtig te worden, welken de vreemde scheepen tegen onmatige pryzen hier aanbrengen-----" [18] When de Mist come to the Cape he brought with him f 100,000 in specie[19] but in December,1802, he very strongly requested the Asiatic Council to send out some money with the first opportu - nity because "ik kryge de Colonie terug met eene volstrekt leedige casse-------"[20] He was convinced, however, that the money he brought with him could not profitably be put into circulation at the Cape and f 85,024 were accordingly sent to Batavia while the remainder, viz., f 14,976 were put in circula- tion at the Cape.[21]

Under the British rule, copper money to the value of 25,000 rds were brought into circulation. It consisted of 600,000 copper dubbeltjes, 24 to the Cape rixdollar or 12 to one

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16) V.C. 123 Memorandum no.H, p.1 4th March, 1805. General Janssens to Asiatic Council. See also B.R. 89, p. 24 Sept., 1805 Colonial Secretary Truter to Asiatic Council.

17) R.G. 2, pp. 36-37 Resolution 19th January, 1804; R.G. 236, 1803-1805
V.C. 123 Memorandum no. H., pp. 1-2 4th March, 1805. General Janssens to Asiatic Council:
B.R. 89, p.24 Sept.,1805 Colonial Secretary Truter to Asiatic Council:
Rec. 6, pp.314-317; R.G. 6, p.333 Oct., 1805.

18) V.C. 123 Memorandum no.H. p.3 4th March, 1805 General Janssens to Asiatic Council.

19) B.R. 107, pp.3-4 7th July, 1802; B.R.2, pp.914-927 3rd June, 1803.

20) B.R. 92, p.9 28th December,1802 Com.Gen.de Mist to Asiatic Council.

21) B.R. 92, pp.80-81 15th January,1803; B.R.92,pp.103,114,128; B.R.2, pp.914-927 3rd June, 1803.
B.R.105, pp.165-166 9th June, 1803 Com.Gen.de Mist to Asiatic Council.

Dutch gulden. Of these copper money de Mist said their actual value was equal to one stiver "doch voor twee stuivers cours heeft,"[22] i.e., it circulated at 100 per cent advance. He also found that "deeze munt door de geheele colonie verspreid, is by gebrek van alle andere klinkende specie vooral in betaling van kleine levensmiddelen ------- uitermaaten nuttig."[23] The Commissary-General, however, took over the copper money of the British regime and it was his intention to have them stamped with "B.R." (Batavian Republic) and to bring them into circulation by payments to the garrison.[24] Later, after the stamp had already been made by an Englishman, he decided to abandon this idea, for the stamping process would prove expensive and he was also afraid of forgery and smuggling from England[25] while technical difficulties were also a contributing factor. De Mist therefore requested[26] the Asiatic Council should mint, in place of the 25,000 rds (f 50,000) in copper money, which copper would bring in f44,000 Dutch, small Cape coins as many as 600,000 of the value of 2 stivers (f50,000), 600,000 of I stiver (f25,000), and 6,000 of ½ stiver (f12,500). The total value of the specie would have at the Cape an exchange value of f87,500 and yet no

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22) B.R.92, p.78 15th January, 1803 Com.Gen.de Mist to Asiatic Council; Vide B.R. 136 7th March, 1803;B.R.136 7th March, 1803; B.R. 100, p.40 18th March, 1803 Com.Gen. de Mist to Asiatic Council.

23) B.R. 100, p.42 18th March, 1803 Com.Gen. de Mist to Asiatic Council.

24) B.R.92, p.78 15th January, 1803 Com.Gen. de Mist to Asiatic Council; B.R. 136 7th March, 1803 B.R.92, p.78 15th January, 1803 Com.Gen. de Mist to Asiatic Council; B.R.136 7th March, 1803 B.R. 109, pp.146-147 17th March, 1803.

25) B.R. 100, pp.43-44 18th March, 1803 Com.Gen. de Mist to Asiatic Council.
" ---- de graveur van dit stempeltje (een Engelschman van zeer slegte reputatie) in persoon naar Engeland geretoureerd en dus by magte is, dit stempeltje aldaar na te maaken en daar mede zodanige Engelsche kopere stukken in het oneindige te stempelen en, met een winst van 100%, dat is d' reëel waarde van een stuiver teegen de imaginaire waarde of course van twee stuivers, de colonie met zyne nagestempelde quasi Bataafsche kopere munt te doen overswemmen."

26) Ibid., 100, p.45 18th March, 1803 Com.Gen. de Mist to Asiatic Council; See also B.R.136 7th March, 1803.

higher actual value than approximately the expense of the copper from 43 to 44,000 Dutch guldens. With the first 600,000 coins of the value of 2 stivers the 25,000 rds English copper money would be exchanged, and the rest would gradually be brought into circulation through medium of the troops. After the exchange of the English copper money had taken place it could be melted and used for some other purpose. The smallest coin at the Cape was the Cape skilling of 6 stivers, equivalent to 3 copper coins (or dubbeltjes) and the Com.- General was therefore convinced of the importance of a quantity of small money especially for the purchase of supplies by the troops.[27] General Janssens also thought very highly of this scheme of introducing small inexportable copper money and he held it tantamount to an increase of 3 to 4 stivers in the weekly salary.

The Colonists were already accustomed to the use of this small coinage and they would be seriously inconvenienced if the copper coin was not immediately replaced by a similar coin: "------ er kwam eene revolutie tegen de Bataafsche Republiek als men hen plotseling wilde zeggen, dat hunne ideaale Rd. geene 48 stuivers of 24 dubbeltjes waardig was. Men maakt die dubbeltjes zo men wil, mits men maar toesta, dat er 24 in den Rd. en dus I2 op een Hollandsch Gulden gaan, die nu buiten contest op die waarde d.i. op een halve Kaapsche Rd. of met 20% avance gehouden en bij betaling van assignatien of promessen alzo berekend word."[28] By a proclamation[29] issued on 2Ist March, I803, Janssens forbid the import of any more English copper coins into the Colony and heavy penalties were imposed on those who transgressed this law.

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27) B.R. I00, p.46 I8th March, I803 Com.Gen.de Mist to Asiatic Council.
28) Ibid., p.47.
29) B.R. II5, pp.II-I3 2I/22 March, I803 procl. by General Janssens; B.R. I36 7th March, I803; B.R.I, p.78; B.R.II8, p.9.

Even after his short stay of a few months at the Cape, de Mist came to the conclusion "dat het in circulatie brengen van eenige klein munt specien van de volstrekte noodzaakelykheid is om den prys der eerste levensmiddelen, die voor kleine penningenswaarde gekogt word alhier te doen daalen, het publiq crediet te herstellen en de troupe, voor welke zulke kleine munt onontbeerlyk is, in wel te vreedenheid te houden."[30] He further requested the Asiatic Council to supplement the fI4,976 in the small coinage of $\frac{1}{2}$, $\frac{1}{4}$, $\frac{1}{8}$ and $\frac{I}{I6}$ guldens, to f52,000. He thought it would be ideal if the Asiatic Council could send out annually f52,000 in small silver money of denominations not higher than half a gulden which could then be distributed as payment for the army at the rate of fI,000 per week.[31]

On 22nd August, I804,[32] Governor and Council resolved that "al de thans in roulance zynde Engelsche kopere muntstukken ter waarde van 2 stuyvers yder, in te wisselen, en te vermunten tot stukken van 2 stuyvers, I stuyver, en een halve stuyver, op welke stukken aan de eene zyde zal worden gestempeld het cyffer van de Bataafsche Republick, 'B.R' met het omschrift 'Kaap de Goede Hoop' en aan de wederzyde de gangbaare waarde van twee st', een st', of een halve st', met de jaargetal zodanig als deze onderscheiden stukken in margine staan uitgedrukt". It would appear therefore that the suggestions of the Commissary-General to the Asiatic Council were not strictly adhered to. Instead of his suggestion that the English copper money should be melted down "en op ander wyse gebruik" and that

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30) B.R.92, pp.9I4-927 3rd June, I803 Com.Gen.de Mist to Asiatic Council; B.R. II0, p.3.
31) B.R. 2, pp. I28-I29 9th June, I803 Com.Gen. de Mist to Asiatic Council; B.R. I05, pp. I65-I66.
32) R.G. II, 22nd Aug., I804; B.R. 8, p. 2585.

the Asiatic Council should mint new copper coins of various denominations, the Governor and Council resolved to have the English copper money reminted.

New Issues of Paper Money. ___ Under the Batavian Government further issues of paper money were made to the extent of 300,000 rds. In the preamble of the proclamation of 30th September, 1804, General Janssens[33] declared that the public faith of the Batavian Government absolutely required that the inhabitants of the settlement should always be informed of the amount of paper money in circulation as well as of the real causes which might have led to increase the quantity thereof. By a resolution of 30th March, 1804, and a letter of 14th April, 1804, Commissary-General de Mist[34] authorised the Governor-in-Council to advance out of the Colonial Treasury the following sums of money for various purposes:

a) 75,000 rds to such of the inhabitants of Stellenbosch who had suffered by the conflagration of 23rd December, 1803, in order to enable them to rebuild their houses and to purchase the necessary tools to carry on their trades.[35]

b) 50,000 rds to the new drostdies of Uitenhage and Tulbagh for the purpose of constructing proper houses for the landdrosts and secretaries, prisons etc.

c) 25,000 rds to the Agricultural Commission to enable them effectively to improve agriculture and cattle breeding.

d) As it was highly necessary for the Government to cause grain magazines and also a proper hall of justice and prisons to be constructed, they have, by a resolution of 18th August, 1804, determined likewise to allow out of

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33) B.R. II5, pp.595-630 Sept./5th Oct., 1804 procl.by General Janssens. See also G.H. 28/I no. 5; G.H. 23/I pp.60-63; Rec 9; pp. 417-418.
34) B.R. III, pp.6-12 30th March, 1804.
35) Ibid., III, pp.144,408. The damage done by the fire was estimated at 72,115 4/6 rds. See also B.R.III, pp.6-12 30th March, 1804; G.R.2, pp.80,661; G.R.2, p.787. Resolution on 9th April 1804.

the Colonial Treasury a sum of I50,000 rds for this important purpose.

The State of the Treasury, however, could by no means afford these advances amounting to 300,000 rds. The Government therefore resolved on an additional issue of paper currency "als eene vermeerdering in de existeerende hoeveelheid der generaale massa, maar geenzints als eene byzondere munt kan worden aangemerkt".[36] Although the public faith of a benevolent Government ought to be the best security for all their transactions, the Governor and Council thought proper to give the inhabitants a more special security respecting this increase of the quantity of paper currency. To this effect, independent of the general security of public faith which was inherent in the Batavian Government, the following were especially mortgaged for the various sums:

a) 75,000 rds for Stellenbosch: all the houses in the village of Stellenbosch which had been rebuilt for this sum, with all the ground, land and gardens on and in which they stood.[37]

b) 50,000 rds destined for the erection of the public buildings at the drostdies of Uitenhage and Tulbagh: all these buildings as well as the lands that belonged to them. Each of these drostdies were being considered as charged with 25,000 rds.

c) 25,000 rds for the Agricultural Commission: all the goods, effects and cattle belonging to this Commission

d) I50,000 rds for grain magazines, prisons etc: all those buildings, with the lands on which they should be constructed, as well as the buildings belonging to the

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36) B.R. II5, pp.595-6 30th Sept./5th Oct., I804 procl.by General Janssens.
37) See also B.R. III, pp. 6-I2 30th March, I804.

Departmcnt of Justice with their lands, and finally, the ground on which the grain magazines and wine stones of the late Dutch East India Company formerly were standing.

Independent of these securities, 4 per cent of the two first mentioned and 5 per cent of the two last mentioned sums were annually to be destroyed on Ist October by which means, in the space of 25 years, the paper money would have reverted to its former standard.[38] It was further declared that should any of the above mentioned buildings and lands in the meanwhile be sold, the whole produce of such sale was immediately to be destroyed, independently of the annual destruction of the 4 per cent and 5 per cent which should regularly be continued even as if the amount of the capital had not been reduced by the sale.

In all, therefore, an additional 300,000 rds were put into circulation which brought the total circulation up to 2,086,000 rds. It appears, however, that although the particular purposes for which the sums so created were specified, the application was widely different from the proposed object, inasmuch as a substantial portion of these issues was converted into a military chest.[39] The public credit also suffered through the sale of Government lands and buildings for 80,000 rds, none of which were employed in the annihilation of the rixdollar for which they were originally pledged. These Government lands

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	Amounts Advanced		Annual Repayments	Period.
a)	75,000 rds for Stellenbosch---	at 4 per cent	-3,000rds	-25yrs
b)	50,000 rds for Drostdies of Uitenhage and Tulbagh -------	at 4 " "	-2,000rds	-25 "
c)	25,000 rds for Agricultural Commission----------	at 5 " "	-I,250rds	-20 "
d)	I50,000 rds for Grain Magazines etc.----------	at 5 " "	-7,500rds	-20 "
	Total Rds to be annually destroyed		I3,750rds	

39) Rec 6, pp. I3I, 275, 3I4-3I7.

and buildings were mortgaged to the public by Governor Sluysken in I795[40] The community at large sustained a positive loss of 500,000 rds and more by the different financial plans of the Batavian Government[41]. A large portion of floating capital without security must, however, have the operation of greatly depreciating its value. Not one rixdollar of the new issues made by the Batavian authorities had been destroyed by I806; nor, in fact, was a single rixdollar destroyed after I789.

Attitude of Janssens. __ In a letter, dated 4th March, I805,[42] to the Asiatic Council, General Janssens dealt with the question of the depreciated paper money. Janssens said that some would maintain that an increase in the quantity of money would result in a decrease in its value. According to him this was only partially true because there was no direct relationship between the paper money and the foreign trade of the Colony. It merely served the needs of the Colonists mutually and foreigners would not enter into any commercial transactions to be paid in this paper money; they were interested only in hard cash or valid bills of exchange.

Janssens believed that there was not too much paper money in circulation for internal transactions because "was er te veel, zoude men, oppervlakkig denken, dat de renten moeten verminderen en dit is het geval niet: zy niet alleen staande op 6 per cent, maar daar zwendelary, word van de geenen, die het nodig hebben, daar sommigen werklyk meer afgeperst." Further, "men kan hier tegen aanmerken, dat het capitaal minder waardig wordende, de waarde der renten, welke in dezelfde munt betaald worden, werden, meede verminderen, en dus gelyk blyven moet." But if there was too much money in the country, there

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40) Vide App. A.
41) Ibid., p.274; Rec 9, p.474.
42) V.C. I23 Memorandum no.H. pp.3-6 4th March, I805 General Janssens to Asiatic Council.

must also have been people who knew no use for their money and would have preferred a smaller rate of interest in preference to nothing. Janssens maintained that this was not the position for "ondertusschen zyn er veele particulieren die geld ter leen verlangen en het niet kunnen bekoomen dan zelfs als zÿ goede Hypotheek aanbieden; doch de Hypotheeken konde wel eers door den tÿd de waarde niet behouden, die zÿ nu hebben en daarom minder vertrouwen geeven."

He pointed out that although there was only one kind of paper money in circulation there were in actual fact three securities, viz.: one portion of the paper money was secured by the good faith of Government, another by goods hypothecated by the Loan Bank and finally a portion for which a special hypothec was pointed out by the Government. With regard to the first, Janssens said it should be withdrawn for "dat vordert de naauwgesette eerlykheid en goede trouw, welke de Republiek altoos kenmerkt"; and as to the last guarantee it should be gradually annihilated by arrangements without prejudice or advantage to the Government. The Governor was absolutely certain of the fact that the need for money among the people was so great that if the fund of the Loan Bank was increased there would be eager borrowers. A possible result of such action on the part of Government would be that the Colony would prosper because of the new efforts of private enterprises. But, he pointed out, when prosperity was not the result of an increase of money, "dan opende die verhoging den afgrond van verderf " on account of the insolvencies that would follow upon the sale of depreciated hypothecated properties.

On 19th March, 1805, General Janssens communicated to the Burgher Senate (Gemeente Raad) his intention to increase

the paper money in circulation by a new issue of 200,000 rds.[43] He asked them whether it would not be advisable to increase the paper money in circulation on account of the difficulty experienced by many Colonists to obtain loans on good securities. Furthermore, it was pointed out that it was not the intention of Government to make any profit out of such an increase but only to invest the interest on such loans in a School Fund.

The Burgher Senate[44] was of opinion, that although on the one hand, an increase in the paper money could not be regarded as advantageous to the Colony, yet on the other hand, it was a praiseworthy proposition, for it was not to be for the benefit of the Government but for the Colonists who would otherwise have to pay an extraordinary tax to defray the expenses of the public schools. They admit such an operation would be of great assistance to the less privileged trader and "de bronnen van de zo noodige circulatie van papiere munt, welke thans verstopt zyn, zullen wederom geopend worden." According to W.S. van Ryneveld,[45] a prominent citizen who had also been consulted by Janssens, there was no objection to a moderate increase from time to time to the capital of the Loan Bank. Moreover, there was definitely a shortage of money in the Colony.

General Janssens had read both these reports and laid it before the Council of Policy on 17th April, 1805. The governor was of opinion[46] that "het geldgebrek is meer algemeen, als de uiterlyke teekens van welvaart wel schynen aan te duiden:- dit is klatergoud, - veelen zyn geheel bedorven, bezitters van aanzienlyke goederen, waarvan de ideaale waarde groot schynt; dezelve zyn zodanig beswaard, dat wierden de capitalen opgezegd, veelent insolvent zouden weesen, en in hunnen val een meenigte anderen zouden medeslepen, daar de fortuinen en schulden als een

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43) B.R. 64, pp. 331-334.
44) Ibid., pp.331-334 21st March, 1805.
45) Ibid., p.356 25th March, 1805 W.S. van Ryneveld to General Janssens.
46) B.R. II, pp. 1272-1277; 17th April,1805.

neten aaneenhangen, en met het breeken van voorname schakels geheel in duigen valt; - Anderen hebben nog meerder goederen als schulden, maar kunnen de benodigde gelden, om hunne affaires, 't zy landbouw, of wat het anders zyn mag, voorttezetten of uit te breiden, tegens de gewone Renten, niet vinden. Dit heeft by sommigen het denkbeeld doen opkoomen, dat vermeerdering van het Fonds by de Bank van Leening noodzaaklyk word. Het is een teder punt: - een verkeerde maatregel van het Gouvernement, konde den val van veelen verhaasten; - goede maat regulen daar en tegen zulks voorkomen. Wy hebben gewis het voorneemen niet, om uit de beknelde omstandigheeden van de Hollandsche Zuid Africanen, schynvoordeel te willen trekken, door ten behoeve van 's lands casse, op de renten welke van de vermeerdering van het Fonds, onder de Bank van Leening komen zouden, te speculeeren:- Onze bedoelingen zyn om de Colonie te helpen, als onse hulp nodig is. --------- Het is --- een zeer belangryk onderwerp; - grondige kennis van Lands personen en omstandigheeden is er nodig, om gerust te zyn, dat men tot het beste besluit." Janssens was very careful before taking such delicate measures without first having obtained the fullest details concerning such an important subject. He accordingly suggested that certain individuals[47] should be consulted, who, on account of their knowledge of the country and its problems, were competent judges to express and expert opinion. The Council therefore resolved "zynEd. minzaam te versoeken, het ondersoek en de discusse van dit gewigtig onderwerp zodanig te derigeeren, als weldezelve te meesten dienste van den lande zal voordeelen te behooren."[48]

The Colony was no longer a halfway station where refreshments could be obtained "maar in tegendeel------ eene

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47) All ex-members of the Council of Policy, Secunde Rhenius, Reede van Oudtshoorn, Brand, van Ryneveld, E. Bergh, and the presidents of the Chamber of Finance, the Loan Bank and Burgher Senate.

48) B.R.II, p.I278 I7th April, I805.

volkplanting, waarvan de voorspoed en welvaart het groot oogmerk van het Bestuur is -----"[49]. The Batavian authorities certainly did make an honest attempt to solve the many intricate currency problems of the day and on I2th June, I805,[50] we find that the Government had taken a resolution to approach certain prominent people in the Colony to express an expert opinion on a variety of topics. Naturally the currency question was also dealt with and the Government specifically wanted information on the following points: whether there was enough, too much or too little money in circulation and what the indications were; if there was too little money in circulation whether this was due to an insufficiency of the capital sum or due to hoarding of a portion of the money; if a portion was hoarded what the causes were and how it could be remedied; and finally, if there was too little money in circulation to satisfy the needs of the Colonists, how this deficiency could be remedied with a maximum benefit to them.

Ideas of W.S. van Ryneveld. —— By I795 W.S. van Ryneveld[5I] had been appointed to the highest posts under the Government of the Dutch East India Company. He was president of the Orphan Chamber, member of the Court of Justice, member of the Council of Policy and also Fiscal. During the first British occupation he soon gained the confidence of the British authorities and they consulted him on many important problems of the day. He also served on various Government commissions. He was undoubtedly one of the most outstanding men in the Colony and possessed a considerable degree of legal knowledge as well as extensive experience of administrative and economic matters. Although the Batavian authorities kept him out of many of the most important Government positions on account of his attachment

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49) K.C.22nd June, I822.
50) Ibid.
5I) Vide Thom: Van Ryneveld se Aanmerkingen. V.R.S.no.23, pp.5-3I for a brief outline of his career.

to the recent British regime, he was nevertheless consulted by them to express an opinion on important problems and they thought very highly of him. He was asked to give his views in connection with the promotion of the welfare of the Colony and this led to his most elaborate work in I805.[52] "Aan alles wat van de Heer van Ryneveld komt, word veel gewigt gehegt; het word met graagte geleezen en met opmerksaamheid overwogen."[53] This remark was made when van Ryneveld had submitted his opinion on the proposed increase of the circulating medium of 200,000 rds by General Janssens.[54] These opinions of van Ryneveld were also embodied in his elaborate work on the state of the Colony in I805.

"Papieren geld is, in den inwendigen handel, het representatief van waren en eigendommen. Het vermeerderen of verminderen van de massa van dit geld, heeft wezenlyken invloed op de waarde der eigendommen welke het representeert, en hangt enkel van den wenk van het Gouvernement af". Some people maintained that there was insufficient money in circulation and that the inconvenience experienced by some industrious persons with good securities to obtain money, would necessitate an augmentation of the capital of the Bank. Others again maintained that an increase to the circulating medium would depreciate its value, "Er is, ondertusschen, altoos, en naar mate van de vermeerdering van eigendom in de Kolonie, een groot geloop om geld, zonder dat men het bekomen kan. Terwyl, te gelyker tyd, het Gouvernement balanceert, om daaraan, al of met, gehoor te verleenen."

According to van Ryneveld there were two kinds of paper money in the Colony: firstly, paper money created by

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52) W.S van Ryneveld: "Beschouwing over de Veeteelt, Landbouw, Handel en Finantie, van de Kolonie De Kaape de Goede Hoop in I805." This work also appears in the form of a series in De Zuid-Afrikaansche Tijdschrift (I83I-I832).
53) B.R. 64, p.367 I805.
54) Ibid., pp.335-363 25th March, I805 W.S. van Ryneveld to General Janssens.

the Government and, secondly, paper money brought into circulation by means of loans through medium of the Loan Bank. The first kind "was eene noodmunt" created in I782 on account of the financial difficulties of the Government. This operation was certainly advantageous to the Government but nevertheless detrimental to the interests of the Colony. Not only had the redemption of notes to be ceased but for the same reasons the British Government found it necessary to add 250,000 rds to the existing circulating medium. "Het is derhalven billyk dat dit geld vroeg laat weder het zy tegens wissels of met specie geheel of gedeeltelyk worde ingewisseld. En het waare zekerlyk te wenschen dat zig het moederland hier toe spoedig moge in staat gesteld vinden, om den nadeeligen invloed welke deeze schuld op de kolonie maakt weg te neemen."[55] On the other hand, the paper money brought into circulation by the Loan Bank was of an entirely different nature. In Colonies with an insignificant trade this paper money would be brought into circulation in order to facilitate commerce, agriculture and industry. But this money would redeem itself as soon as an export trade was developed. "In zoodanig geval dan, wordt er, door de inwendige ressources der Kolonie, specie in circulatie getrokken; en dan vloeit dit ten gerieve der ingezetenen geslagen papieren geld, hetwelk intusschen wede op's lands jaarlyksche revenuen geenen nadeeligen invloed gemaakt heeft, van zelve wederom tot de Bank van Leening terug." While on the one hand a deficient circulating medium retarded industry and commerce, yet on the other extreme an accumulation of paper money above the value of property was disadvantageous. It was therefore the wisdom of Government alone that could obviate the injurious consequences of these two extremes.

"Het geld welk het Gouvernement hier, ------ voor zich heeft geslagen, en nog doet blyven in omloop, heeft voor

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55) Ibid., p. 339 25th March, I805.

het Gouvernement niet anders als een relatief goed, - dat is, het bespaart haar de renten voor directe betaling. Doch het heeft voor de kolonie, en, in hare gevolgen, ook voor het Moederland, een absolut kwaad, omdat het niet anders zyn kan, of de kolonie maakt daardoor zoo veel trager voortgang in welvaart en toekomstig geluk. De kolonie is hierdoor zeer ontydig Creditrice van het Moederland, door ze er Debitrice van behoort te zyn." As a result of this state of affairs it was difficult to see how the Colony could prosper. He pointed out that in relation to the mother country the Cape Colony was still but a child who had to be helped along in its infancy. As such the Cape was a drawback to the parent country. "Het inwisselen ----- in tyd en wylen van't ----- in omloop zynde bedragen van papieren geld, als noodmunt voor 's Gouvernements uitgaanen geslagen - en ook van de ------ 250,000 rds of van een gedeelte van dien, behoort ondertusschen, naar myn inzien, meede onder die voor de kolonie ondersteunende middelen. En ----- het ware te wenschen, dat er mogelykheid ware,dit van tyd tot tyd by gedeeltens te kunnen doen, zo dat zig het geheel bedragen eens mogen vereffend zien."[56]

So far as the Loan Bank was concerned the position different. "De Bank van Leening is voor de Kolonie wel een noodzakelyk kwaad, - doch is in de omstandigheden, waarin zich de kolonie bevindt, niet te ontberen. Wanneer er het oogmerk mede wordt bereikt, kan zy een absolut goed voor de Kolonie en het Moederland daarstellen." Specie was driven out of the Colony through an adverse balance of trade and "er zou derhalven geenen inwendigen omloop- geen handel tusschen ingezeten en ingezeten kunnen geschieden, wanneer niet voor de eigendommen, welke men onder den anderen noodzakelyk verhandelen moet, een representatief van papieren geld, door middel van de Bank van

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56) Ibid., p.346 25th March, 1805.

Leening, werd in omloop gebragt." Further "zoo lang er dus geene specie, door een batig slot van handel, in de kolonie wordt getrokken, zoo lang zal ook de Bank van Leening als nu moeten fluctueren, wil men niet alles - allen handel- alle eerste beginselen, zalfs van industrie, waaruit, te zamen genomen, dat gewenscht batig slot in de kolonie kan worden te gemoet gezien, in eens doen stil staan, - wil men niet in eens, door gebrek aan representatief, alle denkbeeld van waarde- van eigendom doen ophouden, en dus alles in de Kolonie tot verwarring brengen."

Van Ryneveld then proceeded to examine the question whether the paper money should be increased or decreased. For the Government to increase the paper money in order to meet its expences would ruin the Colony. This was especially the case of the Cape Colony "alwaar de reële ressources nog zoo weinig zyn." In stead of being increased the paper money should be decreased. "Het vooruitzigt, dat de kolonie eens tot die hoogte van welvaart zal komen, om eene aanzienlyke hoeveelheid produkten voor den uitvoer daar te stellen, kan enkel het Gouvernement engageren, om, naar evenredigheid dat de industrie in de kolonie toeneemt, ook van tyd tot tyd, op goede hypotheek of andere verzekering, met voorzigtigheid, het kapitaal van de Bank van Leening te doen vermeerderen. Als zynde deze vermeerdering van produkten, uit de industrie der ingezetenen, enkel en alleen het middel, om specie in de kolonie te verkrygen, en het papieren geld van zelve eers tot de Bank van Leening te doen terug vloeyen." Van Ryneveld maintained that an increase in population and specific properties in the Colony would require an augmentation of the currency for the continuation of internal commerce, but this increase in the circulating medium must be done through the Loan Bank. There definitely was a scarcity of money in the Colony and owing to the increase of property the capital of the Bank "kan dus daarom alleen, met volkomene

gerustheid worden vermeerderd." Another circumstance which pointed to the scarcity of money was that various people had recourse to the Orphan Chamber when they failed to raise money at the Bank on good securities. "Het papieren geld dat, door middel van de Bank van Leening, in omloop is, behoort, naar evenredigheid van populatie, van eigendom, en handel in de kolonie, te worden gefixeerd of bepaald, tot eene ronde som; en dan behooren er maatregelen te worden genomen, om die som, of een gedeelte daarvan, jaarlyks weder tot de Bank van Leening te doen terug keeren, ten einde alzoo de circulatie van het geld, van de eene hand in de andere, te bevorderen."

Depreciation of the Rixdollar. __ Almost half the capital of the Lombard Bank had been lent out of good security and another portion had to be paid back and destroyed within 25 years. The authorities regarded the securities of the Bank as sufficient to prevent the 845,000 rds from depreciating and wanted to obtain a better security for the other portion which rested solely on the good faith of Governement since it was the duty of Government to maintain the credit of the paper.[57] Thus the Governor and Council declared on the authority of de Mist, that apart from the actual security which the Loan Bank had obtained for the value of the paper money "tot securiteit van al het overige speciaalijk en uitdruklijk te verbinden alle de Domeinen, Bosschen, Gebouwen, onuitgegeven landen, Plaatsen en erven, binnen deze volkplanting gelegen, benewens alle de publieke inkomsten, thands binnen dezelve van de Ingezetenen wordende geheven, alle welke tot geene andere einden zullen mogen worden gebruikt dan tot bekostiging der gemeene zaaken deze Volkplanting betreffende en vermindering van dat gedeelte der Papieren- munt, hetwelk niet behoort onder de reëele securiteiten van de Bank van Leening."[58] This indeed sounded very well

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57) Van der Merwe: Op. Cit., p. 347.
58) Ibid.

but it was quite another matter what these forests, domains, Government buildings and Colonial revenues would realise. In the first case the Colonial revenues were used to pay for current expenditures and the first surplus had to serve as aid to the Mother country in her financial burdens with regard to the military expenditures of the Cape and as such would not be used for the redemption of the paper money. In the second instance the Government had arrogated to itself the right of free disposal of all domains and waste lands by this proclamation for all proceeds accruing from them had to serve for the redemption of the paper money, or better still, converted into other securities to serve as security for that paper money. Above all, the security of Government property could not at that moment be regarded as safe. The Government had just begun afforestation and natural forests were admittedly to be found in Plettenberg Bay, but they rendered very little profit at that time. Very little, also, came from the granting of new farms. However, it was not really the intention of the Government to set aside "that necessary evil" altogether. Apart from the fact that the Colony would then soon be without a means of circulation, owing to drainage of all metallic currency, the paper currency had to be put to a political end and General Janssens was of the opinion that for the great majority of the inhabitants it was immaterial under which European Power they found themselves.[59]

Nevertheless this would not prevent the depreciation of the rixdollar. By the end of 1803 the rixdollar had depreciated 30 per cent relatively to the Spanish dollars and Dutch gulden.[60] This would also appear to be the case in connection with other means of payment to which the Government, throughout the whole period of Batavian rule at the Cape, was

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59) Ibid., p.348.
60) Ibid., p.349.

obliged to have recourse for the settlement of military and other expenditure, and which was also at the service of the inhabitants with regard to their foreign payments. These bills on the Asiatic Council which were payable in Amsterdam after three months sight.[61] On 8th January, 1803, de Mist offered f200,000 Dutch Courant for the public. When all the tenders had been sent in it appeared that the highest bid was 25 per cent "boven het kapitaal in Kaapsch Rds papiere munt, naar de gewone valuatie tegen 48 stuivers Kaapsch Ct. en in Nederland met Caroli guldens van 20 stuivers te voldoen."[62] This 25 per cent agio did not mean, however, that for a bill of f200 Dutch f250 rds must be paid but only f210 Dutch or 105 Cape rixdollars. Hence de Mist said, "de assignatien op den Aziatishe Raad worden getrokken met 25 advance te weeten: de Kaapsche Rds voor 2 guldens Hollandsch Courant, waarin reeds 20 per cent advance geaugmenteerd--------."[63] On 6th June, 1803, de Mist declared[64] that "de "aandrang tot het op nieuws bekoomen van wissels op Nederland soo sterk word, dat hy------ wenscht, zich zelve in staat te vinden, tot de uitgifte daarvan te kunnen besluiten." A few days later Government made known that "niettegenstaande de gewoone wisselcours in den handel thans ongemeen hooger is, hebben Gouverneur en Raaden echter, tot bevordering der wederkeerige belangens van den ingezetenen dezer Colonie, en die van het Moederland, goedgevonden, voor als

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61) B.R. 115, pp. 125, 239, 251-254, 577, 609, 657, 689, 717, 731, 741, 753; B.R. 88, pp.69-74; B.R.110, p.103; B.R. 136 B.R. 147; R.G. 2, p. 672; R.G.3, pp. 298, 420, 672; R.G. 5, pp. 166, 199, 380, 575, 616, 617, 713; R.G. 6, p. 243; R.G. 11; B.R. 2, pp. 651-2, 792-3, 848-849; B.R. 36, p. 77.

62) Notule de Mist 11th January, 1803. Quoted from v.d.Merwe: Op. Cit., p.349.

63) Van der Merwe: Op.Cit., pp.349-350.

64) R.G. II 6th June, 1803; B.R. 2, pp. 651-2; B.R. 36, p. 77.

nog ------ niet meer als de bepaalde agio van vyf en twintig per cent te doen betaalen."[65]

At the first issue of paper money at the Cape, the Cape rixdollar was reckoned at 48 Dutch stivers when de Mist came to the Cape, he stipulated that the Cape Rds should be reckoned at 2 Dutch gulden of 20 stivers each or 3/4 English money.[66] Thus the Cape Rds had an effective purchasing power of 40 Dutch stivers, in other words, the Dutch stiver was worth $1\frac{1}{5}$ Cape stiver so that the Dutch gulden had an agio of 20 per cent in relation to the Cape Rds. Payments to the Mother Country were made exclusively in bills on the Asiatic Council and from the purchase of these bills at a rate by which I rds of 48 stivers was equivalent to 2 Dutch gulden of 20 Dutch stivers, 20 per cent agio of the Dutch money had already been computed.[67]

In his letter to the Asiatic Council on 4th March, 1805, General Janssens mentioned[68] the "schroomlyk toenemend verlies van het gestempeld papier tegens hard geld en meer byzonder de Piaster, als zijnde genoegsaam de eenige muntspecie die in den buytenlandschen handel gebezigd word." Furthermore, "niet zelden ryst of daalde de Spaansche mat in weinige dagen eenige schellingen: het daalen is zeld-zamen en minder plotseling;- het ryzen neemd toe; en het laat zig aanzien, dat het nog verder toeneemen zal- de Piaster doet in het ogenblik twee en twintig schellingen, of $2\frac{6}{8}$ papiere Kaapsche Ryksdaalders; het zilver geld is zedert de wederovergaan der Colonie zo duur niet geweest." In September, 1805, Colonial Secretary Truter[69] pointed out to the Asiatic Council that the military expences were very excessive not because the means of defence

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65) B.R. II5, p.73I 12th June, 1803.
66) B.R. I, pp. 4-5 March, 1803.
67) Van der Merwe: Op. Cit., p. 350.
68) V.C. I23, no. H. 4th March, 1805: Gen. Janssens to Asiatic Council. See also B.R. 89, p.24 Sept. 1805: Col.Sect, Truter to Asiatic Council.
69) Ibid.

were excessive or that on the whole no thrift was practised "maar omdat een zeer groot gedeelte der militaire behoeften van passeerende neutrale schepen, by kleine gedeeltens, tegens betaling in klinkende munt, 2 a 3 maal de waarde van het papiergeld excedeerende, wat worden aangekogt." When the Government had no specie the traders had to supply it. If the Asiatic Council could send out the specie from the Netherlands it would do much to straighten out matters.

With regard to the Spanish dollar the paper money was much more depreciated for it was much more demanded than bills on the Asiatic Council on account of the fact that payments could be made practically everywhere with Spanish dollars. As General Janssens pointed out the Spanish dollar was subject to heavy fluctuations. Its value depended to a large extent on the quantity of refreshments bought by ships and whether their transactions with foreigners were carried out by means of barter or were paid for in Spanish dollars. Thus at the end of I803[70] the Spanish dollar was worth between I08 and I20 stivers in paper money; a few months later I32 stivers and in May I805, it was worth 3 rds 6 sk or I80 stivers.[7I] Such was the depreciation of the paper by the end of I805[72] that a Spanish dollar - worth only about 4/2 sterling- exchanged for from $2\frac{1}{2}$ to 3 paper rixdollars, making the latter equivalent even at this early date to only about I/6 on the average. This state of affairs was not at all advantageous to Government, colonists and civil servants at the Cape. In the Republic a civil servant could obtain 640 Spanish dollars for I600 Dutch gulden. At the Cape, however, he would receive only 800 rds (the rixdollar was computed at 2 Dutch gulden) for which he could

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70) B.R. 88, p. I42 I3th. Nov.I803
7I) B.R.IO, pp.255-256 January, I805; B.R. 89; p.24; Sept. I805; R.G.5; p.5 ; January, I805; v.d.Merwe: Op. Cit., p.352.
72) Chalmers: Op.Cit., p.23I

obtain only 292 Spanish dollars. So in actual fact he would receive only f730 at the Cape.

In the regulation of the salaries of the public servants, a discount of 25 per cent was fixed as the rate of payments in currency compared with the payments in currency compared with the payments made by Government bills of exchange. From the difficulties in effecting commercial remittances arising from a suspended or precarious intercourse with Europe, these bills were disposed of at a considerable profit to the holders.[73]

Although the nominal par of the Cape rixdollar was 2 Dutch gulden, or 4/- sterling, the paper currency circulated by the Batavian Government, not being payable in or convertible for specie, had no fixed or determinate value in exchange, nor was any pledge given for its redemption or conversion by the Government on whose credit it was issued.[74] Its exchangeable value was, therefore, uncertain, and fluctuated according to the amount in circulation and the demand for it as a medium of internal exchange as compared with the quantity of specie in the market and the means of effecting commercial remittances.

The mischief caused by the over-issue of the paper money was not felt after the departure of the British forces when reduced transactions required a more limited currency. It was partly checked, however, by the Dutch Government having sold several cargoes of coffee and spices payable in paper or specie and also by having (according to lord Ma Cartney's system in I798) granted all their bills drawn on Holland for Colonial expences at 25 per cent exchange and 48 stivers Dutch money per rixdollar, which at the then exchange between Amsterdam and London reduced the exchange on such bills to I2 and I5 per cent

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73) B.R. 2, pp. 65I-2; B.R. 36, p. 77; B.P.P. 438, p. I5 5th July, I825: Report of the Commissioners of Inquiry.
74) Ibid.

on England. The private exchange had risen to 45 and 50 per cent. But in the latter part of I805, while an uncertainty remained whether the Cape would be taken by the British or remain under the Dutch and French Government, and no direct communications or remittances to Europe but through a few neutral vessels at heavy freight and risks, bills of exchange rose to I00, and specie to I20 and I50 per cent until the day after the capture by the British forces, on 8th January, I806, when both specie and paper currency came down to par i.e. Government bills equalled 4/- sterling for each rixdollar. It remained nearly so until March, I806, when an expedition of the greatest part of the navy, and some of the military forces were sent to Buenos Ayres and few bills were accordingly drawn by Government. But on the contrary, large sales of prize goods were made and the proceeds were partly to be remitted by the prize agents which occasioned a rise of 20 to 30 per cent.[75]

Conclusion. — It would appear, however, that although the Batavian Authorities had obtained the best information on various aspects of the paper currency, they could or would not put their findings into practice. Notwithstanding the fact that the involved problems of the paper currency question were fully appreciated, the Batavian rulers had refrained from pursuing any revolutionary policy which might have solved some of the prevailing difficulties in connection with it. It certainly would have been very interesting to see what they would have done in this regard had not hostilities been resumed in Europe. National defence(which of course comes before everything else) called for their undivided attention at a time when they were only beginning to grasp the many complicated problems with which a young Colony had to contend.

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75) Strombom: Op. Cit., pp. 23-24.
B. Ebden: Op. Cit., p. II.

CHAPTER. IV

DEVELOPMENT BETWEEN 1806 AND 1825.

The repetition of fresh issues of paper money succeeding each other without any repetition of the partial redemption which took place in the early part of the system, produced probably the first permanent depreciation of the currency. The bad faith of the Dutch authorities in 1803, in withholding the money which had been especially paid by the English Governor for the reduction of the debt, was another cause. It is further to be considered that the convulsed state of Europe, and particularly of Holland in 1797, by preventing much commercial intercourse with the Cape Colony, rendered the demand for remittances very trifling. There were also but few instances of Colonists disposing of their property at the Cape and taking it home with them to the mother country. We find that in the first years after the war was concluded, a very considerable effect was produced on the exchange by this circumstance. The demand for good remittance bills made by numbers who had the same object in view tended very materially to raise the value of those bills.

Major-General D. Baird (10 January, 1806-17 January, 1807). _____ The paper money in circulation had been successively increased from Rds. 1,291,276-7 in 1795 to Rds. 1,786,276-7 in 1803 and to 2,086,000 rds. by 1806. In 1806 the Cape Colony was again restored to Great Britain and the Capitulation took place on 10 January, 1806.[1] According to articles 9 and 10 of the terms of capitulation the paper was to continue "as heretofore" in circulation until the intention of the British Government were known, and the public property was to remain security for that portion not

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1) P.A.O.N., p.1, 10 January, 1806: Articles of Capitulation.

secured by mortgages held by the Bank. This was, however, to be without prejudice to the free use to be made of lands and house's for public purposes.

When the town surrendered in 1806, the treasure was as usual claimed as prize and was ultimately so distributed. This must have included whatsoever there was of paper money in the public chest. There was, however, some difficulty in getting at the treasure, for upon General Janssens having moved out of Cape Town to endeavour to repel the British agressors, the Dutch civil servants thought proper to divide the treasure amongst themselves. Much of it was recovered, however, but not the whole.[2)]

Again, as in 1795, this capitulation was attended by similar results. The exchange value of the paper rix-dollar at the time of the capitulation, may be considered to have been much depreciated. So large a currency was far in excess of the needs of a small community whose interval transactions were mostly conducted by barter. The enlargement of the commercial relations of the colony consequent upon the capture by the British forces, and the increase of all its transactions occasioned by the expenditure of a large military and naval force paid by great Britain and the increased demand for colonial produce, caused a temporary rise in the external exchange value of the rix-dollar and it regained its original exchange value of 4/-.

With the re-establishment, however, of British rule, the credit of the paper rose, mainly in consequence of the issue of the following proclamation by Sir David Baird. He thought it was highly nedessary for the prevention of disputes and the

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2) Rec.19, pp.440-443; Rec.21, pp.505-506; Rec.22, pp.1-2.

better regularity of trade that the several coins of money current in the colony should have fixed and determined values assigned to them. On 23 January, 1806,[3] a few days after the capitulation, he accordingly issued a proclamation fixing the relative values of the several coins in circulation without reference to the rate of exchange at which the colonial paper had circulated.

DENOMINATION	CAPE CURRENCY.		STERLING.		
	Skillings	Stivers.	£.	s.	d.
A Guinea	44	264	1.	2.	0.
A Doubloan, 16 sp. dollars.	160	960	4.	0.	0.
A Johanna, 8 Sp. dollars.	80	480	2.	0.	0.
A Ducat.	19	114		9.	6.
A Venetian Sequin.	19	114		9.	6.
Gold Mohr, 15 Sic. Rup.	-	-	1.	17.	6.
A Pagoda.	16	96		8.	0.
A Spanish Dollar.	10	60		5.	0,
A Rupee.	5	30		2.	6.
English Shilling.	2	12		1.	0.
Copper Coin.	-	2			2.

At the same time he prohibited the export of all gold and silver currency. Anybody exporting more than £10 worth "will be punished by the confiscation of the whole of the money or monies so exported, one third of which will be given to the informers."[4]

"This proclomation, which was drawn up by a soldier on the basis of 5/- for the dollar (a rating in vogue at the time in Canada, Newfoundland, and Australia), had no pretensions to a scientific accuracy in adjusting the rates at which gold and silver coins could circulate concurrently with one

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3) P.A.O.N, p.9, 23 January, 1806: procl. by Sir David Baird; Rec. 5, pp.305-306.

4) See also: Co.4821, p.18, 6 February, 1806: C.O.3857, no.161, 5 March, 1806; C.O.3 no.60, 17 Aug., 1806; C.O.3860, no.673, 30 December, 1806.

another..... The real interest for the future history of Cape currency is the fact, so frequently appealed to some years later, that the British shillingw was rated at two skillings (in paper), and, consequently, that the sterling valuation of the paper rixdollar was uniformly assumed to be 4s. sterling, when at par."[5] But the table of ratings is interesting as showing (i) the medley of coins which were familiar at the Cape in 1806, as being the stepping-stone to the East,(ii) the fact that specie was being exported; and (iii) the existence of disputes relative to the equivalence of current coins in terms of the depreciated paper.

It was also brought to the notice of Sir David Baird that the colonists suffered considerable inconvenience for the want of some circulating medium of a small value. It will be recalled that the late Batavian Government, in order to remedy this evil, had coined and imported a silver coinage but had not been able to bring them into circulation at the time of the surrender. On 12th June, 1806,[6] therefore, Sir David Baird proclaimed that "being anxious to contribute in every reasonable measure to the welfare of the innabitants, I do hereby direct that the same shall be forthwith issued by His Majesty's Receiver General, and become current in this settlement, at the rate at which the Batavian Government intended to have issued the same, namely:-

> "The quarter-guilder to pass for six stivers currency, or be equal in value to the present paper skilling.

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5) Chalmers: Op. Cit., p.232.

6) P.A.O.N., p.28. 12th June, 1806: procl. by Sir David Baird; Rec.5, pp.433-434.

"The small coin, of the value of the eighth part of the Dutch guilder is to pass for three stivers currency, or be equal to half the present paper skilling.

"And whereas a considerable number of English copper penny pieces were imported into this settlement during the last war; and whereas it has also been represented to us that, if they were thrown again into circulation, it would be advantageous to the settlement in general. I do hereby revoke all former Proclamations or Orders on the subject, and direct that those penny pieces are henceforth to pass current in this Settlement for two stivers currency, or the third part of a paper skilling." This proclamation, therefore, sanctioned the issue of Dutch silver guilders which were declared to be exchangeable with the paper currency at the rate of two guilders for each paper rix-dollar. It also furnishes evidence of the straits to which the Colony had been reduced even before 1806 for want of a metallic currency and is valuable as containing an official recognition of the paper money as the local measure of value.

It was found that considerable quantities of Spanish dollars were smuggled out of the colony notwithstanding the strict regulations already issued on the subject. Sir David Baird felt that if the further exportation of specie was not carefully guarded against, His Majesty's Service as well as the colony in general would be exposed to great inconvenience. A proclamation was accordingly issued on 30th October, 1806,[7] which laid down the following additional

7) Ibid., pp.41-42, 30 Oct., 1806: procl. by Sir David Baird; Rec.6, pp.50-51.

regulations: all boats other than those belonging to His Majesty, had to do their business at the wharf, while all other boats had to be provided with a permit from the Custom-House specifying the nature of the goods carried; boats detected carrying specie in or out of the colony would be confiscated together with the slaves working on them and if free people were employed they would be imprisoned for twelve months while the owners would be fined treble the amount of the specie; and if any of the guards should detect any attempt to export specie they would receive one third of the amount while all the officials concerned were strictly admonished to carry out these regulations.

The prohibitions that were enforced against the exportation of specie, which was employed in payment of the troops, would indicate that the par was merely nominal, although the discount upon the paper currency had considerably diminished subsequently to the capitulation.

The landdrost of Uitenhagen had transmitted 709 rds. bought to him by the farmers, of old paper currency formerly in circulation in the colony which either through ignorance or for want of opportunity they had omitted to exchange in obedience to the proclamation by the late Batovian Government on 24th August, 1804, within the prescribed period. Memorials from two other individuals on the same subject were also received and they had assigned satisfactory reasons for their having also omitted to exchange the different sums of old paper money amounting to 586 rds. On 3 October, 1806, therefore, Sir David Baird proclaimed that the old paper money would be exchanged for 1295 rds. new ones.[8] By a

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8) Ibid., pp.38-39; 3 Oct., 1806: procl. by Sir David Baird; Rec.6, pp.44-46.

proclamation of 9 April, 1807 a further sum of 1902 Rds. were exchanged.[9] In 1806, however, the British Colonial Government resumed the convenient system of paying its expenses by means of the printing press. Seeing that he did not wish to draw upon the English money intended for colonial purposes,[10] Sir David Baird issued a proclamation on 15 November, 1806, for the issue of paper money amounting to 80,000 rds. for the establishment of a Colonial Granory at Cape Town.[11] The notes were to be destroyed at the end of each six months until, the whole 80,000 rds. had been destroyed. Sir David Baird, therefore, had issued new paper money to the amount of 83,197 rds. This increase was, however, trivial as compared with the increase authorised by his successor in connection with the addition to the capital of the Lombard Bank.

Regine of the Earl of Caledon (22 May, 1807-4 July, 1811)._____ Forgeries were frequently practiced and it was impossible to track down the culprits.[12] The Governor, the Earl of Caledon, in his letter to Lord Castlereagh on 23rd September, 1807, he suggested that this abuse could in a great measure be rectified by the introduction of paper "the manufacture of Great Britain."[13] He further proposed that the 4000,000 pieces should be sent out coloured at the back as follows:

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9) Ibid., pp.49-50, 9th April, 1806.

10) Rec.7, p.281.

11) P.A.O.N., pp.43-45; 15 Nov., 1806: procl. by Sir David Baird; Rec.6, pp.55-58.

12) C.O.4822, p.33, 19 Aug., 1806; C.O.6, 9 June, 1807: Fiscal to Earl of Caledon.

13) G.H. 23/1, pp.88-89, 23 Sept., 1807: The Earl of Caledon to Lord Castlereagh.

50,000 yellow, 50,000 green, 100,000 red, 100,000 blue and 100,000 black. He also asked for new stamps "with such device as may be considered most appropriate to the present circumstances" to replace those used by the Batovian Government. The number of stamps required were 18 because it was necessary to express the value of the note upon each stamp and the notes in circulation at the time consisted of 18 different denominations, viz; Rds. 500, 400, 300, 250, 200, 100, 75, 50, 40, 30, 25, 20, 10, 5, 4, 3, 2, 1. The first issue of this nature took place on 1st April, 1809.[14] The cartoon paper which had been prepared in England was then introduced under the belief that it afforded a greater security against forgery than the paper formerly used. This measure, however, did not prevent fraudulent increases in tne paper circulation and we can state the fraudulent increase under the proclomation of 1st April, 1809, to be 8075 rds.[15]

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14) P.A.O.N., p.107, 1st April, 1809: procl. by the Earl of Caledon.

15) C.O.4365: Vide P.A.O.N., p.129, 16 Feb., 1810 Govt., Advertisement.

The notes of large value were of the same size, colour on the back, device on the back, date and signature which stood in the same order. The notes were;

	6 pieces of	500 Rds. each	Rds.		3,000
	7 " "	400 " "			2,800
	8 " "	300 " "			2,400
	9 " "	250 " "			2,250
30			Rds.		10,450
	10	200			2,000
	20	100			2,000
30					
60			Rds.		14,450

The effect of the fabrication process on the portion of the issue by breaking up the 30 notes of the lowest value and attaching their signatures to parts of the 30 notes of the highest value, would be to double the number and value of the higher notes, being 10450 rds., and to withdraw the lower notes from circulation, i.e. 4000, then leaving a fraudulent increase of currency to the amount of 6450 rds. Under the same proclomation notes varying in value from 20 to 75 rds. each was issued under precisely similar circumstances. Those of 75 rds. each being 30 in number might have been increased to 60 by destroying a like number of 20 dollar notes and the fraudulent increase would have been 1650 rds. We can go on like this and follow the calculation to notes of smaller value than 75 rds. each.

It appeared to the authorities in Great Britain by statements received from Sir David Baird that the credit of the paper money in the Cape Colony had been considerably improved under the various checks and regulations by which the issue and circulation were governed and that the amount of paper money was adequate to all the purposes for which paper money was requisite without the risk of impairing public credit. The Earl of Caledon had received instructions[16] "not to alter any part of the arrangements now in force with respect to this important point nor to add to the total amount of paper money now issued and in circulation without our special authority for so doing specified to you under our signet and sign manual or by our order in our Privy Council or by us through one of our principal Secretaries of State." He was however, free to replace the worn out paper money by new issues.

During the early years of his governorship the Earl of Caledon investigated the financial condition of the colony. Lack of surplus revenue and deorth of credit hampered trade and rendered expenditure on improvements impossible. He had received various representations on the distress to which several of the most substantial inhabitants were reduced by the prevailing scarcity of circulating specie owing chiefly to the great number of public sales of European and Indian produce which were brought under peculiar circumstances to the Cape market. Moreover, it was found that there were strong reasons to believe that several individuals had been guilty of the most usurious practices.[17] One of his first steps was to reform the Loan Bank which had long deviated from its original

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16) Rec.6, p.10, 1 Aug., 1806: Instructions to the Earl of Caledon

17) Vide Supra. 203-205.

purpose of encouraging trade by issuing short loans at low interest; unrestricted lending had also taken place without the slightest effort being made to enforce payment. By a proclomation on 14 December, 1807 [18] the governor therefore appointed a committee of five consisting of F. Dashwood (Receiver General), C. Brand (Collector of Tythes), A. Van Kervel (President of the Lombard Bank), P.L. Cloete and J. Murray. They were to investigate the affairs of the Loan Bank and to "enquire into the whole of the circumstances that appear to have caused the absorption of the colonial currency". They were also to suggest remedies most likely to remove the evils complained of.

On 18th January, 1808, the Committee submitted their report. [19] They considered that during the infancy of foreign commerce in the colony which existed under the monopoly of the Dutch East India Company the paper money was found to answer every purpose for carrying on the internal commerce of the settlement. The inhabitants were perfectly satisfied with the mere denomination without paying any regard to intrinsic value or enquiring once how it was one day to be redeemed. So far it would seem that no inconvenience could possibly arise to a colony without foreign trade by having in circulation even a larger amount of paper secured on real property than the trade and intercourse between the inhabitants might be found to require - this being the sole object of its creation and for this reason not liable to any depreciation in value. The absence of foreign trade was borne out by General Craig's inability to prevail upon the inhabitants to take Government bills on England at par for paper money whereupon he was obliged to

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18) P.A.O.N, p.72, 14 Dec., 1807: procl. by the Earl of Caledon.
19) C.O. 414/7 G.2. Report of 18 January, 1808.

issue 250,000 rds. The nature of the trade carried on by the Dutch East India Company was so widely different from the free trade by which all the wants of the Colony are now supplied that it was no wonder that the paper money had so rapidly decreased in value. The Company in time of peace threw in all kinds of European and Indian manufactures and produce which were vended out to the inhabitants. The proceeds were applied to the support of the civil and military establishments. The colonists had no exports nor did they feel the loss of them since all their wants were supplied by the Company for paper money. This paper flowed back into the coffers of individuals in proportion to the public expenditure and thus without trouble or expense to support it, the paper money would seem to have effectually served the purpose of circulating medium not liable to depreciation in the absence of all foreign trade. But as soon as the Colony came under the British Government a complete change of system took place, namely, British capitals were employed in supplying the wants of the Colony at the expense and risk of the importers. These capitals were eventually to be replaced in London. The want of exports to any amount was severely felt. Paper money was for the first time brought to the test and the only recourse was found in Government bills. The premium on bills immediately rose from 10, 15, to 20 per cent and continued stationary there for a number of years. Since 1806, however, the public bills had gradually risen from 25 to 38 per cent against paper money. A variety of reasons could be assigned for this sudden rise such as the reduction of the military and naval forces and large remittances which had to be made in Government Bills of prize money acquired at the capture and other property

locked up in the Colony during the rule of the Batêvian Government, as well as the recent large influx of specie and merchandize destined for South America. "Prize goods in general may be said to afford no relief as a remittance, even that part which is found adapted for exportation, because the proceeds had to be remitted through the same medium to await the decision of a higher tribunal on neutral contested cases."

It could safely be concluded that bills would never again fall to the old standard without a very material addition to the military forces and consequently to the public expenditure. Exports were practically the same as in 1795, while the population had greatly increased and therefore also the demand for foreign articles. The public expenditure was not more, if as much, as during the last war, and should the British Government withdraw any considerable portion of the military force, the paper money would suffer a further depreciation in value i.e. more dollars would be required to purchase a sterling bill for articles which the Colony must have at any expense. It was a generally received opinion in the Colony that no sum of paper money in circulation could be too great so long as sufficient real property could be found upon mortgage to secure the repayment of it and if it were possible to bring the Colony back to the old system of the Dutch East India Company whereby the foreign trade would be reduced to nearly upon par with the public expenditure; foreign trade would be annihilated and the paper money would support its real value, and however great the amount in circulation, should it at any time be found to exceed the sum required, by redeeming mortgages no injury could arise

from its destruction. But at the time there was a large balance of trade against the Colony while the policy of filling the country with paper money had driven out all specie or coin. Means had to be found to satisfy this balance: the exports remained the same and so did the public expenditure. This balance could therefore only be liquidated at the expense of the paper money and the more there was afloat the greater in all probability would be the sacrifice. The existing scarcity of money the Committee attributed to the want of means of remittance and the loss of mercantile credit, by which the circulating medium was on the one hand accumulating in the hands of individuals without sufficient outlet to flow it back into circulation, and, on the other hand, a large property was constantly locked up for want of that confidence between man and man which is the life and soul of commerce.[20]

One of the evils which should be removed was the system of competition for the public bills which had an evident tendency to raise the premium on bills even beyond its natural level to the detriment of the fair trader and beneficial only to speculators. They accordingly recommended that a maximum premium of 20 to 25 per cent

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20) However, the very circumstance of so much paper accumulating in the hands of individuals, is proof of a great excess above the average and ordinary demands of the circulation, and must necessarily cause violent fluctuations in the prices offered for bills. Grant pointed out that it was fallacious to assert that "the want of means of remittance," i.e. a scarcity of bills, was a cause of the scarcity of paper money, because a scarcity of the circulating medium would naturally enhance its value in exchange. As a certain sum in sterling valuation was to be remitted by bills, a smaller number of rix-dollars would thus represent the equivalent to that value.

Vide Grant: Considerations of the State of the Colonial Currency etc., pp.82-83.

on public bills should be fixed with the distribution in the hands of government as the most likely way to satisfy the public demand consistent with the true interests of the Colony and completely do away with the baneful practice of jobbing. Although government by this means would submit to a certain less arising from the difference between the existing premium and the maximum particularly on such portion of their supplies as were furnished in some of the staple commodities of the colony such as butcher's meat, the Committee still thought that the maximum on general principles ought to have an equal influence on the price of all commodities unless where its effect might be counteracted by partial combinations or a bad system of contracts. They further recommended the establishment of a Discount Bank with a capital of 500,000 rds where the public and in particular the mercantile section of the community might find instant relief by having their bills discounted at short periods. It would further have the effect of restoring credit and confidence, the loss of which was one of the immediate causes of the scarcity of the circulating medium. They were unanimously of opinion that the existing floating mass of paper currency of over 2,000,000 rds. was fully adequate for all the purposes of commerce as well as internal improvements if, as they had reason to believe, by the operation of the Discount Bank and of a judicious and economical distribution of the public bills, the accumulation of the circulating medium in the hands of individuals would be effectually prevented. They also warned against the very baneful effects the colony might one day labour under in consequence of so great a capital which had neither public nor private security attached to it. They were accordingly strongly impressed that the operation of a Sinking Fund might be resorted to in order to avert a

calamity of such infinite magnitude. A large fund could be established by paying into it the net profits of the Lombard and the Discount Bank. The Committee had suggested the issue of 500,000 rds. as a temporary measure so as to provide a capital for the proposed Discount Bank. Caledon had in general agreed with the findings of the Committee but he did not consider it proper at the time to increase the paper money in circulation. For the moment he would also postpone the establishment of the Discount Bank, though he yet hoped that, by some additional and provisional regulations to the Lombard Bank considerable relief might be afforded.[21] He immediately got into touch with the secretary of state in February,1808, and imformed him that there was an absorption of paper currency and that the Lombard Bank was totally inefficient to afford relief to temporary distress. He went on to pro the conversion of the Loan Bank into a Bank of Discoun If he could not find sufficient capital from other sou he asked permission to create 400,000 rds which would gradually be destroyed as the capital of theLoan Bank w repaid.[22] Caledon's suggestion were, however, not favourably received by Viscount Castlereagh and he replied[23] that it did appear to him prudent at the moment to make any material change in the arrangements of the Colonial currency. "Certain inconveniences will always arise in regard to currency in those places where the exchange of commodities is unfavourable, which never can be completely remedied; and a Bank of Discount seems merely calculated for countries where mercantile speculations are numerous

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21) G.H. 34/3, pp.42-45, 2 May, 1808: Dep. Col. Sect C. Bair to members of the Committee.

22) Rec.6, pp.277-278, 4 Feb., 1808: the Ear to Viscount Castlereagh.

23) Ibid; p.362, 10 June, 1808: Viscount Ca the Earl of Caledon.

and allow the creation of fictitious capital."

The report of the Committee was, however, partially adopted and on 12th August, 1808, the Lombard Discount Bank was established by which measure the circulation of money was accelerated. The Sinking Fund proposal was unfortunately not adopted.[24]

Notwithstanding Caledon's initial opposition to any further increase in paper money he again applied in October, 1809, to the Secretary of State for leave to issue 1,000,000 rds.[25] "Many and great improvements may be easily suggested for the advancement of the Colony, but after my local experience and the attention I have given the subject I feel some confidence in saying that unless the circulating medium is increased or one great branch of expenditure (in the Cape Regiment) reduced, no measures however necessary when attended with expense can be executed without applying to the British Treasury for assistance." Of the two million rix-dollars which formed the gross amount of paper money one quarter was annually paid into His Majesty's Treasury as revenue. This revenue was rapidly increasing and with its increase the credit of the paper money must augment. According to him a greater quantity might be created and issued with advantage as an increase of the capital of the Lombard Bank to be distributed by them with the sanction of the governor.[26] As early as 12th May, 1809, Viscount Castlereagh had suggested to Caledon that it would be adviseable to increase the fund of the Loan Bank cautiously

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24) Rec.7, p.183, 12 Aug., 1808.

25) Ibid., pp.163-165, 12 Oct., 1809: the Earl of Caledon to Viscount Castlereagh.

26) Rec.6, pp.499-500, 12 May, 1809: Viscount Castlereagh

so as to provide a sufficient quantity of paper currency for both circulation and hoarding, so that the state could take advantage of the particular disposition of the colonists for hoarding, and those who had not this disposition might have a sufficient circulating medium for trade and speculation. Caledon now proposed that there should be vested in the governor a discretionary power of creating a sum not exceeding one million rix-dollars to be delivered to and issued by the Lombard Bank. "It would in this case be my duty to use the authority with such caution as would guard against the consequences of too rapid or too great an increase".[27] The amount might be applied partly in loan to government and partly to those in need of pecuniary assistance. That part received by Government in loan should on no account be considered as revenue, but be applied to the erection of public works and those works when erected should be considered as public property mortgaged to the amount to which public money had been expended upon them. The proportion intended for the more immediate use of the inhabitants might be distributed in loans upon the usual terms subject to a payment of 6% per annum interest, secured upon the private property of the borrower.

With regard to the first proposal, namely, a loan to Government, Caledon suggested that whatever sum might be lent should have a substantial backing, for unfortunately, when the British Government had before found it expedient to create money for temporary[28] purposes it was necessary to redeem that creation at the surrender of the settlement. If the same amount had been brought into circulation through

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27) Rec.7, p.164, 12 Oct., 1809: the Earl of Caledon to Viscount Castlereagh.

28) Such as for the purchase of rice by General Dundas.

the Lombard Bank by an expenditure upon a public edifice, that edifice would probably have been received by the Botavian Government as an equivalent or if rejected as an equivalent, the sale of it would in some measure have repaid the expenses attending its creation. Nor was this the only difference: sums created for the purpose of articles of consumption could not be expected to make a return, but if applied to the creation of such buildings as a wharf or market place, a wharf duty or the hire of fixed stakes would increase the annual revenue and pay the interest if not in part the capital. Caledon wanted to utilise the money for the erection of a public prison, a market place, a wharf and to supply the upper part of the town by means of an aqueduct with water. He concludes by saying that "much as I am attached to the colony, still my sense of duty to my own country leads me if possible to avoid an increase of its expenditure, but if an additional issue of paper money or an aumentation of taxes does not take place, I can do little more than carry on the Government without attempting much for its improvement."[29]

These representations thoroughly convinced the new Secretary of State, Lord Liverpool, of the necessity and propriety of increasing the currency and he accordingly gave Caledon permission to create 1,000,000 rds.[30] Rds. 500,000 were to be advanced to the Loan Bank and the remaining 500,000 rds "to be disposed of in the erection of such public buildings as the governor for the time being shall judge most necessary to the public" and the revenue from which would be sufficient to return the interest on the

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29) Rec.7, p.168, 12 Oct., 1809: the Earl of Caledon to Viscount Castlereagh.

30) Ibid., pp.260-261, 3 March, 1810: Lord Liverpool to

capital. The issues, however, were to be made from time to time and should be so regulated by the governor as not to increase the circulation too rapidly.

By proclamation of 14th June, 1810,[31] it was accordingly promulgated that the growing commerce and augmented population justified an addition to the circulating paper money to aid the industry of the inhabitants. It appeared most expedient to afford this assistence through the means of the Lombard Bank and it's capital was therefore increased by 500,000 rds. On 26th June, 1810, 500,000 rds were stamped and handed over to the Bank. The remaining 500,000 rds. for the public works were issued in five instalments[32] of 100,000 rds. each on 15th January, 1812, 27th October, 1812, 21st January, 1813, 23rd August, 1813 and 4th March, 1814. Apart from these issues a further sum of Rds. 3,909-5 was added to the circulation of paper money. These were new paper money issued in lieu of those formerly in circulation and which had not been exchanged within the time fixed by the Batavian Government.[33] Thus by 4th March, 1814, the paper money had been increased to Rds. 3, 171, 204-5.

The outcome of all this was that the rix-dollar depreciated still further. The premium on sterling rose from 45 to 80 per cent as compared with 10 to 20 per cent during the first British occupation.[34] In January, 1812 and

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31) P.A.O.N., pp.135-136, 14 June, 1810: procl. by the Earl of Caledon; Rec.7, pp.291-292: Rec.9, p.356.

32) Rec. 22, pp.123-128.

33) Ibid., pp.123-128: 9 April, 1807-1902 rds; 1 April, 1808 Rds.266-5; 10 Nov., 1808 - Rds.461-6: 1 April, 1809-240 rds: 6 Sept., 1809-Rds.461-2; 27 Feb., 1810-300 rds; 14 May, 1810-156 rds; 2 Aug, 1810-122 rds.

34) Rec.9, p.479.

November, 1813, the value of £100 sterling bills had fluctuated from £135 to £161. 2. 3. currency.[35] The inevitable result of this ruinous policy appears in the quotations of the exchanges, which stood at 145 in 1811, 160 in 1812, 165 in 1813 and 180 in 1814.[36] The average value of the rix-dollar from 1806 to 1810 was 3/6; the average exchange value of the rix-dollar for 1810 had depreciated to 3/2 from 4/- in 1806. This process of depreciation was not only the result of the issue of more paper money in 1810 but it was also assisted by the establishment of the Lombard Discount Bank in 1808 which tended to accelerate the circulation of money, though the effect was in some degree counteracted by the payment of interest at 4 per cent upon sums deposited in the bank for a year. As the military disbursements continued to afford large facilities to commercial remittance, the depreciation of the paper, though progressive, was not considerable in the first years of the second British administration.

Before the issue of 500,000 rds in 1810, the nominal premium on the exchange, in favour of sterling money, had not greatly exceeded 25 per cent. The obvious effect of the increase just mentioned, was to diminish the value of the whole circulating medium, to raise the nominal exchange against the colony, to lessen the amount of bills of every description to be drawn and consequently to increase the cost of all commodities imported from England particularly such as were indispensable to the cultivating and labouring classes, while the prices of all

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35) Ibid., p.272.

36) Chalmers: op. Cit., p.233.

colonial products were controlled and regulated by the Burgher Senate as well as by the taxes on corn imposed by the local government and the farming of wine licences. The creation of this sum was deemed the least disadvantageous mode of realising a fund for the proposed objects which were obtained, however, at the expense of the colony, and implicating the integrity of Government who had guaranteed the value of the paper currency at 5 rds. per pound sterling. The interests of the colonists were injured in as much as this addition to the money in circulation enhanced the prices of all British commodities and necessaries of life under the operation of the exchange which also rendered a greater revenue necessary to maintain the civil list paid in sterling value. Thus as we have seen the premium on the exchange in the course of 18 months after the additional issue, rose from 20 to 50 per cent and in 1812 it reached 60 per cent and operated as a direct heavy and disproportionate tax upon the community but highly serviceable to the British Government.

The losses to which the community had already been subjected were greatly augmented by a further issue of 500,000 rds between January, 1812 and March, 1814 and were further aggravated by the subsequent reduction of the garrison.

Regime of Sir John Cradock (6 September, 1811-6 April, 1814.)._____ As was the position with the Earl of Caledon, the new governor, Sir John Cradock, came to the Cape with instructions not to make any further issues of paper money without special authority.[37]

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37) Rec.8, pp.32-33, 10th April, 1811: Instructions to Sir John Cradock.

The effect of the increased issues had attracted the attention of Cradock and it appeared to him to be of the highest importance for a proper, well understood and permanent adjustment of the finances of the colony, that the money created by the Earl of Caledon and sanctioned by the British Government on 3 March, 1810, should be reviewed. He wanted the whole currency situation reviewed particularly with regard to such measures he should adopt "as will best fulfil the orders of His Majesty's Government upon this head, accomplish the various objects for which the money was originally designed, and secure the reimbursement to Government in the manner most beneficial and just to the parties concerned, not only in the present day, but at the periods of repayment more remote."[38] The instructions contained in the letter of Lord Liverpool of 3 March, 1810 required careful consideration, for they connected the repayment of the interest of the sums advanced with instalments upon the capital and at the same time directed that this interest was to constitute no part of the ordinary revenue. To Cradock these instructions seemed either inconsistent or the Government had to act in opposition to them if any portion of the interest was diverted and formed any share of the public revenue.[39] He was of opinion that whenever any payment was made into the Lombard Bank, of either interest or principal, arising from the reimbursement upon the monies advanced, that such sums in the paper currency should be immediately destroyed and carried to the account of annihilation of the issue in

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38) Rec.9, p.313, 27 January, 1814: Memorandum by Sir John Cradock.

39) Ibid., pp.313-314.

question and thereby relieving "His Majesty's Government and the late and present Colonial Government from all assumed or real responsibility on this point." In addition certain drostdies were heavily indebted to the Bank, not even connected with the late advances, and it appeared quite nugatory to expect from them regular payment of interest and portions of the capital advanced for the public service within the districts therefore some other measure of repayment had to be arranged which would not too severely press upon the districts but which at the same time would not for a moment lose sight of the indispensable liquidation of their debts, though at more protracted periods. "I would not pursue the present ineffectual system of unfounded hope of receiving interest and a share of the capital, but I would rather fix the advance as a simple debt alone, not bearing interest, and whenever practicable, and to the full and just amount of the means of the respective Drostdies, call annually for repayment." It also appeared that the r payment of the money advanced by the Batavian Government to the Drostdy of Stellenbosch, on account of the fine, had always been carried to the proceeds of the revenue which he conceived to be thoroughly misplaced. If this matter was not rectified "the worst consequences, in all future adjustment of finances, may ensue, and the most dangerous prededent be established." Cradock accordingly appointed a committee of six members[40] on 27th January, 1814, to investigate these matters.

With but two dissentients they reported[41] on 14th February, 1814, that the entire 500,000 rds of the Lombard

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40) The committee consisted of the Lombard Governor, Chief Secretary, Chief Justice, H.M. Fiscal, President of the Lombard Bank, Auditor General and Mr. Stoll to act as Secretary.

Bank had been lent out on interest to individuals at 6 per cent per annum. Of the remaining 500,000 rds, intended for public works, Rds. 353719.-1.-3. had been spent, while a sum of Rds. 151,151,-3-2. i.e. more than the balance, had already been committed. There were other most necessary works but these might be postponed until there was a surplus in the Treasury. The indebted Drostdies should be exonnerated from paying interest on the capitals advanced to them for the erection of public buildings so long as they would continue to discharge regularly such portions of their respective debts as they severally engaged to liquidate annually. The Committee further proposed that on the final repayment of the sums so advanced, much buildings should become the property of the district concerned. But although the Committee had recommended that the Drostdies from their supposed incapability should be exempted from paying interest, they however thought it but right that the interest on the waterworks in Cape Town should be paid by the inhabitants of the town and that the whole or part of the interest on the capital advanced and still to be advanced for building a church and parsonage at Simons Town should be raised by a tax on the inhabitants of the town. The interest on the several sums advanced on account of various colonial works not bearing interest, viz., the Civil Offices etc. in Cape Town, was to be regularly paid to the Lombard Bank by warrant on His Majesty's Receiver-General out of the Colonial Treasury and repaid by the Bank to the Treasury in order to prevent confusion in the Bank and to enable them to close off their interest account annually. The majority of the Committee were further of opinion that the existing paper money was in excess of the

Commercial requirements of the Colony and that this necessarily enhanced the prices of every commodity. To counteract the evils arising therefrom the 500,000 rds for public buildings should be annihilated gradually at regular intervals. Advances to the Drostdies should be repaid by instalments according to their abilities and the money is repaid should be destroyed regularly. The interest on the 500,000 rds. and various other sources[42] of income should be appropriated to redeem the amounts spent on the public works. The regular and public destruction of these sums would give confidence in the remainder and would prevent further ruinous depreciation. They also recommended that the newly-erected public buildings should be hypothecated as additional security for the paper in circulation. The instalments repaid into the Treasury by the drostdy of Stellenbosch should be destroyed.

The two dissentients,[43] the Receiver-General and the Colonial Secretary did not believe that there was an excess of paper money above the wants of the Colony. They held that the increased prices were due to "augmented demand" but did not explain how an augmented demand could operate except through an increased quantity of money or an increase in the velocity of circulation.[44] They were

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42) Ibid., p.358.
"Such portion as has been employed in erecting the Civil Offices, the Custom House, supplying the town with water, also the Church and parsonage constructing at Simons Town, should be redeemed, by appropriating henceforword the interest accruing from the 500,000 rix-dollars added as a capital to the Lombard Bank in virtue of Lord Liverpool's letter of the 3rd of March, 1810, by the Tax imposed on Cape Town for the waterworks [illegible], by the rent of any stores belonging to the Custom House, and by the interest paid by the inhabitants of Simons Town and vicinity on the money laid out for the building of the Church and parsonage

43) Ibid., pp.359-361, 14 Feb., 1814: Rec.10, pp.233-234.

44) Leslie: Op. Cit., p.161

opposed to the destruction of any of the paper money and probably a positive instruction from England might be as necessary for its destruction as its creation. The Colonial Secretary, Mr. Henry Alexander, could not concur in recommending any act pledging the Government to a release of debts due by the respective Drostdies, although he concurred with the Commission that if at the end of each year there be any surplus revenue it would be very wise to apply such surplus to relieve local distress.[45] The Stellenbosch money being found due under adjudication of a court of competent jurisdiction he could not ascertain whether that particular sum formed part of the sum adjudged; the whole amount stopped by the Earl of Caledon was 10,700 rds, the money adjudged was 63,000 rds, so that nearly 40,000 rds were deducted from the sum seized of which the Stellenbosch money might be a part. The Receiver-General, Mr. Francis Dashwood, believed that the issue of the 1,000,000 rds. was intended to be productive; the interest of one moiety to be applied as an increase of revenue, while the interest moiety spedially directed to be levied on the other, although not to be applied as part of the Ordinary Revenue yet at the same time to be considered as revenue, should preclude the possibility of diverting the one from its intended application or relinquishing the claims of the other by ceding the interest of the sums issued and calling in alone such proportion of capital advanced as might be considered equal to the means of each respective body who had received such advances without the special authority being first established.[46]

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45) Rec.9, p.360. He added however that if these principles appeared to His Excellency unfounded he would cordially co-operate in carrying what is agreed upon by the majority, when approved by His Excellency, into execution.

Both Cradock and the British Government agreed with the Majority Report.[47] Cradock assured the Committee.[48] "We have two facts in painful force before us..... that the price of every article is enhanced beyond all measures and that the currency is so depreciated as to render it impossible to procure bills of exchange upon England under from 75 to 80 and 90 per cent. If this continues no person can foresee the consequences. It may be said, were there a larger military force, a more numerous squadron? Were there more exports? Let us wait till the operation of the Free Trade produces its expected benefit. These points would produce a great reduction of the exchange, and with this circumstance alone the present pressure would cease." There were, however, no reasonable expectation that either the navy or the army would be increased. The export of wine, through the late Act of His Majesty's Government, might be increased but that certainly could not meet the importation and consumption throughout the Colony of British manufactures and the growing luxury that prevailed. Also, it was very doubtful whether the arrival of ships, either homeword bound or outward to India, would produce the real wealth expected: every vessel from India would trade clandestinely and each ship from England would contrive to bring articles sufficient to defray the expense of detention at the Cape ports.

Cradock accordingly issued two proclamations[49] on 4th March, 1814. With regard to the 500,000 rds. allotted to the erection of public works, all successive repayments

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47) Ibid., pp.361-367, Feb., 1814: Memorandum by Sir John Cradock; G.H. 1/3 and 8, 30 July, 1814: Secretary of State Lord Bathurst to Sir Charles Somerset.

48) Rec.9, pp.363-364, Feb., 1814: Memorandum by Sir John

in any shape as they arose when paid into the Lombard Bank should be immediately destroyed and carried to the account of annihilation of the said 500,000 rds created for those purposes alone. Since certain of the public works were unproductive from their nature, the interest on the first 500,000 rds, which had been issued to the Lombard Bank was to be successively destroyed until the entire 500,000 rds. created for civil buildings etc., had been entirely effaced from the circulation. In order therefore, to inspire the utmost confidence in the "paternal vigilence of His Majesty's Government over the future as well as the present interests of the Colony" be ordered the immediate destruction of the first instalment of 15,000 rds. paid by the Burgher Senate on account of the Water-works in Cape Town. The buildings erected were declared to be considered as hypothecated to the general paper currency without adverting to the periods of creation. All repayments from the landdrosts of Swellendam, Graaff-Reinet, Uitenhage and George would be received as capital in reduction of their debts and would also be destroyed,[50] while the buildings and other works throughout the districts were to remain the public property of these districts at the future direction of Government. The 24,000 Rds accrued from the repayments by Stellenbosch were also to be publicly destroyed and this was to continue annually until the entire 75,000 Rds were expunged from circulation. In consequence of this destruction of 39,000 Rds the paper money in circulation was reduced to Rds 3,132,204-5. On 14th April, 1814, after he had already left the Cape Colony, Sir John Cradock could write to Lord Bathurst that: "if the measures I adopted

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50) P.A.O.N., p.282, 4 March, 1814: Circular from Colonial

be pursued, the whole of this creation (ie. 1,000,000 rds) will be done away within a reasonable time; or, if events should occasion a speedier adjustment, the just principles of liquidation are made apparent and the necessary arrangements will follow of course."[51]

Cradock informed the Secretary of State, Lord Bathurst, that the great depreciation of the paper currency was a subject which demanded special deliberation and attempt to stop it at the earliest moment.[52] According to him this depreciation arose from either an excess of imports over exports with a consequent unexampled price[53] upon the English bills of exchange, or any inherent defect in the institution of a paper currency that neither had no professed to have any representation in specie. Cradock admitted, however, that there existed such a variety of opinions on the subject of the paper currency "that I have great diffidence to introduce it, and confess I feel myself too much inclined to follow a prevailing sentiment, that it may be judicious not to enter upon explanations which in all probability would not lead to satisfactory or conclusive consequences." The Dutch and English finance had ever been so much blended that it was now difficult to separate them. The capitulations have increased these difficulties and there was no resort to remedy the Dutch part of the currency. Cradock

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51) Rec.9, p.469, 14 April, 1814: Sir John Cradock to Secretary of State Lord Bathurst.

52) Ibid., pp.420-421, 5 March, 1814: Sir John Cradock to Secretary of State Lord Bathurst.

53) Ibid.,
Certain individuals found it their interest to enhance the price of English bills beyond its natural and just level. This would however not be counteracted while all the bills drawn by the government were given to the highest bidder without any other consideration. One rich money broker bought up all the bills, at no matter to him what price, and then demanded such additional premiums as he thought proper for at length

was therefore not prepared to offer any proposition of complete effect. One main principle, however, seems to have swayed the public wind and that was to make the paper money suppose to have some adequate and avowed security.

Cradock further informed the deputy Colonial Secretary, Lt.- Col. C. Bird, that he wanted in the Colonial Office a regular statement of the paper money at the Cape in the possession of His Majesty's Government "for their pleasure whenever they may think fit to act upon it. As it now stands. I am very sure they know nothing about it, and it is impossible to say how soon, from the circumstances of the day, they ought and would wish to have this knowledge."[54]

Cradock realised that the Colony was in a dangerous financial position. He was alarmed to find that the premium paid for sterling bills on London, which usually had stood between par and 20 per cent below, had risen to the unprecedented figure of 80¾ per cent.[55] There was no export but that of wine to meet the great influx of British commodities. The existing excessive high rate of exchange which inevitably would become higher from the increase of consumption of British manufactures throughout the colony and the decrease of government bills from the reduction of the military and civil establishments would throw the finances of the government into the severest depression. For, exclusive of the weight of the expense to defray the salaries of the civil establishment

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54) Ibid., p.471, 21 March, 1814: Sir John Cradock to Dept. Col. Sect. C. Bird.

55) Ibid., p.322, Feb., 1814: Sir John Cradock to Secretary of State Lord Bathurst.

and the pay of the Cape Regiment in sterling money, it had the additional unfortunate effect of raising the price of every article at the charges of government.

Regime of Lord Charles Somerset (6 April, 1814-5 March, 1826)._____ Sir John Cradock could unfortunately not supervise the carrying out of his deflation policy for he was succeeded on 7th April, 1814, by Lord Charles Somerset who, as we shall see, was at variance with the recommendations of the Finance Committee and had no intention of carrying them into effect.

A few months after he had assumed his duties as governor he received instructions from the Secretary of State, Lord Bathurst, with regard to the paper circulation." The measures which Sir John Cradock took previous to his departure for settling the question respecting the 1,000,000 Rds created by the Earl of Caledon will have relieved you from much difficulty. I cannot too much impress upon your Lordships attention the first report of the Financial Committee....laying down in a clear manner the principles upon which all your financial operations should be conducted." 56) It was evident from the Report that there existed a redundancy of paper money in the Colony and a portion of it should be cancelled. Lord Bathurst said he wished that Sir John Cradock had adopted that recommeddation of the Committee which related to the posponement of the works determined on but not contracted for at the date of their report as he believed by withholding the issue of 200,000 Rds which the completion of these works required,

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56) G.H. 1/3 No.18, 30 July, 1814: Secretary of State Lord Bathurst to Lord Charles Somerset.

he would at no distant period have been able to effect" without resorting to a measure which, as it goes, tends to increase the depreciation of the exchange and the consequent difficulties of the colony." Somerset was further requested to make quarterly reports of the amount of paper money actually in circulation specifying the amount that had been issued and cancelled during the preceding quarter.

In his endeavour to obtain some information on the proposals of the Finance Committee of Cradock, Somerset approached some experienced government officials and in particular the receiver - general and president of the Lombard Bank, Mr. Dashwood, and the Colonial secretary, Mr. H. Alexander.[57] These two gentlemen had been the dissentients of that Committee. The Deputy Colonial Secretary Lt. - Col. C. Bird brought out his report on 18th January, 1815 which at the same time expressed the opinions held by Mr. Alexander and Mr. Dashwood.[58] They attributed the great rise of the exchange to two causes: firstly, the excess of imports over exports and, secondly, His Majesty's Order - in - Council which had the effect at that time of prohibiting neutrals from trading at the Cape. The Cape had drawn from England or India the whole of its luxuries and the greater part of its necessities (provisions accepted). The exports were trifling and consisted only of about 5,000 leagers of wine, approximately 500 tons of whale oil, and a very trifling quantity of wool. The balance due to the British merchants had therefore to be paid by specie or by bills of exchange and the whole was remittable to England, that is, the sum due to India as well as that

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57) Rec.10, p.233-235.

58) Ibid., p.236, 18 January, 1815: Dep. Col Sect. Bird to Lord Charles Somerset.

due to England. As this excess was very great, and as the British capitalists were very urgent for remittances, it caused a competition for Government bills which enhanced their value to the apparent depreciation of the paper currency. This depreciation would not be ameliorated "until the industry of the Colonists and an increase of the population shall have enabled them to introduced some article of export which shall give to commercial adventure its natural balance." Previous to H.M. Order-in-Council prohibiting neutrals from trading at the Cape the Portuguese and Spanish merchants from South America and the ships of the United States had frequented the Cape ports and made large purchases of prize India goods which were brought to the Cape in great quantity during the late war. These goods were paid for chiefly in bullion and although the export of bullion was contrary to the Colonial law," nevertheless so much of it was remitted to England that it kept the exchange at a moderate rate and the effect of the abolition was its immediate rise."[59] Previous to the issue of the Order-in-Council in question, the Spanish dollar was below par in exchange against sterling money and when Somerset came to the Cape he found it difficult to obtain them at under 7/- sterling each. Bird went on to point out that before the capture of the Colony in 1806 and consequently long before the augmentation of the currency, the Batovian Government drawing but small sums upon their Home Administration and there being a great anxiety to remit to Holland, "their bills rose to the same price in exchange at which they now are with respect

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59) Ibid., p.237

to England, similar causes having always like effects."[60] He maintained therefore that the existing amount of currency in circulation did not in the smallest degree contribute to the existing course of exchange, which was attributable only to the preceding causes, though he was not prepared to say that the issue of the whole 1,000,000 rds. nearly at once, contrary to Lord Liverpool's instruction which directed the issue to be made cautiously and by degrees, might not have had a momentary and disadvantageous effect upon the market.

Bird further pointed out that the Committee, appointed by Sir John Cradock to examine into the causes of the great public distress, was unanimously of opinion that there was a great deficiency of circulating medium. This opinion they grounded upon the circumstances of the numerous applications to the monied administrations of the Orphan Chamber and the Lombard Bank for advances of currency upon primary mortgages to 5 or 6 times the amount of the subsequent augmentation and upon the established fact of persons of real property and of great wealth being obliged to have recourse to usurers to procure the immediate assistance they required in circulating medium. The Committee consisted of men long conversant in the affairs of the Colony and some stress could therefore be laid upon their opinions, and the cases had to be the same now, unless any circumstances should have occurred to alter the situation of the Colony from what it then was. Bird found however, that every circumstance tended to impress upon him the very contrary of what was asserted. The population was very much augmented, consequently more circulating medium was

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60) Ibid.

required; commerce (as far as import was concerned) had also increased, from which the same consequence was deducible ; the aid formerly derived from the importation of specie had ceased, consequently more currency was wanted to replace the deficiency and lastly, the increase of luxury had among other causes enhanced the price of all necessaries of life nearly one-third and it was therefore evident that there was a considerably greater quantity of currency required to perform the same operations in finance than was necessary previous to that rise.[61]

He pointed out that if Somerset was to burn the 500,000 rds. created for public works as it returned to the treasury, everything would be brought to a standstill and the important works that were still of absolute necessity could no longer be thought of. "The works.....are all such as must ultimately be either sources of revenue or be periodically defrayed by district assessments without burthening the usual Colonial revenue....."[62] The issue of 500,000 rds for the Lombard Bank had increased its profits from about 40,000 rds to 12,000 rds per annum. "Can it be reasonably recommended to your Excellency to call in the issue so made, and thereby reduce the Bank to that nullity it was before it was put into its present activity, and thereby also subtract from the Colonial Revenue such an important source of income?"[63]

Lord Charles Somerset, however, was easily converted and on 20th January, 1815, he informed Lord[64]

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61) Ibid., p.238

62) Ibid., p.239.

63) Ibid.

64) Ibid., pp.242-243, 20th Jan., 1815: Lord Charles Somerset to Lord Bathurst.

Bathurst that, with regard to the cancellation of a portion of the Rds. 1,000,000 he differed most entirely from the majority Report of Finance Committee appointed by Cradock. In support of his own opinion on the matter Somerset also despatched the opinions of the government officials whom he had consulted. In addition he included the reports of the Receiver-General (Mr. Dashwood) and Colonial Secretary (Mr. Alexander) which were drawn up against the majority Report of the Finance Committee. Somerset agreed with Lt.-Col. C. Bird that were the measure of destroying any portion of the paper money adopted, every public work, however indispensable, would have to be abandoned. In particular he had in mind the construction of a road to Simonstown, the wharf had fallen to decay, the public prison needed immediate attention and a hospital for lepers had to be established immediately. "Under these circumstances I trust your Lordship will spare me from pursuing a system which, in my view, can only tend to embarrass the finances of the Colony."

The Colony had a great wheat crop and Somerset saw in this an opportunity to fill the Colonial Granary in order to provide against future scarcities. The sum of 80,000 rds placed at the disposal of the Grain Committee by Sir David Baird on 15 November, 1806, had been nearly expended in the purchase of grain. Accordingly Somerset thought it advisable to create an additional 100,000 rds

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65) Ibid., pp.362-363, 28 Oct., 1815: procl. by Lord Charles Somerset.

66) Recill, pp.87-95, 18 March, 1816: Instructions from

the Secretary of State, he was not to issue any paper currency beyond the amount of that which he might find necessary to cancel. In future he was to keep registers specifying the number and amounts of the different description of notes issued or cancelled. Upon the receipt of these instructions he was to transmit to the Commissioners of Colonial Audit a detailed statement of the paper currency in circulation. He had also to transmit an account of the paper money which had been advanced to various public bodies and in the event of any of the repayments being found in the Treasury should be destroyed immediately. All future repayments were to be treated likewise in complience with the specific conditions under which they were issued.

Further instructions[67] were received from the Lord Commissioners of His Majesty's Treasury that no money of the 500,000 rds. issued for improvements was to be re-issued, but this amount was to be destroyed as collected. With respect to the interest on these advances the bank was to "call in the same from the Department or Drostdies from which the same may be due, and carry the amount to the account of the profit payable by them with the other proceeds of the administration to the account of the Colonial Revenue."

In the same year on 16th August,[68] the sum of 100,000 rds advanced to the Grain Committee on 28th October, 1815, was destroyed, but it is uncertain whether this had been a distinct issue in addition to the former creations of paper currency, or otherwise.

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67) C.O.438, pp.24-25, 8 Nov., 1816: Dept. Col. Sect. C. Bird to President of Lombard Bank. Rec.11, pp.213-217.

68) P.A.O.N., pp.370-371, 16 Aug., 1816: procl. by Lord Charles Somerset.

Proposed Further Issues:- The increase of the rate of exchange and the inconvenience felt throughout the colony from the paucity of paper money had induced Somerset to give his serious attention to that subject. In order to bring the matter more fully under the consideration of Lord Bathurst Somerset requested the deputy secretary, Mr. Ellis. to compile a memorandum on the subject of the paper currency.[69] According to this memorandum there was a great scarcity of paper money throughout the Colony which was caused to a certain extent by the usurious practices of a few individuals who found it their interest to engross money and to lend it at usurious interest. This deficiency of paper money could only be remedied by a further issue of 500,000 rds, to be called "Bank Rix-dollars," on the faith of Government and security of the public lands and buildings,this was to be received by Government in payment of all public dues whatever at the same value as the existing rix-dollars.[70] The object of this latter provision was that this new creation should have no pretension to repayment at the original par value of the rix-dollar, while by being received at the same rate in payments to Government, it could never suffer any colonial depreciation. "Should the external repayment in specie be not considered to deserve consideration, a simple creation of rix-dollars would at the moment be more desirable, as the question of relative value would not then be brought under notice." This creation of 500,000 rds. was to be placed at the disposal of the

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69) Rec.14, pp.48-52, 6 July, 1821: Memorandum by Dept. Col. Sect. Ellis.

70) Ibid., p.51.

Government Bank for purposes of discount. On 27th July, 1821, Somerset accordingly applied for authority to issue a further 500,000 rds. to be placed in the Bank, and to restore the 39,000 rds. of the Rds. 500,000 Fund which had been destroyed. These were the "only means of affording relief," he declared.[71]

The state of the credit at the Cape, however, was so desperate that confidence in individuals was gone. There was at the time a host of borrowers and no lenders, and those who were unable to obtain funds imputed it to an insufficiency in the circulation "of which there is an over abundence; and not to the depressed state of their own credit and that of others, added to the natural effects of excessive over-trading, which have acted upon England and America in the same manner."[72] The enormously high rate of exchange on England reduced the value of the currency in exchange on England to 1/6 sterling per rix-dollar and caused the merchant who had to remit to get hold of a larger quantity of paper rix-dollars for the purchase of bills on England upon the day of tender. This might absorb for a short time a portion of the money but this alone was insufficient to give rise to constant distress, as the rix-dollar so paid for bills went into immediate circulation. "One main reason for the apparent scarcity of rix-dollars is, that a lender cannot depend upon the punctuality of a borrower, whilst, by locking them in his chest he is sure to find them on the day of difficulty."[73] Another cause of scarce

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71) Ibid., pp.64-65, 27 July, 1821: Lord Charles Somerset to Henry Goulburn.

72) State of the Cape of Good Hope in 1822, p.35.

73) Ibid., p.37.

circulation might be the absence of any colonial government paper bearing interest in the nature of exchequer bills current for all government duties and payments, except for bills on England which made people fearful of entrusting their money to private debtors.

Between the years 1806 and 1821 the Cape had enjoyed a period of moderate prosperity but Napoleon's death on 5th May, 1821, "caused a considerable revulsion, of which the effects would, in case of abundant harvests, have been more fatal to the agriculture of the colony, had not a large full-grown population dropt suddenly upon the Cape some months previous to Buonaparte's death, prepared to replace by increased home consumption of its produce, the loss of the market of Saint Helena."[74] The military and naval establishments were withdrawn from St. Helena and as a result that market for the produce of the Cape disappeared.[75] Prof. Schumann pointed out, however, that it is usually assumed that the decrease in the exports to St. Helena, after the death of Napolean in 1821, caused a severe reaction in theColony. Though the exports to St. Helena decreased from £30,844 in 1820 to £15,440 in 1822, those to Great Britain increased from £105,604 to £132,922 for the same period. Thus, the decrease of the trade with St. Helena could only have been a very minor factor intensifying the depression in the Colony. In addition the forces at the Cape were also reduced. The garrison on the peace establishment did not exceed 2500 men and only a few ships were kept on the Cape station so

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74) Ibid., p.3.

75) Schumann: Structural changes and Business Cycles in South Africa, p.69.

that a reduced demand caused a stagnation of all commerce and a fall in the price of the main articles of export resulted. There necessarily followed a diminution in the amount of bills drawn upon the British Treasury.[76]

"The public distress, aggravated by dearth, has increased, is increasing, and ought to be diminished, and unless things find their level at an early period, imminent distress appears to hang over the greater part of the Colony of the Cape of Good Hope."[77] There was no metallic currency in the Colony except English penny pieces for at the existing rate of exchange gold and silver had left the Cape. The troops were no longer paid in Spanish dollars as previously since the rix-dollar was more beneficial to the Commissariat. Accordingly some of these dollars had already departed for London and those which remained were prepared to travel. The golden and the silver age had been forgotten by the inhabitants of the Cape.[78]

Droughts and Floods: ____ Other factors also contributed to distress and destruction. There had been two failures of the wheat crops throughout the Colony in preceding years which was occasioned by seasons of intense drought and the recurrence of blight in the corn. In consequence of these circumstances "the high price of imported seed wheat exceeding the means which they can immediately command for the purchase thereof, whereby manifest danger exists of an insufficiency of corn being

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76) Rec.14, p.80; Rec.23, p.12; State of the Cape of Good Hope in 1822 pp.2,3,122. Theal: History of South Africa (1795-1828), p.312.

77) State of the Cape of Good Hope in 1822, p.35.

78) Ibid., p.37.

sown for the wants of the ensuing season, and of accumulated distress falling upon the colony."[79] Somerset therefore stepped forward and on 21 June, 1822, issued 200,000 rds. to the Lombard Bank from the colonial funds.[80] No landed proprietor could obtain more than 5,000 rds, adequate security was to be given, the legal rate of 6 per cent was to be changed and punctual repayment had to be insisted upon.[81] This issue was by no means a new creation of paper money but merely on advance from the Colonial Funds and the Lombard Bank had to keep an entirely separate account as well as for the interest arising therefrom. In another proclamation on the same day Somerset declared that it was both desirable and consonant to that guarantee given by the colonial Government to the public, relative to the issue, circulation and value of the paper currency that a portion should be called in from time to time and be destroyed.[82]

Issue of Debentures: _____ The object behind the issue of debentures was to prevent the unemployment of capital and to assist those industrious people with small savings in obtaining regular payment of interest without

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79) P.A.O.N, p.557, 21 June, 1822: procl. by Lord Charles Somerset.

80) Rec.21, p.64: 4.13.11.

From the Colonial Treasury	100,000rds.
" " "Rds. 500,000Fund" created by Sir John Cradock in 1812	50,000
Proceeds of the Somerset Farm	50,000
	200,000 rds.

81) Ibid; pp.62-86. These advances were made to the inhabitants of the five districts contributing the South Western division of the Colony in the following proportions:-

To the inhabitants of Cape Town and District Rds.	81,933
" " " " Stellenbosch	92,000
" " " " Swellendam	9,933
" " " " George.	7,000
" " " " Worcester	8,266

running risks or suffering the delays incident to the loan of monies from a precarious state of private credit. On the 21st June, 1822, Somerset issued a further proclamation.[83] Which authorised the Receiver-General to issue debentures to the amount of 200,000 rds. in denominations of not less than 100 rds. nor exceeding more than 1,000 rds. These debentures would be transferable and the interest payable upon them would be covered by that interest received from the 200,000 rds. fund created to assist the agriculturists and would be payable at the Bank. Seeing that the debentures only yielded 4 per cent, whereas 6 per cent was to be charged for the loans, the additional 2 per cent received was not to be added to the profits of the Bank but again "placed at interest and thus be permitted to accumulate for the ultimate benefit of the public." It was further directed that the paper money received for debentures issued was to be publicly destroyed. The debentures would be received as cash in the several colonial revenue offices, but not by the Customs Department.

The object intended by this proclamation, however, had not been attained. The debentures were not taken up to any considerable extent and a very small number viz; 42, were issued, while between 21 June, 1822 and March 1824 only Rds. 19,100 were paid on their account into the Treasury.[84] In September, 1823,[85] the President of the Bank declared that the scheme had failed partly owing to the ignorance which subsisted as to the advantages to be derived from it and partly owing to a mistake in not having made the capital

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83) P.A.O.N. pp.557-558, 21 June, 1822. Procl. by Lord Charles Somerset; 4.B.11, 22 June, 1822.

84) R.G. 31, No.19; Co: 241, No.7, 16 Feb., 1825.

85) C.O.182, No.13, 22 Sept., 1823, Rec.19, pp.410-425,

payable together with the interest of the debentures when required, which precluded the bank and the public from receiving or negotiating them in its transactions. The Commissioners of Inquiry[86] thought that the state of the colonial paper in which alone these debentures were payable, and the reduced rate of interest allowed upon them, might also account for the reluctance of the public to accept them. On 12th November, 1824, therefore, Somerset directed the Receiver-General to discontinue the further issue of debentures and called upon the holders of debentures to deliver them up upon their receiving from the Receiver-General the several amounts with such interest as should have accrued.[87] It was only on 30th May, 1825, that Lord Bathurst instructed Somerset to revoke the proclamation of 21st June, 1822 and not to issue further debentures.[88] On 27th June, 1825, they were accordingly ordered to be destroyed.[89]

Further Distress and Help from England: _____

A great storm accompanied by a very heavy fall of rain, which lasted from 19th to the 24th July, 1822, caused extensive damage to the buildings and cultivated lands all over the South-Western part of the Colony.[90] Somerset turned to the Colonial secretary, C. Bird, for advice and on 1st August, 1822, the latter had his memorandum ready.[91] He pointed out that on similar occasions, though not so pressing, former

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86) Rec.27, p.469, 1826.

87) P.A.O.N., p.672, 12 Nov., 1824: procl. by Lord Charles Somerset; Rec.25, pp.212-213. L.B.12, No.73: C.O.4851, pp.439-440. C.O.241. No.7, 16 February, 1825.

88) G.H. 1/9, No.650, 30 May, 1825: Secretary of State Lord Bathurst to Lord CharlesSomerset.

89) Rec.24, p.285, 27 June, 1825; C.O.241, No.19, 8th April, 1825.

90) Rec.14, pp.488-493, 504; Rec.15, pp.1,7,115-116, 131-132 294-295; Rec.16, pp.406-408; Rec.18, pp.127-128 Rec.19, p.349: C.O.4456; Theal: History of South Africa. (1795-1828), p.321. Vide Appendix "G".

91) Rec.14, pp.499-502, 1st August, 1822.

administrations had recourse to the measure of increasing the colonial currency and they had by such means met the difficulties of the moment without reflecting on the injury which an increase of paper currency might create, and had eventually affected the exchange and consequently the property generally. He maintained that a permanent increase of the colonial currency should be entirely and absolutely avoided. He therefore proposed that the Secretary of State negotiate a loan of £100,000 at 5 per cent interest or less to meet the exigence caused by the accumulation of evils which oppressed the Colony. This loan should be secured by the land revenue of the Colony which amounted to Rds. 178,572-1. The Colonial Government would by this measure have the means of drawing on England and the effect would be to provide for the urgencies of the moment without risk to the Colonial Government, without sacrifice of revenue and without increasing the circulating medium. It might also be calculated, that a drawing upon England to the extent required would tend to ameliorate the existing rate of exchange, and thus cause the paper money to approximate in a greater degree to the value at which it was issued and at which it was guaranteed to the inhabitants at the cession. He further suggested that there would be no risk in creating a temporary quantity of paper currency to meet immediate exigencies, a similar proportion of which should be destroyed from the proceeds of the first drafts upon the intended loan.

Somerset adopted the suggestion of C. Bird and immediately got into touch with Lord Bathurst.[92] He

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92) Rec.15, pp.2-6, 5 Aug., 1822: Lord Charles Somerset to Secretary of State Bathurst.

presented a very grave picture of the damage suffered in the Colony: all over the western districts public and private buildings, roads, vineyards, gardens and cultivated lands were destroyed; eight vessels out of sixteen at anchor in Table Bay were wrecked, with a loss of only three lives, and that assistance was immediately and urgently needed. The governor further reminded Lord Bathurst that the Cape Colony could boast of not having been yet burdensome to its parent country, that it was without a shilling of public debt andthat this Government had paid the whole of its establishment. Furthermore, the Cape Government had contributed considerably and was likely still further to contribute, to the commissariat expenditure and that even without such contribution the whole expense of the military and naval establishments of the station was entirely covered by imposts, whether of customs or excise, levied on the produce of the Cape Colony, imported into England. Finally, England derived most important advantages from the Cape in the consumption of a very large quantity of its produce and manufactures, and the employment of much tonnage and many seamen. Much had been effected by colonial economy. He had even found 200,000 rds. for the distressed agriculturists but now he was obliged to ask for a loan of £100,000 either at 5 per cent or at such lower rate as it might be practicable to negotiate. This loan would be secured on the land revenue of the colony which was rapidly increasing. Somerset suggested that arrangements could be made for paying the interest in England by merely instructing the receiver of land revenue to pay the amount quarterly to the commissoriat at the Cape upon the commissoriat giving him a certificate

of the rate of exchange of the day; this quarterly amount would then be credited by the commissary-general in his account with His Majesty's Treasury and diminish the amount of bills he would otherwise be necessitated of drawing on the Treasury Somerset proposed to draw on England for the amount required at such periods and in such proportions as the exigency of the case should necessitate. All loans would be made through the magistrates so that the province and not individuals would be responsible for capital and interest. For the first two years interest only would be paid, but thereafter 10 per cent per annum of the capital also, so that the entire debt would be repaid in twelve years.

Somerset declared: "I studiously avoid any permanent increase of paper currency;..... I do not risk the public revenue, since an amount, equal to what is surrendered of land revenue, will be receivable in another shape", and that it was probable that a drawing upon England to the extent required under the existing circumstances might affect the exchange so as to render it less unfavourable to the Colony than it had been for some time past. The churches and public buildings alone would cost an additional £25,000 to rebuild, and this could not be subtracted from any immediate saving of revenue owing to the assistance given to the agriculturists.[93]

It is true, however, that the severe storm of July, 1822, accompanied by heavy rains which occured in Cape Town and in the contiguous districts of the Cape, Stellenbosch and Tulbagh had occasioned a great destruction

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93) Ibid., p.6, 5 Aug., 1822: Lord Charles Somerset to Secretary of State Bathurst.

of property, especially in buildings and produced a general apprehension that the vineyards and cultivated lands would be injured by the floods, which in some situations had carried away the soil or deposited heaps of sand.[94] The Communications with the remote districts of the Colony being intercepted by the overflow of the rivers, it was not at first known how far the devastation had extended. Somerset, being anxious to anticipate the sufferings of the inhabitants by obtaining timely relief for them hastened the departure of major Josias Cloete[95] for England upon receiving the report of the magistrate in Cape Town and from the districts of the Cape, Stellenbosch and Tulbagh. In the apprehension of receiving similar reports from the remoter districts Somerset considered that £100,000 would be required to relieve the agriculturists and £25,000 to restore the public buildings. Major Cloete was to represent to Earl Bathurst more powerfully than could be done in writing the appalling consequences of the storm and to endeavour to raise a loan of money.

The damage caused by the tempest not only necessitated the precaution of being authorized to draw from the parent country but called for the adoption of some measure of immediate relief until the pleasure of H.M. Government should be known.[96] On 8th August, 1822, Somerset accordingly declared that the relief already afforded to the agriculturists did not leave sufficient means at the disposal of the receiver-general to cope with the new

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94) Rec.21, pp.62-86.

95) Rec.15, pp.2-6, 5 Aug., 1822; G.H.1/7 Nos. 442, 444, 446 October, 1822.

96) P.A.O.N., pp.564-565, 8 Aug., 1822: procl. by Lord Charles Somerset; Rec. 15, pp.10-12.

exigency and that he had therefore had the sum of 200,000 rds. prepared and issued to the receiver-general. It was not intended by this issue to effect any permanent increase of the colonial paper currency but under an injunction to cause a like amount to be publicly destroyed as soon as the measures of relief were completed. The receiver-general was not to carry this money to the Treasury revenue account but he had to hold it back until further orders for appropriation.[97]

Even before the promulgation of this proclamation a circular was sent from the Colonial Office to the magistracies informing them that it was the intention of the governor to afford them pecuniary assistance.[98] On the 8th August, 1822, the landdrost of the Cape District was informed that the governor had directed a warrant to be prepared in favour of his board to the amount of 30,000 rds. to be distributed to such individuals as should stand in need of immediate assistance in consequence of losses in their buildings caused by the storms. These loans carried an interest of 6 per cent per annum and the magistracy was made responsible for the principal and interest advanced, the repayment was to be made by instalments of 10 per cent to commence after the lapse of two years and every defolcation should be made good by increased assesments upon the distric[99]

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97) Rec.18, pp.252-254, 247-298; Rec.19, pp.102-103. Rec.21, p.9.; C.O. 220, No. 141: C.O. 6114. The 200,000 rds. were disposed of as follows: Rds 90,000 were distributed to the inhabitants of Cape Town and Stellenbosch between 30 Aug., 1822 and 15 January, 1823; Rds 5,500 were advanced on 7 February, 1823, to the inhabitants of Simonstown, and on 15 Jan., 1823 Rds 100,000 to the magistracy of Tulbagh partly for the erection of new buildings at Worcester to replace those at Tulbagh which were reported as unfit for repair. Several individual loans were also made.

98) B.P.P. 371, p.25, 2 Aug., 1822.

99) Rec.15, pp.9-10, 8 Aug., 1822: Co. Sect. C. Bird to Landdrost and Heemraden of the Cape District.

In response to Somerset's urgent representation of the 5th August, 1822, the Lords Commissioners of H.M. Treasury acceded to the request.[100] He approved the measures proposed by Somerset for the relief of the sufferers and authorized him to draw bills for £125,000 payable out of the Army Extraordinaries. £100,000 were intended for the relief of the agriculturists and £25,000 for the reporation of churches, barracks and other public buildings. Somerset was further instructed to exercise the most careful discrimination in the application of the money "and to exercise the most rigid economy compatible with the fair execution of the benevolent and necessary purpose for which this loan has been afforded." They expected adequate measures for the payment of interest at 5 per cent and for the repayment of the capital as Somerset had proposed. The issue of 200,000 rds. was also approved.

It was ascertained, however, that the first reports of damage were greatly exaggerated and only a few applications for loans were sent in.[101] On receipt of communication from the remoter districts, it became apparent that the effects of the storm had not extended beyond the western division of the Colony. The public buildings at Tulbagh were supposed to have been irreporably damaged by the storm and in November 1822[102] the governor on this account abolished the sub-drostdy of Worcester and removed the landdrost of Tulbagh to that village. In truth, however, the main building at Tulbagh was hardly damaged

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100) G.H. 1/7, No. 452, 15 Nove.,1822: Secretary of State Lord Bathurst to Lord Charles Somerset. Ibid; No.461, 5 January, 1823. Rec.15, pp.218-219.
101 Rec. 21, pp.62-86.
102 Rec. 15, p.138 8 November, 1822: Govt. Adv.

at all. Somerset thought that the Fund of 200,000 rds. and the additional 200,000 rds created by him would enable him to extricate the Colony from its difficulties without resorting to the measure of drawing upon the British Treasury.[103] Somerset had accordingly informed Bathurst that he hoped to avoid the necessity of drawing on the Treasury, but that he was reserving that privilege for any future emergency.[104] But calamity succeeded calimity so fast that all expectation at length vanished of being able to destroy the paper money created on the emergency of the moment or of replacing the sums borrowed and rendered it impolitic for the government to defer any longer availing itself of the aid offered by the British Government. Much to the chagrin of Lord Bathurst, Somerset informed him on 4th November, 1823 that "I shall have occasion for the full amount of what the British Government had so generously allotted to relieve our misfortunes under these distressing circumstances."[105]

It was not until 4th November, 1823, that Somerset started to draw bills and between this date and 6 January, 1824, the amount did not exceed £35097-10-7 or Rds 448,846-0-5[106] He had drawn a certain amount with which he redeemed the 200,000 rds. issued other sums on loan to the amount of £11,163 and applied the balance of £8934 to the repair of public buildings.[107] On 19th, December, 1823 a proclomation

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103) G.H.23/7, pp.217-220, 27 Dec., 1824: Lord Charles Somerset to Secretary of State Lord Bathurst.
104) Ibid., p.103, 4 November, 1823.
105) Ibid.
106) G.H. 23/7, pp.217-220, enclosure No.3; C.O. 206, No.1 Bills drawn on His Majesty's Treasury: Rate of Exchange per £1 Sterling.

4th Nov., 1823	-	£15,097-10-7	- Rds 13-2
16th Dec., 1823	-	£10,000- ---	- 12-5-3
6th Jan., 1824	-	£10,000- ---	- 12-1-3

107) Reg 21, p.63-86; Theal, Op.Cit., Sir Lowry

was issued for destroying the 200,000 rds created by the proclomation of 8th August, 1822.[108]

Metallic Currency. _____ Some coin was indeed brought into the colony by shipping and from 1806 to 1816 its exportation was prohibited under severe penalties. The last proclomation by the British Government on this subject was made on 23rd January, 1806. In 1807 the master of a Portuguese vessel, named the General Izedro, was convicted of the offence and the penalty inflicted was the forfeiture of the specie, which amounted to 5754-9-23 Spanish dollars and a fine three times this amount.[109] Occasional exports of specie did take place upon permission obtained from the governor[110] or upon instructions from England.[111] Ships from the East were a constant menace so far as the quantity of specie in the Cape Colony was concerned. In 1813 Cradock complained to the Collector of Customs that despite all exertions the last India ships had taken away with them a considerable quantity of Spanish dollars "a loss that has already been sensibly felt in the transactions of His Majesty's Paymaster General."[112] And when two China ships arrived, which would generally produce the same evil to a greater extent, Cradock commanded the Collector of Customs "that you will give the most pointed instructions, throughout the whole of the Department, under your orders, and that no forbearance, or delicacy not justified by the regulations

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108) P.A.O.N., pp.636-637, 19 Dec., 1823: procl. by Lord Charles Somerset.
109) C.O. 4823, p.200, 2 May, 1807; Rec. 6, p.379.
110) C.O.4829, p.38, 19 Jan., 1811; C.O.4831, p.264, 31 Jan., 1812; C.O. 4832 pp.28-29, 24 April, 1812
111) G.H. 1/2 No.40, 21 Oct., 1812: Secretary of State Lord Bathurst to Sir John Cradock.
112) C.O. 4833, p.285, 24 Jan., 1813: Sir John Cradock to the Collector of Customs.

will prevent the most active and effectual discharge of this necessary duty."

The Spanish dollars in circulation were exclusively attached to the pay of the army and other military purposes and was it not for extreme precaution they would have been carried out of the colony. In April, 1814, Cradock was perturbed by the flight of the Spanish dollar and informed Bathurst that "the quantity is evidently decreasing every day."[113] In the same year the Spanish Dollar had risen to 19 skillings which may be attributable to the prohibition of the neutral trade. The Americans, Portuguese and others trading to India carried with them little but silver and what they required was paid for in Spanish dollars. The Colonial Secretary was convinced that "the Treasury of England and the individuals of our establishment here, are now no gainers by the exchange, exdept such as are in debt and pay their debts in a depreciated currency, the rixdollar are still a legal tender."[114] Government received from 70 to 80 per cent on the bill for the army and navy supplies, but wine had risen from 50 rds to 130 rds per leaguer, flour from 80 rds to 140 rds per load. According to him the only cure for the exchange was an augmented export, and in the peculiar mode of payment adopted at the Cape for the army, the restoration of the neutral trade to supply the Spanish dollars.

When Somerset took over the government in 1814 he immediately represented to Lord Bathurst the expediency

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113) Rec. 9, p.468, 14 April, 1814: Sir John Cradock to Secretary of State Lord Bathurst.

114) C.O.5384, 16 Aug., 1814: Colonial Secretary Alexander to Colonial Agent Courtenay.

of transmitting specie to the Cape for the payment of the troops. The Spanish Dollar was then worth 7/- sterling and he pointed out that a great saving would accrue to the British Government if specie could be sent from England.[115] Somerset was reminded, however, that the Treasury Board had previously instructed the Commissary-in-Chief to keep a close watch on the position of the specie at the Cape in order that a supply could be sent thither "whenever the more urgent wants of specie at the other stations will admit of its being sent thither with convenience."[116] The case of Sumerset was also strangly supported by the Colonial Agent, Mr. Courtnay, in England.[117] He maintained that any measure calculated to encourage the exportation of Cape produce would have the effect of lowering the price of silver, and although anything short of the admission of foreigners would only particially accomplish this end, the consideration was even to the British trade one of much importance. In January, 1815, Somerset was promised that 100,000 Spanish dollars would be sent out to the Cape,[118] but it having not arrived by the end of the year the governor again complained of purchasing the Spanish dollars at the existing rate of between 5/10 and 6/- which resulted in a loss of 20 per cent to the British Government. The exchange against currency was still at the "exorbitant loss to the holder of above 80 per cent" though it had fluctuated

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115) G.H. 23/5, p.13, 28 Sept., 1814: Lord Charles Somerset to Secretary of State Lord Bathurst.

116) G.H. 1/3, No.39, 28 Dec., 1814: Secretary of State Lord Bathurst to Lord Charles Somerset.

117) Ibid., No.56, 2 Jan., 1815: Colonial Agent Courtenay to Lord Charles Somerset.

118) Ibid., No.95, 14 Jan., 1815: Colonial Agent Courtenay to Lord Charles Somerset.

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117) Ibid., No.56, 2 Jan., 1815: Colonial Agent Courtenay to Lord Charles Somerset.

118) Ibid., No.95, 14 Jan., 1815: Colonial Agent Courtenay to Lord Charles Somerset.

little during the last eighteen months.[119]

Prior to May, 1816, it was illegal to export coin or specie. In the meantime peace had been restored and Somerset proclaimed on 10th May, 1816, that it appeared no longer necessary to continue the various restrictions upon the exportation of gold and silver specie from the Colony. Accordingly the proclomation of Sir David Baird of 23rd January, 1806 and all former proclomations and regulations regarding the exportation of specie were revoked. The export and import of specie was to be absolutely free provided regular permits were obtained from the Customs Department.[120] The proclomation had the effect of relieving the circulation and retarding for this year the still further rise in the exchange. The Colony did not suffer any inconvenience as a result of the permission to export specie. On the contrary, Spanish dollars were now procurable, equal to the wants of the Colony at much lower prices than had been given for them previous to the adoption of this measure although considerable quantities had been shipped off.[121] At the time many anticipated a different result and though the measure would embarrass the military department of expenditure. However, as things had turned out, the quantity of shipping resorting to the ports of the Colony, every man and passenger which left some specie

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119) G.H. 23/5, p.80, 3 Nov., 1815: Lord Charles Somerset to Colonial Agent Courtenay.

120) P.A.O.N., p.364, 10 May, 1816: procl. by Lord Charles Somerset; Rec.11, pp.107-108.

121) G.H. 23/5, p.172, 23 January, 1817: Lord Charles Somerset to Secretary of State Lord Bathurst G.H. 22/1, 23 January, 1817.

Before the month of May, 1817, and subsequent to the year 1821, the colonial military pay was issued at the current rate of exchange on England without reference to the value of Spanish dollars.[125]

With the exception of a quantity of copper penny pieces, introduced into the colony in 1796 at a rate of 2 stives each, there was hardly any coin in the colony by 1822. In the Treasury was a small quantity of silver valued at Rds 2669-4.[126] A few individuals might have possessed trifling sums in gold and silver but they could not be considered to be valued as coin for they were usually put up to public sale when it became desirable to convert them into currency on which occasion they were sold as bullion.

Another matter which therefore, attracted the attention of lord Charles Somerset, was the state of the small currency in the colony which consisted solely of paper which rapidly deteriorated. It was much exposed to being counterfeited and required renewing so frequently "as to be a matter of constant inconvenience." The "great want" of small money was felt in particular in the frontier districts. Accordingly he had requested Lord Bathurst to authorize a small portion of copper coins in pence and half-pence to be struck for use at the Cape.[127] Somerset further suggested that £2000 be sent out, £500 in penny pieces and £1500 in half-penny pieces, "giving the coinage as large a surface as possible, consistent with its solidity."

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125) Ibid., p.73.

126) C.O. 5964, p.282.

127) Rec.15, pp.364-365, 8 April, 1823: Lord Charles Somerset to Secretary of State Lord Bathurst. G.H.

"He also proposed that £1000 of silver pieces of intrinsic value of about 10 pence English be likewise sent out and a like amount of smaller pieces of value of about 5 pence." These should be mixed with such proportion of alley as to render them sufficiently large and proper to pass in the Colonial currency at four and two skillings respectively, so that it may not be worth a person's while to collect them for exportation." These coins "should have His Majesty's head on one side and on the obverse an Anchor being the Heraldic designation of the Colony."[128] They could then be sent out to the Cape and the Commissary - General could be directed to receive from the Colonial Treasury the amount of coinage which would reduce the amount of bills which that Department had to draw upon the English Treasury.[129]

Though £2000 had already been repaid to the Pay-master-General and £5000 to the Commissariat, enough funds were yet available to meet this demand for coinage. The Colonial Agent in London informed Lord Bathurst's Secretary that he was "open for his commands"[130] but the command did not come for the British Government was planning a bigger change than that advocated by Somerset.

As we have seen before, the trifling sums of gold and silver in the possession of individuals could not be considered to have had a monetary value. Spanish dollars may in some degree be considered as deviating from this rule, since they were occasionally employed in Trade with

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128) Rec.16, pp.224-225 30 Aug., 1823: Colonial Agent Courtenay to R.W. Horton.

129) Rec.15, p.365 8 April, 1823: Lord Charles Somerset to Secretary of State Lord Bathurst.

130) Rec.16, p.224 30 Aug., 1823: Colonial agent Courtenay to R.W. Horton.

foreigners but their number was but very limited and entirely in the possession of individuals. The Spanish dollar was formerly issued to the troops universally at the rate of 4/8 each but they never obtained any considerable general circulation and later on their use had been discontinued in issues to the troops who had been paid in the paper rix-dollar computed at the current rate of exchange. The year 1825 marked the dawn of a new era for in that year the British Government introduced British silver into circulation throughout the Colonies for the purpose of making payments to the troops. In the event of insufficient British silver money in the military chest. Spanish dollars were to be issued at the rate of 4/4 per dollar![131]

"Good Fors" ____ Despite the excessive issues of paper money by Lord Charles Somerset, yet there were complaints of a scarcity. This was especially the position in the frontier districts and so acute was the situation that no money could be found for payments for revenue or for private transactions. This deficiency was also felt to a large extent in Cape Town itself.[132] We find therefore that private individuals had resorted to the issue of various "notes, bills of exchange, and drafts, for money, for very small sums, under the appellation of 'Good-Fors.'" Accordingly in a proclamation on 22 August, 1822[133] Somerset declared that these "good-fors" "have been for some time circulated or negotiated in the frontier districts of this settlement and elsewhere to the great prejudice of trade and

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131) Rec.24, pp.348-353 12 Feb., 1825.

132) Rec.14, pp.48-52 6 July, 1821: Memorandum by Dept. Col. Sec., Ellis.

133) P.A.O.N., pp.567-568, 22 Aug., 1822: procl. by Lord Charles Somerset.

public credit." He therefore proclaimed "that all promissory or other notes, bills of exchange, drafts, or undertakings in writing, being negotiable or transferable for the payment of any sum or sums of money less than the sum of fifty rix-dollars, in the whole..... issued.....after the 15th Day of September, shall be, and the same one hereby declared to be, absolutely void and of no effect, any usage or custom to the contrary notwithstanding." Provision was also made for penalties ranging from 50 rds to 150 rds. But since these issues "have been attempted to be excused by a want of small currency in the distant districts," Somerset had taken steps to supply the frontier districts with an adequate proportion of small currency and the landdrost of the Albany district was empowered "to exchange any notes of the Colonial Treasury, of ten rix-dollars, or upwards, into small currency, in order that no plea whatever may exist, for a continuance of the prejudicial practices which it is the object of this regulation to check and annihilate."

As we have seen before, although Somerset would not accept the recommendation of the Finance Committee for a large reduction in the paper circulation, he only created 300,000 rds. In the meanwhile a continuous destruction of small amounts 134) resulted in a fall in

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134) Rec.22, pp.123-128, C.O.G.114: Destroyed instalments of 3000 rds each paid into the treasury by the inhabitants of the Stellenbosch District, in part liquidation of the sum of 75,000 rds. advanced to them after the conflagration in 1804:- 24 May, 1814: 30th June, 1815; 7th June, 1816; 11th July, 1817; 3rd September, 1819; 3rd July, 1820; 27th July, 1821; 9th August, 1822; 22nd August, 1823, 16th July, 1824.

the circulation to Rds 3,102,204-5 by 1st January, 1825.[135] This amount, however, did not include the 484,000 forged or unaccounted for paper rix-dollars which were discovered later on.[136] A further 3000 rds was repaid by the Stellenbosch District and destroyed on 27th June, 1825 which brought the total paper circulation to Rds 3,099,204-5 by 1st September, 1826.[137] Mainly as a result of the excessive issues of paper money the rix-dollar had depreciated progressively, until by 1825 it was worth only 1/6 sterling.

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135) Ibid. Vide appendix C. Total amount of paper money in circulation on 1st January, 1825.

507	notes of	500 Rix-dollars	253,500
387	" "	400	154,800
456	" "	300	136,800
448	" "	250	112,000
990	" "	200	198,000
7687	" "	100	768,700
306	" "	75	22,950
6764	" "	50	338,200
297	" "	40	11,880
2365	" "	30	70,950
2871	" "	25	71,775
15479	" "	20	309,580
22457	" "	10	224,570
20426	" "	5	102,130
8187	" "	4	327, 48
16218	" "	3	48,654
42874	" "	2	85,748
75085	" "	1	75,085
72298	" "	½	36,149
105988	" "	¼	26,497
171909	" "	⅛	21,488 - 5
		Total	3,102,204 - 5

136) Theal: History of South Africa (1795-1828) p.343.

137) Rec.22, pp.123-128. Vide Appendixes B and C.

CHAPTER V.

ACTIVITIES OF JOHN BARDWELL EBDEN.

John Bardwell Ebden was one of the most prominent figures at the Cape for many years and was "a cultured gentleman, an intellectual giant, a man of marked sagacity and business ability".[1] He was a general merchant and had for over 20 years been extensively engaged in commercial intercourse with the Cape Colony during which time he became "intimately acquainted with, and deeply interested in, the affairs of that Colony."[2] In 1825 he was in England, and although his main purpose was to endeavour to obtain permission from the authorities for the establishment of a Joint Stock Banking Company at the Cape, his views and convictions regarding the Cape currency was also brought under the attention of the Treasury officials at a time when the British Government had decided to introduce some sweeping reforms in the Colonial currencies.

On 18th January, 1825,[3] Ebden addressed a memorial to lord Bathurst and approached him on the subject of the establishment of a Joint Stock Banking Company[4] at the Cape. He also pointed out that if it was assumed that the Government stood pledged to redeem the paper money at 4/- sterling per rixdollar, such a redemption would afford the only means of re-establishing the currency on a solid and permanent basis. The value of the circulating medium was about one-third of that at which it was originally issued and "this alarming state of the currency is an evil of the utmost magnitude, and threatens, unless some effectual and immediate check be imposed to its growing influence, destruction to the best interests of the Colony." As its depreciation had been

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1) Arndt : Op. Cit., p. 197.
2) Ebden : Op. Cit., pp. 7 - 8.

progressive it was questionable whether it would be politic either as regards the interests of Government or those of the public, to redeem the paper at its full issued value. He further suggested a mode for the redemption of the paper currency by means of a Joint Stock Banking Company.

On 7th February, Sir Jahleel Brenton[5] informed Ebden "that the Government does stand pledged to redeem the Paper Currency, cannot be doubted - this Currency is to all intents and purposes a mortgage upon the Government in the Colony..... I can view it in no other light than as a mortgage which the property is bound to pay off to the last shilling....."[6] This principle of invincible security had been acted upon both by the Dutch and English Government - by the Dutch in 1785-1789 paying off a large portion of their debt, and by the English in 1803, when restoring the Colony to Holland, faithfully redeeming their pledge by leaving an equivalent for the paper issued during their administration. In addition, the terms of the capitulation in 1795 was another decided proof that the currency should be intimated at its original value. "In strict justice..... the price affixed to the Rix Dollar, either for the liquidation of the Debt, or to give credit and currency to the Paper, should be the original value of four shillings."

According to Brenton the depreciation of the Currency was not in the most remote degree connected with the doubt as to the nature of the security given by Government, but solely arose from the paper currency not being negotiable for remittance to Europe. Nor did he think that any restrictions that might be imposed on the premiums paid on Treasury bills,

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5) Captain Sir Jahleel Brenton was a Commissioner of the navy at the Cape and resided there for several years.

could produce any effect in keeping down the exchange. "Every thing in this case must depend on the relative sums required by the Merchants for remittance and by the Commissary General for the public service."[7] Finally, the debt might be bought off at a cheaper rate than the full value of the rix-dollar, "but would not this in fact be a Colonial Bankruptcy, paying off only a few shillings in the pound; and this too, when there was no actual insolvency? "

On 12 February, 1825, Ebden also received a letter from lord Howden,[8] who informed him that "I think that you and Sir Jahleel Brenton have taken a very just view, in many points, of the depreciation of the Currency, and the evil has arisen to such a height that some decisive measure must be adopted. While at the Cape, I was well aware that depreciation would ensue, unless the partial remedy was always applied, upon the creation of fresh paper money to sustain its credit (and maintain the original principle), by the complete destruction of the sums that were levied for local and occasional purposes, and that by no means should their gradual degradation be carried to the account of revenue". Lord Caledon later also informed Ebden that "I shall give the documents you enclosed my best attention, though I need not do so to agree

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7) Ibid.p.14. "Let us for a moment suppose that the Merchants might have to remit £10,000, and the Commissory require only £5,000, and that no higher premium should be paid on the Bills than 25 per cent. Those who were fortunate enought to get possession of the £5,000,would soon find the means of disposing of them by private exchange,perhaps to an enormous profit, the exchange would be nominally low, but in reality high: the first purchases of Government Bills would be gainers, and Government the losers. A maximum of exchange would, I should think,be as ruinous in its way as a maximum of food. The degradation of the currency cannot therefore be attributed to want of confidence in its security,but from it not being negotiable."

8) Ibid.p.17. 12 Feb.1825. Extract of a letter from lord Howden to J.B.Ebden.

with you in one observation you make, - that fixing the value of the Rixdollar at 1/6 sterling, by an Order in Council, is incompatible with the terms upon which the paper money was originally issued."[9]

In reply[10] to the letter of Sir Jahleel Brenton,Ebden said that although he had submitted that the value to be affixed to the rixdollar might be left for competent authorities to determine, naming as a minimum 2/- sterling, he fully concurred with him that the rixdollar should be redeemed at its full issued value" as the property pledged for such redemption, including the mortgages of individuals in possession of the Loan Bank, very far exceeds the amount of Paper Money in circulation....." Such, indeed, was the general conviction existing at the Cape which was also confirmed by the concurrent opinion of Lord Caledon, Lord Howden, Sir Donkin,Mr.Barrow of the Admiralty, " and every other individual in this country, conversant with the affairs of that Colony." He also agreed with Brenton as to the cause of the depreciation, viz., that it solely arose from the paper currency not being negotiable for remittances to Europe or rather exchangeable for a security of a different denomination.

"It must be recollected that the bad faith of the Dutch Authorities of 1803 was consequent on the Act of Sir James Craig, in 1797, when, from mistaken policy, he very injudiciously augmented the quantity of Paper Money, instead of upholding the value it had at that time acquired; whereby it is clearly proved that the British Government, by refusing to exchange one security for another, were the first to depreciate the value of their own paper. Had the Colonial Treasury, or rather the Commissariat, been at all times open

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9) Ibid.p.17. 2 June 1825. Extract of a letter from Lord

open for the receipt of this Government Paper, at the value at which it was issued originally, in exchange for Bills on the Treasury in London, not for a limited sum, but for any amount which might have been required for remittance, no depreciation could ever have taken place. This would have been tantamount to it being a Paper Money exchangeable for gold, the current coin of the Realm, and as Government was reaping an exclusive and very decided advantage by the issue of their own notes, there cannot be any doubt, that, as consistent with the only true principles of Finance, they were in justice bound to have adopted some such arrangement in which case the amount in circulation would at all times have been proportionate to the wants of the Colony; and that surplus which is now a dead burthen on the public, would have remained in the Coffers of the Colonial Government." 11)

From the communications Ebden had with the Treasury on the subject of the Cape currency he had reason to believe that the Government was about to take some measures for the redemption of the paper money " on terms totally at variance with the conditions on which it was issued". The Government was contemplating its redemption at the existing depreciated value of the rixdollar, in exchange for Treasury bills. According to Ebden the measure contemplated would not only be a direct fraud upon the public but would in its consequences "be productive of tenfold ruin and disappointment to all interests in the Colony."

In order to point out the injustice of such a proceeding Ebden proceeded to draw a distinction in the value of the currency in regard to the internal and external trade of the Colony. "Affected, as the exchange is, by the

extent of the demand for Commissariat Bills, the fluctuations of which, in being governed by the ignorance and caprice of the parties tendering, are incalculable, and which have been known not infrequently to vary from 30 to 50 per cent. in the same day, - this arbitrary depreciation cannot be taken as any criterion of the value of the Rix-dollar as applicable to the internal trade and traffic of the Colony, where by a sort of common usage.....it remains, 'a counter passing current in all the various purchases and sales.'..... This arises from the public receiving as it were, on trust, the generally accepted opinion in the Colony, that the paper Rix-dollar represents a Silver Rix-dollar of 48 stivers or 4/- sterling."[12)]

A comparative view of the value of lands, houses, different articles of produce etc. in the years 1806 and 1824 would afford the best illustration of the position here assumed. A house in Cape Town which cost 10,000 rds. in 1806 would not, if sold in 1824, be worth more than the same sum in Colonial currency. The increased value in paper money, if any greater number of rix-dollars could be obtained for it, would bear no proportion to the depreciation of the currency in exchange for bills on England. Beef and mutton, being staple commodities and as such less unable to be influenced by extraneous causes, had been subject to little fluctuation. The price had remained stationary at about 3 to 4 stivers per lb. from 1806 to 1925. Therefore, "in a large portion of the transactions of the Colony, the Rix-dollar has a more determinate value than is assigned to it in exchange for Bills on England."

He pointed out that during 1824 the fluctuations

of the exchange exceeded 50 per cent."How then, may I ask, with any regard to justice, or the interest of those who have actually lent their money at 4s. can the lowest point of depreciation be fixed on as the redeeming price of the Rix-dollar? If the faith hitherto reposed in Government is to be violated, let an average of exchange embracing all the monies drawn on the Treasury on account of the Cape of Good Hope since its capture in 1806, be taken, as a means to establish the value of the Rix-dollar."[13] But, he repeated, strict justice could alone be done by the currency being redeemed at its full issued value.

In order to prevent that irreparable injury which the Colony must sustain by any measure of the kind contemplated by the Treasury, Ebden was aware of the necessity of some protest being interposed, with as little delay as possible, on behalf of the Cape colonists. He was prepared to make this protest.

Sir Jahleel Brenton[14] again informed Ebden that "the indispensable necessity of the debt incurred by the creation of the Colonial Paper Currency being redeemed at its full value, becomes strengthened by every reflection which arises from the subject. I can view it in no other light. Did the question turn upon the mere national pledge, it would be sufficient to establish the right of the Colonists to a full payment, but when to this is added such an abundant security as that existing, all hesitations to the manner of redeeming it seems to be done away."

On 18th February,1925,[15] Ebden therefore addressed a letter toMr.Herries of the Treasury and included documents

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13) Ibid. p. 23.

respecting the currency of the Cape together with the correspondence with Sir Jahleel Brenton, Lord Howden and lord Caledon. He pointed out that there was conclusive proof for the following conspicuous points:

1. That the amount of paper money in circulation at the Cape was a debt due by Government to the public.

2. That the British Government, by the most solemn treaties and engagements, stood pledged to redeem the paper currency at the value at which it was originally issued, viz. at 4/- sterling per rix-dollar.

3. That the principle of inviolable security had not alone been recognized by the Dutch and English Governments, but had ever been regarded with the greatest tenacity by the inhabitants of the Colony.

4. That any departure therefrom must be viewed as an act of insolvency on the part of the Colonial Government and must consequently be productive of the utmost ruin and distress to a large and most respectable class of the community.

5. That the causes of the depreciation of the circulating medium and the ruinous consequences attendant on its instability were equally apparent.

6. That a wide difference existed between the internal exchange value of the paper rix-dollar, and its exchangeable value when considered with reference to the external relations of the Colony.

7. That the existing depreciated state of the currency in exchange for bills on the Treasury, was alone applicable to the external trade of the Colony and could not be

taken as any criterion of the internal value of the paper rixdollar, which in circulation was considered to represent a Silver dollar of 48 Dutch stivers or 4/- sterling.

"With the knowledge of these facts, I trust that His Majesty's Government will see the impolicy of either redeeming or fixing the value of the Rix-dollar at any rate below 4/- sterling; or, that the Lords of the Treasury will be induced to consider the medium value, which in justice to the public, should under all the circumstances, be affixed to the Rix-dollar." He was on the eve of his departure for the Cape and expressed the wish to have an early interview "when I shall be happy to afford you any further elucidation in my power of my views of the subject." The next day Ebden forwarded a copy of this letter together with all the documents and correspondence to the Colonial Office for the consideration of lord Bathurst.[16]

On 21st February, 1825, Ebden again addressed a letter to mr.J.C.Herries of the Treasury.[17] He quoted the Civil Servant, author of the "state of the Cape of Good Hope in 1822", as saying: "The amount of rix-dollars which have been issued by the Colonial Government is still due from that Government to the public; it received value for the issue, and is bound to return it. The guarantee of the British Government for that proportion which was in circulation at the capture is not to be considered a guarantee in words, but as a guarantee in effect. Common honesty requires that this should be held sacred. It is mere justice to the public and to its own character, that the British Government should keep its faith and redeem its pledge." Ebden pointed out that this was the universal feeling and conviction of the Cape Colonists

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16) Ibid. p.28. 19 Feb.1825. J.B.Ebden to Wilmot Horton.

and it was this impression which had given to the currency an internal value different from that assigned to it as an unnegotiable paper for remittance.

The security granted for the fulfilment of the engagement with the public was known to be ample[18] and had hitherto been held inalienable. Also, a considerable portion of the Colonial revenues, namely the customs , had been levied and collected in sterling money with the premium of exchange thereon.[19] "The argument, therefore, founded on a contrary assumption, that the Colonial Revenues have been paid in this depreciated paper, falls to the ground, which strengthens the claim of the Colonists to the paper money being redeemed at its full issued value."

Ebden was confident that some measure could be devised by which the gradual improvement of the circulating medium could be accomplished without committing any violence to the different interests of the Colony or to that of the Government. He went on to point out that "evil and injustice likely to be visited on a large, and.....the most respectable part of the community" if the rixdollar was fixed at the present low point of depreciation. " 'Long credit, or loan at a distant term,' is well known to be the ordinary mode of dealing at the Cape; the deplorable condition of the paper money has seriously shaken it, and sapped credit to its very foundation; but it is still necessarily clung to, in the absence of either Government or other securities, by which interest may be derived, or properly rendered accumulative.

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18) On the most moderate computation, the value of the property pledged for the redemption of the currency, including the mortgage bonds in possession of the Loan Bank, Govt. Buildings, lands, etc., very/or exceeded £600.000.

19) See also C.E.243 No.34. 27 June 1825. Comptroller of Customs to Colonial Secretary R.Plasket.

it consequently follows, that all trust monies, marriage, and other settlements, monies lent on mortgage, etc, are in this situation....." 20).

Mr.J.C.Herries[21] had expressed his readiness to receive any further communication from Ebden on this subject. On 24th February, 1825,[22] Ebden therefore again addressed Mr.J.C.Herries on the subject of the Cape currency. The following were, according to Ebden, the "obvious" causes which tended to produce the present depression of the rixdollar: firstly, the ill-judged measure of increasing the quantity of paper money in circulation at the very time when its diminution ought to have been determined on; secondly the payment of the Governor and civil servants out of the Colonial

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20) He explained this by the following facts: "In consequence of the failure of a merchant of some eminence, which took place at the Cape some years since, a gentleman in the service of Government, and myself, were appointed, by decree of the Court of Justice, curators to his children, in whose behalf we had to prove the validity of a settlement, made in the year --- for the sum of 36,000 Rix-dollars, - being at the exchange of 4/-, £7,200 - the annual interest of which at 6 per cent was £432. These children, four in number, are now living in this country, and dependent as they are on this settlement, the only amount they now receive is about £144 - being the interes of 36,000 Rix-dollars, converted into sterling at the present exchange. Comment is needless - such is the deplorable situation of all who had either property to lend, or settlements made on them, some years ago."
Using still another illustration, he said: "In 1806 I first visited the Colony, when the Currency was at par. In the early part of 1819, having effected a remittance of a portion of my property at the exchange 96 per cent, I returned to this country, leaving the remainder at the Cape, a part of which was lent on long loan.....The value of the Rix-dollar at the time I lent my money, to say nothing of the gradual depreciation up to that period, was about 2/1. Is it therefore reasonable, I ask, by an arbitrary and uncalled for decision of Government, I am now only to receive 1/6 for what, reposing in the good faith of the British Government, I had a right to consider an improving property?"

21) Ibid. p. 32.

22) Ibid pp. 31-34. 24 Feb.1825. J.B.Ebden to J.C.Herries; Rec. 20 pp. 74-77.

Treasury in sterling money, whose salaries amounted to about £25,000 per annum, which made at the present exchange about one-eighth of the whole paper money in circulation: thirdly, the payment of the troops in currency in lieu of specie, whereby all check upon the paper money was removed.

He accordingly suggested certain means by which a gradual improvement in the currency could be effected. Firstly, the partial remedy should be applied towards the redemption of the currency in such a manner as might be directed by the Government and the Colonial Government should be restrained from any further issue of paper money. Secondly, those salaries of the civil servants which were payable in sterling should be paid in specie, to be sent from England for that purpose, but as these salaries were a charge upon the Colonial Revenue, an equivalent value in rixdollars should be placed in the hands of the Commissary for redemption at the exchange of the day. Thirdly, as a prelude and necessary step to the introduction of the currency of Great Britain into the Colony, the troops should henceforth be paid in specie to be supplied by England: a three months' supply was deemed to be sufficient, provided the Commissary were authorised to grant bills at all times for the same on terms which would prevent its exportation. He also suggested that the Commissariat should be open for the receipt of tenders for any specific amount, monthly, until the sum issued by lord Caledon, or the whole amount of paper money in circulation, should be redeemed at the exchange of the day. He pointed out, however, that "the best and least exceptionable mode" of redeeming the currency was through the medium of the Bank as proposed to lord Bathurst in his letter of 18 January,1825. He also annexed a statement showing how this object could be

in the smallest degree, being oppressive to the Colonial Treasury.[23]

Upon receiving a discouraging answer from the Treasury regarding the establishment of a bank at the Cape, Ebden asked to be informed firstly, whether rixdollars or the currency of Great Britain, and whether gold or silver would be the legal currency of the Colony in future, and secondly, whether the Government at the Cape had been restrained from any further issue of paper money.[25] In reply Ebden was informed of the contents of the Order-in-Council fixing the value of the rixdollar at 1/6.[26] A quantity of silver and copper money had already been shipped to the Cape. With regard to the second query it was pointed out that it was not their intention to authorise the Cape Government to increase the quantity of paper money in circulation but the effect of the Order-in-Council would be to reduce the amount of paper now in circulation.

Ebden had now realised the futility of his cause as far as the redemption of the paper money was concerned. He had to abide by the decision of the Treasury and did not endeavour to pursuade them that the rixdollar should have been redeemed at 4/- sterling.[27] In October, 1825, he returned to the Cape and by this time the decision of the Treasury was already known.

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23) Ibid., pp. 34-35.
24) Ibid., p. 37, 14th March, 1825, George Harrison to J.B. Ebden.
25) Ibid., pp. 38-39, 21st March, 1825, J.B. Ebden to J.C. Herries

PART II.

GOVERNMENT BANKING DEVELOPMENT.

CHAPTER 1.

THE GOVERNMENT LOMBARD BANK ESTABLISHED.

Conditions of the Colony before 1793.___ The part taken by the Dutch in the war between England and America in 1780, occasioned great distress to their Colony at the Cape of Good Hope. The supplies of every sort, heretofore sent with punctuality from Holland for the support of the civil and military establishment, were delayed, and finally sent in so scanty a quantity as to be unequal to the existing demand. In this crisis Governor van Plettenberg was compelled to create a paper currency for the relief of the station by the payment of the public service.

With the arrival of the French,[1] Government expenditure had increased and more money was brought into circulation. Money was plentiful and the Colonists were involved in reckless spending. Prices were accordingly forced up. The French had entirely corrupted the standard of living at the Cape. The apparent prosperity, however, was merely a temporory phenomenon because it was based upon the insecure foundation of military expenditure. A reaction was inevitable when this increased expenditure ceased.

The Company had suffered severe losses during the war and the Council of Seventeen continuously complained about this high rate of expenditure. The Company was obliged to cut down expenses from sheer inability to raise more funds and in October, 1790 they ordered the Cape Government to introduce a number of drastic economic regulations: one of the regiments at the Cape was to be sent to Java immediately; all work upon fortifications was to be stopped and military outposts were to be abandoned the

Governor's country seat at Newlands was to be sold and the number of slaves employed was to be reduced. As a result of these measures some I500 officials,I4,000 burghers and I7,000 slaves were practically left to their own devices. There economics virtually caused a complete cessation of business.

The Company had again found recourse to the convenient mode of issuing inconvertible paper money,and between 22nd.March I788,and 5th.October,I790, no less than 843,I20 rds had been issued. This was supplemented by further increases of 49,750 rds between 2nd.December,I790, and I6th.June,I792.[2] The silver money which was introduced did not remain long in the Colony,although their export was forbidden. Early in I793 it was estimated that not one thousand ducatons could be found in the whole of the Colony.[3]

After the new regulations the paper money flowed back into the Company's coffers;some was lost,so that the time when there would be no circulating medium was fast approaching. In August,I793,it was estimated that Government had almost 2,000,000 paper gulden on hand.[4] There was only an amount of 200,000 rds in paper money in circulation.[5] The result of all these circumstances was that prices declined,the value of property depreciated in terms of money,farmers could not pay their debts and could not borrow money for that purpose except at very high rates of interest,whereby many became involved in financial distress and ruin. Such then were the prevailing conditions at the Cape when Commissioners-General Nederburgh and Frykenius arrived at the Cape to establish the administration in the simplest and least expensive manner and to endeavour to increase the revenue. They were also to investigate the causes of the Clonists' continued dissatisfaction,to rectify abuses and to settle complaints.

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2) Vide supra p. 12.
3) Geyer:Op.Cit.,p.80.
4) Ibid.,p.84.
5) State of the Cape of Good Hope, p.238.

Establishment of the Lombard Bank in I793. The Burgher Senate and a great number of the inhabitants repeatedly represented[6] to Nederburgh and Frykenius that the want of a sufficient sum of money for circulation made the Colonial trade suffer to such a degree that the same remained inactive and in an entire state of languor depriving likewise the inhabitants of solid property of the means for complying with their engagements. The Commissioners-General accordingly directed an investigation into the complaints concerning the want of "numerair" or coined money.[7] The Council of Policy suggested that the establishment of a "Bank van Leening" should be considered "ten einde door middel derzelve de In-en Opgezeeten met Papiere munt te gerieven in belening op vaste en losse panden." Accordingly O.G.de Wet was instructed to draw up draft regulations. After various discussions with him the Commissioners-General eventually handed the regulations on I5th.February,I793, to the Council with the request to consider it as soon as possible. The outcome was that the Lombard Bank was established on I5th.March,I793,[8] nine months after the arrival of the Commissioners-General.

The Bank was to assist those who possessed valuable real property but who were unable to meet their engagements owing to the prevailing lack of currency;it was to bring more currency into circulation and facilitate the resumption of trade amongst the Colonists. It was also hoped that by this measure a further decline in value of all property would be prevented and that it would assist the loss opulent whose entire possessions were being swallowed by the scandalous usury being practised by some who availed themselves of the embarrassment of their follow inhabitants. The "Bank van Leening",under the management of three commissioners,was to be opened as soon as possible,and was to receive such sums of the existing paper money from the Company's

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6) C.O.5 no.42.

coffers as were necessary to restore the circulating medium, in order to be loaned out on moveable and immoveable property at interest.

Such then were the ostensible reasons set forth by the Commissioners-General in their proclamation for the establishment of this Bank. Thus, the Lombard Bank appears to have originated in the complaints of distress which were at the time made by the Colonists, who had long been accustomed to depend on the assistance they derived in their agricultural pursuits from the commercial transactions of the East India Company. The object of the Commissioners was, therefore, to form an establishment which would enable the Colonists to obtain accommodation without resorting to the injurious course of accepting private advances at ruinous rates of interest." As the capital of the Dutch Company was withdrawn, the small capitals in the hands of individuals were thus with facility employed, and from this source may have originated that system of accommodation which has prevailed so extensively in all the public establishments in which funds have been accumulated, and the eagerness of individuals to obtain loans from such funds at a moderate rate of interest, some of which were directly employed by the borrowers in improving their estates, and others in affording accommodations at a premium to those who could not obtain them."[9]

Administration of the Bank.[10] The Company was to advance to the Bank from time to time such amounts of paper money as were available and as were found to be in accordance with the needs ofthe Colony. These sums were to be loaned to the inhabitants at interest (I). The Bank was to lend these monies on lands, houses and other sufficient mortgages, as well as on

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9) Rec 27, p.458. Report of Commissioners of Inquiry. 6th Sept. I826.

I0) Kaapse Plakkaatboek (I803-I806) pp.286-294 I5th March, I793 Vide Appendix H; Arndt: Op.Cit., pp.I65-I67; Rec 5, p.I98; Rec 27, pp.456-457; C.O.4I4/7 G.2.pp.2,3; Report I8th January. I808.

gold, silver, jewels, merchandise, linen, also furniture of value, but not bulky. These and other similar articles which would bear keeping for a year and six months, could be accepted for that period but not for longer and advances on those subject to spoil could be made for nine, six or a lesser number of months as the Commissioners might deem advisable (2). On mortgages within "het vlek" i.e. Cape Town, not more than one-half and on those beyond "the spot" (het vlek) not more than two-thirds of their estimated value could be lent; location, condition, income and other aspects being considered in arriving at a valuation (3). The Commissioners were to be at liberty to demand additional security, and if any security offered was considered insufficient, it could be rejected and the loan refused without their having to give reasons for so doing. No loan was to be granted without the previous knowledge and unanimous consent of all the Commissioners (4). Applicants were to submit title deeds (5), and all deeds of mortgage were to be passed before two of the Commissioners (6) and were required to be registered and executed on stamps (7). Of the deeds passed before the Commissioners "zal niet alleen notitie geschieden indorso van de koopbrieven of bewyzen van eigendom," but in order to prevent fraudes, the bookkeeper of the Bank had to send to the Secretary to the Court of Police an accurate monthly account signed by himself, of every loan that was granted, to be there entered on the register of mortgages (8). Loans on fixed property could well be granted for shorter but not for longer periods than two years, it being left to the judgement of the Commissioners to grant or refuse renewals. One or more of the sureties given becoming insufficient before the expiration of the loan, the borrower was bound to find satisfactory

substitutes (9).[11]

On all sums of 100 Rds. and more, not more than ½ per cent per month was to be demanded or paid, but on loans of less than 100 Rds., interest was to be stipulated at ¾ per cent. per month, and at the time of the loan it would have to be determined for what period the pledge was to remain in the Bank, i.e. three, six or nine months, a year or longer. The shortest period was to be one month and if any one wished to redeem his pledged property before the expiration of the period fixed, interest would nevertheless have to be paid for the full period for which the loan was granted (13). The Commissioners were directed to hold sales of unredeemed pledges and were allowed to recover the claims of the Bank by a short process called

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11) Art. 10: Van alle beleeningen buiten de vaste hypoteecquer zullen recipissen gegeeven worden op een schellings segul en moeten luiden aan den houder ten ware expres begeerd wierd, de naam van de beleender daarin uit te drukken, in maniere als volgt:
Folio ..... ryxdaalders ..... den houder deezes heeft in de bank gebragt ..... getaxeerd op ..... waarop beleend is ryxdaalders ..... onder cautie dat hy gehouden zal zyn dezelve binnen den tyd van ..... daar wederom uit te hale mits betalende aan de bank de gemelde beleende somma en pco ter maand, ofte dat het ingebragte daarvoor ten profyt van de bank zal worden g' excuteert.
Cabo de Goede Hoop den

(N.N. commissaris.
Geteekend. (N.N. boekhouder en pandbewaarder.
(N.N. cassier.

Art. 11: De recipissen luidende aan den houder zonder uitdrukking van naam zullen ook door den houder teegens betaaling van capitaal en rente kunnen worden gelost, dog als de naam van den beleender by het recipis bekent staat, zal hy by verkoop het transport daaronder moeten stellen, behoorlyk gedateerd en onderteekend, waarvan dat by de lossing, zo by het cassa als contra cassaboek, behoorlyke notitie zal moeten werden gehouden.

Art. 12: Van juweelen, goud en zilver, zullen de recipiss luiden op den inbrenger of zyn regt verkrygende en niet getransporteerd mogen worden op een ander dan teevens de intressen zuiverende, in de bank, en daarvan/ /:by aldien den koper of nieuwe eygenaar het pand wil laaten continueeren een nader beleening aangaande, dog by versterf van den inbranger, zal zyn boedel in steede van den overleedene worden erkent:/ zonder eenige verdere ongelden, even of den inbrenger nog in leven ware.

parata executio" (14).[12]

On coined and uncoined gold and silver, not more than 85 per cent. was to be advanced, and on jewels, merchandise and all other moveable property not more than 50 per cent. of the estimated value. In the case of voluminous goods, the owner would have to provide storage to the satisfaction of the Commissioners (17).[13] On all loans exceeding 1,000 Rds. one per thousand was to be paid by the borrower upon receiving the loan, on less than 1,000 Rds. two per thousand, and on less than 500 one-half per cent. upon each loan or renewal. Of these receipts two-thirds was to be the salary of the book-keeper and

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12) Art. 14: "Indien het verpande goed op den gestipuleerden tyd niet gelost, nog op nieuw beleend word, zal hetzelve, na ses weeken over dien tyd publicq worden verkogt; en zal deeze verkooping geschieden by commissarissen, zonder bemoei van den vendumeester, onder het gewoone salaris by de verkooping van meubilaire goederen bepaald; en onder hen neevens den boekhouder en cassier te verdeelen; en zulks voor reekening en ten profyte of nadeele van de verpanders: En by aldien het goed minder rendeert als de daarop geschoote som en renten, zal dat verhaal gezogt worden op den inbrenger, zonder dat gevraagt zal worden wie de ware eigenaar is, ten ware by insolventie van den inbrenger, en den eygenaar bekend zynde, hy of deszelfs boedel konde worden aangesproken; in welk geval, zowel als omtrent den inbrenger de bank ook praeferentie zal hebben zo als ook haren boekhouder als vendumeester, eguaal met den publieque vendumeester, secretaris van Weesmeesteren &ca nevens parate executie tot ses maanden."

Art. 15: "By publicque verkoop zal den eigenaar binnen een jaar daarna, het overgeschotene /:na aftrek van zyne beleening cum intresse et expensis:/ moeten vorderen; op poene by nalatigheid van dien, dat hetzelve zal vervallen zyn een derde aan den armen en twee derde ten profyte van de bank."

Art. 16: "Den boekhouder en kassier van de bank zullen ten overstaan van commissarissen, maandelyks taxeeren de waarde der goederen die bederf subject zyn, zonder egter daarvoor iets te mogen declareeren; en de zodanige die door langer te leggen, hunne waarde staan(1) te verliezen, zullen voor reekening van den eigenaar, ter verantwoording als by het even voorgaande articul voorgeschreeven worden verkogt."

13) Art. 18: "De panden van gemunt en ongemunt goud en zilver, mitsgaders juweelen, zullen na gedaane inspectie, taxatie, weging of telling, door den brenger zelfs mogen worden verzegelt.

one-third of the cashier (19).[14]

The "Bank van Leening" was to be administered by three Commissioners, viz. one qualified "Minister" member of the Political Council as President, one burgher, one servant of the Company and in addition a cashier and a book-keeper (23).[15] Not more than 20,000 Rds. were to be kept in the Bank at a time, any surplus being deposited in the Company's Treasury (25). Of the above 20,000 Rds. not more than 5,000 Rds. were to be entrusted to the cashier (26). The balance was to be kept in an iron chest to be known as the "Groote Bank Kas", which could only be opened by three keys in the presence of all three Commissioners, who each held one key (27).[16] Before assuming office the three Commissioners and the cashier were to give security to the amount of 5,000 Rds. and similarly in the case of the book-keeper, who would also be the keeper of the pledges (29).[17] In addition the Bank was to have a messenger or

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14) Art. 20: "De boekhouder zal in de bank woonen en ook pandbewaarder zyn gehouden weezende die te verantwoorden en het vermist werdende te vergoeden, ook by goed weer dagelyks te lugten met het openzetten der vensters."

Art. 21: "De bank zal borg blyven voor alle panden die daarinne ter bewaaring gegeeven zyn, en de restitutie geschieden aan den houder van de recipissen, ten ware blyken mogte van valsheid of fraude: Maar by vyandelyk geweld, brand of diergelyke ongelukken zal de schade by den eigenaar worden gedraagen en dezelve egter gehouden weezen de opgenomene penningen te betalen."

Art. 22: "Goederen ingebragt wordende die gestolen zyn en waarvan den boekhouder kennisse gegeeven is, moeten aangehouden en den eigenaar terug worden gegeeven: Maar so dezelve na den inbreng als gestolen worden ontdekt, zal de waare (1) eigenaar dezelve mogen naderen, mits restitueerende hetgeene daarop geleend is."

15) Art. 24: "Tot de bank zal worden bestemd of ingehuurt een convenabel geleegen huis, om te worden ingerigt na de vereischtens die tot zeekerheid van de aldaar te bewarene panden en gelden moeten dienen."

16) Art. 28: "Van deeze byzondere of groote kas, zal den praesident een apart boekje houden en in de yzere geldkist leggen, welk boekje maandelyks door praesident en commissarissen met hetgeene in dezelve groote kas restant is, zal moeten worden geconfronteert en onderteekend."

17) Art. 30: "Wanneer praesident en commissarissen de gestelde cautie van den kassier en pandbewaarder suffisant oordeelen, zal den praesident of eerste commissaris ten blyke van dien een gros van ieder borgtogt aan den heer Gouverneur of Hoofdgebieder presenteeren, om by de Regeering geapprobeerd of afgekeurd te worden."

auctioneer who would have to furnish security for 2,000 Rds.(31). One of the two Commissioners and the cashier and book-keeper were to be on duty daily (32).[18] If the book-keeper and cashier were employed in no other capacity by the Company, they were to be paid out of the Bank only and similarly with the other servants employed in the Bank (36). The Bank's books were to be closed off annually at the end of August and were to be examined (37). Finally, private pawnbrokers (het houden van alle partikuliere Lombaarden) were expressly forbidden under whatever designation it might be, under penalty of law, and the Council of Justice and the Fiscal were instructed to see that this proclamation was duly carried out.[19]

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18) Art. 33: "Voor juweelen en paarlen zullen commissarissen mogen neemen een wardyn die onder den eed van trouwe en secretesse staan en de taxatie doen zal ten zynen risico, borg stellende ter somma van een duysend ryxds zullende deeze wardyn genieten een quart prco salaris van hetgeen op die juweelen of paarlen word beleend."

Art. 34: "Den boekhouder en pandbewaarder zal met den kassier dagelyks alle posten van aflossing en nieuwe beleening nauwkeurig moeten confronteeren en accordeeren, werdende beide dezelve begreepen te staan onder den eed van secretesse."

Art. 35: "Den praesident of eerste commissaris zal eens ter maand ofte zo dikwils het nodig mogt weezen, vergadering houden, om de groote kas teegen de klyne kasboeken te confronteeren de reekening van den kassier en des goedvindende ook de boeken te resumeeren, en het nodig omtrent de zaken van de bank te besluiten, in welke vergadering den praesident en de twee mindere commissarissen sessie en stem zullen hebben en de aanteekeningen moeten worden gehouden door den boekhouder."

19) Art. 38: "Deeze gecommitteerdens zullen niet alleen hebben na te gaan of de boeken behoorlyk zyn gehouden en niemand daarby is tekort gedaan, maar ook of in alles de by deezen gestatueerde ordres zyn betragt."

Art. 39: "By de introductie van een nieuwe praesident, nieuwe commissarissen, kassier of boekhouder, zal hem van de uitgezette gelden in vergadering aanwyzing gedaan en afgevraagt moeten worden, of alle dezelve voor zyn aandeel overneemt, en daarin toestemmen zal daarvan acte worden gepasseert by onderteekening, en de afgaande praesident of ander bediende hiermeede weezen gedechargeert: Dog by het teegendeel en dat dezelve zig daarinne bezwaart vind, zullen zyne reedenen van bezwaarnis nevens het gevoelen van het collegie de Regeering moeten worden voorgedragen, om den afgaande suffisante cautie te doen stellen of daaromtrent anders, na bevinding van zaken te disponeeren.
Verbiedende voorts wel expresselyk het houden van alle Partikuliere Lombaarden onder wat pretext of benaaming zulks ook zoude mogen weezen op poene van arbitrale correctie naar exigentie van zaaken.
LASTEN en BEVEELEN voorts den Raad van Justitie en den Fiskaal deezes gouvernements deeze ONZE PUBLICATIE te agtervolgen en te doen agtervolgen, procedeerende en doende procedeeren, teegens de contraventeurs van dien sonder eenige gratie oogluykinge, dissimulatie, ofte verdrag, want wy zulks ten algemeenen beste bevonden hebben also te behooren."

It would appear that the Commissioners had been earnest in their endeavour to assist the Colonists. Only five days later they declared[20] that some people who would like to make use of the Bank did not possess fixed property but good mortgages which were just as good security for the Bank. Accordingly they ordered that the Bank should advance money on deeds passed before schepenen or orphanmasters (Scheepen en Wees Weesteren Kenissen), deeds of mortgages, redeemable by instalments (Kustingen) and notarial registered bonds, under the same security but no greater amounts than they were allowed to advance on the properties so mortgaged. On 18th May, 1793, followed a further amendment[21] to show the Commissioners' desire to assist the Colonists as far as possible, and especially the less wealthy. On all sums of 100 Rds. and more already loaned and to be advanced in the future, no higher rate than 5 per cent. per annum was to be charged.

The capital of the Bank was to consist only of notes without any cover whatever i.e. inconvertible paper money, and immediately the problem arose how to make these notes keep their value and of still greater importance was how to maintain the money thus issued in circulation, instead of its flowing back into the Treasury, and thus creating a situation similar to that before 15th March, 1793.[22] In both cases the Commissioners-General were expected to find a solution.

The Commissioners-General fully realised the dangers of depreciation of the paper money and urged that the prevailing policy of paying out moderate sums in hard coin be continued in order to maintain the very necessary confidence that the Company actually possessed the money represented by the paper currency since its credit rested entirely upon the good opinion of the people.[23]

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20) Arndt: Op. Cit., p. 167.
21) Ibid., p. 167.
22) Vide supra p. 15.
23) De Mist: Memorandum, p. 283.

They further stipulated that the Government should guard against issuing too many notes. For this reason the Directors advanced to the Loan Bank through the Government as much money in paper as was necessary for the carrying out of the aims of the Bank, while at the same time they used every means in their power to prevent the paper money in circulation from exceeding 1,000,000 Rds. They also considered it both profitable and necessary at all times to keep at least as much paper in circulation as was represented by the capital on loan among the Colonists from this Bank. In order to avoid the back flow of the money into the Treasury of the Government the Commissioners-General made new regulations for sending money out of the Colony. Viewed abstractly, they agreed that it was undesirable that the people should be debtors of the sovereign, but in this case the general advantages would outweigh the possible defects.[24] As for the reduction of the rate of interest, they reported that they had received definite requests for it. They found that only a few people had availed themselves of the prevailing conditions by charging 6 per cent, but many preferred not to do so and were satisfied with 5 per cent. They realised also that many would find difficulty in paying 6 per cent. to the Bank, which they had always looked upon as an emergency institution to prevent a general confusion and not so much as an income-yielding proposition of the Company. Finally, they considered that the reduction of the rate of interest would have a very favourable influence upon vacillating minds and would be a new blow to those who were still misrepresenting their actions. This Bank, then, was partly a mortgage bank and partly a pawn-bank which advanced paper money at 5 per cent., of which 4 per cent. was paid into the public treasury, the remaining 1 per cent. in addition to certain fees, being devoted to the cost of administration.[25]

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24) Geyer: Op. Cit., pp. 86-87; Arndt: Op. Cit., p. 168.
25) Rec.1, p. 248; Rec.9, p. 477; De Kock: Op. Cit., p.75. Geyer: Op. Cit., p. 84.

The Burghers, however, bitterly complained that there there was a total deficiency of coined money. A few days before the departure of the Commissioners-General a representation,[26] signed by 180 burghers, was handed to them in which they asked "of de Bank van Leening dewelke thans in deze Colonie onontkeerlyk geworden zynde en echter maar uit papiere munt kunnende bestaan, niet als een noodzakelijk kwaad voor deze Ingezetenen in der tyd zal moeten worden geconsidereerd." If the revenue of the Company derived from taxes and "verpagting" was more than what the Burghers could make out of their produce from the land, then the money would flow back into the coffers of the Company and as a result of the consequent scarcity of money the burghers would have to mortgage their fixed property and other effects of good value. A contemporary[27] tells us that "no sooner had this bank been opened, to which people had keenly looked forward for a long time, then a multitude of people fetched the stamped paper money with an incredible eagerness. People called it a relief, a salvation .... It is certain that no one can 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? ..... Only after most mature deliberations was it concluded that the establishment of such a bank was the most suitable means to keep matters out of confusion and to save the inhabitants from greater damage. Money there had to be; people could not get away from one another ..... Now the people have been helped and gain 1 per cent. per annum in interest, since many capitalists have also had to reduce theirs to 5 per cent. The Company, which could not have entrusted its interest into better hands than the present Commissioners-General, gains from it and honour is due to these gentlemen for their ingenious invention."

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26) Beeschen: Op. Cit., p. 187.
27) De Jongh: Reizen naar de Kaape de Goede Hoop etc. Negentiende brief 1st March, 1793.
Vide Arndt: Op. Cit., pp. 168-169.

The Bank was opened on 23rd April, 1793.[28] The following is a statement[29] of the total amount of the funds of the Lombard Bank, showing the various periods at which they had successively been received :-

	Date.		Amount.
1793	19	April	Rds. 20,000
	23	"	20,000
	25	"	20,000
	27	"	20,000
	30	"	20,000
	2	May	20,000
	3	"	50,000
	11	"	50,000
	16	"	40,000
	6	June	30,000
	10	"	4,000
	24	"	60,000
	2	July	46,000
	16	"	30,000
	20	August	20,000
	29	September	25,000
	16	October	25,000
	25	November	25,000
			Rds. 525,000
1794	15	January	25,000
	12	February	25,000
	25	March	25,000
	25	April	10,000
	7	May	20,000
	17	"	20,000
	15	December	30,000
			Rds. 680,000

28) Ibid.
29) C.O. 4457; Rec.19, pp. 184-186; B.O.33, pp. 189-213.

Thus, by the end of its first financial year on 31st August, 1793, the Bank had received 450,000 Rds. Of this amount Rds. 435,295 - 16 - 0 had been advanced to the public, Rds. 435,213 - 16 - 0 at 5 per cent. and the remaining 82 Rds. at 9 per cent. The interest earned amounted to Rds. 5,407-31 of which four-fifths, i.e. Rds. 4,325-26, went to the Company and the remaining Rds. 1,082-5 for distribution among the president, commissioners, book-keepers and the cashier. The Bank had also paid five months rent, amounting to 60 Rds. to the Company. For the year 1793-1794 the interest received amounted to Rds. 27,829-3, of which the Company received Rds. 22,385-45.[30]

By December, 1794, sums to the amount of 680,000 Rds. had been advanced to the Bank, which constituted its capital. In June and July, 1795, however, Governor Sluysken withdrew Rds. 29,244-36, so that the Banks' capital amounted to Rds. 659,755-12 at the time of the first British occupation.[31]

Even though this institution suffered from many drawbacks - and these made themselves keenly felt later on - yet it was absolutely necessary that the Colonists should have a currency of some kind in order to ward off a total collapse of the whole industrial life. The Company had no money and so this Bank whose capital consisted of inconvertible paper money, offered the only solution under these circumstances. This Bank, which was instituted during an emergency and contained the elements of an emergency measure, did indeed afford temporary relief. And this was perhaps also the only advantage the Colonists got from the visit of the Commissioners-General, of which they immediately started to make ampler use so that after the first financial year they owed the Bank Rds. 435,295-16.

At least in one respect the stipulation of the Commissioners-General was not adhered to, viz., in addition to

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30) Arndt: Op. Cit., p. 169.
31) C.O.4457; Rec.19, pp. 184-186; L.B. No.2, pp. 68-71; L.B. No.3, p. 76; B.O.33, p. 201.

the issue of 680,000 Rds. for the purposes of the Loan Bank, other issues of paper money were made from time to time until, at the end of the Company's rule in 1795, the amount of paper money in circulation was Rds. 1,291,276-42. This surplus issue of notes was again unavoidable, partly because during the last years the Company could not send silver to the Cape so that the salaries of the officials of the Company had in part to be paid in notes. This forced increase in the supply of money, accompanied by a great deal of unrest and discontent amongst the Colonists and by the slackening of trade due to the war in Europe, brought about a decline in its value.

Finally, this Bank capital must be carefully distinguished from the issues of the Government. Governor van Plettenberg paid his bills with his paper, or exchanged it for gold and silver, with a promise to take it up at its original value. The Bank lent theirs to individuals at interest. In the two transactions the Company was a debtor and the Bank a creditor, with respect to the public.

CHAPTER II.

THE FIRST BRITISH OCCUPATION(1795-1803).

When the British forces took possession of the Cape Colony the Bank capital amounted to Rds 659,755-12. General Craig,however,withdrew a further 14,500 rds on 8th.August,1796, thus reducing the capital to Rds 645,255-12.[1]

General Craig could not predict any particularly bright prospects for the Loan Bank.According to him no dependence could be placed on this institution as an article of revenue.[2] " It will probably decrease very fast in proportion as the paper money becomes of less value and it is not supposed that it will be thought expedient to continue it on the part of His Majesty's Government with cash.The capital at present at interest but little exceeds 600,000 dollars,and this can only be encreased by a further capital of about 36,000 dollars,which is at present in the hands of the Bank,being so much paid off to it, and so far I shall permit it to go on in it's operation,but there are no means of extending it further even if the public wants shouls require it except by stamping more paper money which no consideration will induce me to consent". In Great Britain, however,it was realised that " great negligence prevails in the mode of conducting this important public concern which has hitherto been a principal source of inconvenience and discontent in the settlement."[3]

In 1797 lord MaCartney was sent out to the Cape with instructions to investigate and report on the paper currency situation.[4] The capital of the Bank was Rds 645,255-2 lent out

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1) C.O.4457;Rec 2,191;Rec 9,pp.475-6;Rec 19,pp.184-186; L.B.no.2,p.69;L.B.no.3,p.76.
2) Rec 1,pp.404-405 10th.July,1796 General Craig to Secretary of State Rt.Hon.Henry Dundas.See also Rec 1,p.259.
3) Rec 2,pp.8-9 article 9 30th.Dec.,1796.
4) Ibid. 30th.Dec.,1796 Instructions to MaCaertney.

through their channel by Government to individuals. MaCartney also found that a clear 4 per cent,or about 25,000 rds per annum, one year with another,accrued to Government from this operation "which appears to me rather a singular one,and different from the practice and policy of most other states".[5] According to him the financial system and especially that of the Loan Bank,was based on an entirely wrong footing viz.,that the Colonists were debtors to the State."It has elsewhere been usually adopted,as a wise maxim,to make the Government debtor to the subject,that the subject may be the more interested in the prosperity and safety of the Government". But at the Cape the reverse was the case and according to MaCartney this would be conducive to revolutionary ideas as happened in America and France.

The Governor considered it a right measure to get rid of the Lombard Bank entirely. He thought this might be done by gradually transfering the mortgages of the Bank to individuals and monied bodies such as the Orphan Chamber and other Charitable institutions charged with pecuniary administrations",who might be empowered and directed to lay out balances accruing from time to time under their management,in the purchase of bank mortgages and securities until the whole bank capital be reimbursed and paid off". This would probably be an operation of two or three years,during which period,if any unforseen in convenience arose,it might be corrected in proper time,if not,it would regularly proceed. At the end of the period the paper circulation would be diminished by 645,225 rds,the Government would be relieved from its debtors,and the Bank "cease to be an instrument of mistaken policy and exceptional profit." Through the Colony would lose a revenue of 25,000 rds per a annum it was " of a very recent creation,of an unnatural growth,and of a usurious nature ",and might be replaced by something more honourable to the state.

In the meantime,on IIth.September,I797,[6] MaCartney

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5) Ibid.,p.I9I-I92 20th.Oct.,I797 Lord MaCartney to Sect.of State Henry Dundas.

6) L.B.no.2,ppI27-I28 IIth.Sept.,I797.

had appointed W.S.van Ryneveld,H.J.de Vet and P.J.Truter to inspect and investigate the books,accounts and treasure of the Bank,this having not been done since the surrender of the Colony to the British forces.They were further instructed that "if,in the course of this examination,you should find that the existing plan of conducting the business of the bank may,in your opinion require alteration or improvement,I request you freely to communicate to me your remarks and observations,that I may be better enabled to make just regulations and arrangements as shall appear to me most proper and beneficial for the inseparable interests of His Majesty and publicq."The report was submitted on 3Ist October,I797.[7] "In general we can assure your Excellency that we,on the most exact examination both of the Banks kept during the-----three years[8] and of the other branches of the Administration in that department,have found everything right; that the Instructions for the Loan Bank is duly observed;that in the said Banks neither Government either in it's capital or in it's rents nor any private person have been wronged,and that all the parts are placed according to the rules of Bookkeeping."

The Committee found that in pursuance of the 8th article of the Instructions,the directors of the Bank at the end of every month,had sent proper lists of the Bankkennissen or Deeds of Mortgage passed during the month to the Secretary's Office.Hence it followed that the entering of such deeds of mortgage as were passed at the commencement of the month,into the records,could not take place prior to the commencement of the ensuing month.This method was highly dangerous" as it is notorious,and the usual way of proceeding in law suits confirms it,that the public records of mortgages is the proper rule of prefering before the Court of justice in cases of insolvency." It was perfectly in accordance with the laws that deeds of

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7) B.033,pp.I97-2II 3I Oct.,I797;See B.O.6,pp.303-320.
8) The last examination of the books took place on 3Ist August, I794 and the task therefore of the Committee was to examine the books from the last day of August I794 to the last day of August I797 which formed a period of three whole years.

mortgage of a later date, entered in due time into the records, have proved to be preferred before those of an earlier date which were either not entered at all or very late into the records. As a result there have arisen troublesome and disagreable law suits with the sureties who refused to pay the debtor's deficiency proceeded from the neglect of registration. Similar instances could therefore also happen to the Loan Bank if a debtor who has borrowed money from the Bank should chance, previous to its registration having taken place, also to apply for money in the Orphan Chamber or from any private person on the same security. This money would then certainly not be refused to him as the security engaged to the Loan Bank in the course of that month, was not to be found yet entered into the public records. In order to prevent similar consequences the Committee proposed the following amendment in the 8th. article: "that the several Deeds of mortgage henceforth are to be entered into the public Records, on the same day that those Deeds are passed, and that two of the Directors of the Bank, at the end of every month, are to compare the new Deeds with the public Records, and so mark the said Deeds, in token of their being duely registered, with their names."

The attention of the Committee was next directed to the payment of the interest as stated in the I3th. article of the Instructions and amended on the I0th. May, I793, according to which all sums exceeding I00 rds were to pay 6, and afterwards by amendment, 5 per cent, and all sums less than I00 rds were to pay 9 per cent. The Committee found that this last mentioned interest of 9 per cent bore hard for the most part particularly upon such persons who could not but be supposed poor and who therefore reasonably ought more than others to be relieved. The Committee therefore proposed that there should be a general interest of 5 per cent on all sums, "by which Regulation Government, generally receiving at present no more than 4 per cent., would

of course,lose nothing,and the loss thereby occasioned in the Revenues of the persons employed in the Bank,would be no object of any importance."

On the examination of the Deeds of Mortgages deposited in the Loan Bank,the Committee found some of them to consist of pawned mortgages passed by others on behalf of the debtor to the Bank.The acceptance of these mortgages in the Bank took place in accordance with a separate authorisation contained in the proclamation of the Commissioners-General of 20th.April,I793. The Committee observed that,as in other cases,there had sometimes occurred instances where a mortgage was on other accounts debtor to the mortgagor,which debt they managed by an account without noting it on the back of the Deed of mortgage.By doing so a mortgager,by trade and commerce,often liquidated a great part of his mortgage,or on that account gave credit to his mortgage with a lawful intention of deducting the amount of the mortgage in so much that it might frequently happen that the mortgagor might by far not really be debtor to the mortgagee to the full amount of the Deed of mortgage pawned in the Loan Bank for a capital borrowed there.In order to prevent inconveniences and law suits which might arise often to the Bank itself,the Committee proposed that "at any pawning of Deeds of mortgage, both the mortgagee and and mortgager are to appear before the Directors of the Bank,and the latter is to bind himself with the former,in the meanwhile nothing to pay nor the former anything to receive an account of the mortgagee,except the higher amount of the said mortgage,than the sum borrowed from the Bank."

On 3rd.July,I798,Colonial Secretary Ross instructed[9] the president and directors of the Bank that the governor wished them to carry into effect the above improvements in the administration of the Bank.With regard to the reduction of the interest rate from 9 per cent.to 5 per cent. on all loans for less than

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9) L.B.no.2, p.I44 3rd.July,I798 Col.Sect.Ross to Bank; B.O.IO,pp.54I-546;B.O.65,p.I02.

100 rds Ross had something to say:"Deeze verbeetering,wanneer het aanmerkt werd als eene versagtinge van de armoede,word seer gaarne door zyne Excellentie geapprobeert,maar te gelyker tyd het voorige bestier in bepalinge van zoo hooge renten als 9 per cent.voor zulke kleine sommen,moet andere oogmerken gehad hebben, als de voordeelen van het Gouvernement of te Commissarissen van de bank,en het is eene belangryke vraag of het nadeeliger aan de armoede is de beleeningen te facliteeren dan wel te verhinderen, want in het algemeen,is de nooddruft de sterkste dryfveer tot industrie en werksaamheid".Finally,the governor desired a report on the inconvenience that would be caused if the loans on Scheepenkennissen were continued to be made on the old footing.

The Directors of the Bank,however,had to offer some comments[10] on the letter of the Colonial Secretary.With regard to the reduction of the interest from 9 per cent to 5 per cent they were of opinion " dat uit de in de Bank berustende papieren aan hun niets komt te blyken,waar uit zy zouden kunnen opmaken dat de intentie van het voorig bestier by de bepaalinge van deeze hooge renten op kleine ponden,zouden geweest zyn om deselven daar door eerder te verhinderen dan te faciliteeren, maar dat het hun echter niet onwaarschynlyk voorkomt die bepaalinge in dit tydstip andere bedoelingen moeten gehad hebben als de voordeelen van de resp.bediendens der bank also het eene onteegenspreekelyke waarheid is,door de ondervindinge bevestigt dat men nyverige lieden sonder in aanmerkinge te neemen welke verliesen zy komen te lyden zig greetig van iedere geleegentheid bedienen om aan geld te komen." The interest received on this type of loans were as follows:

1793------1rds-32
1793/4----15 -9
1794/5----55 -23
1795/6----37 -43
1796/7----13 -14

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10). L.B.no.2,pp.147-150 7th.July,1798.

The Directors therefore considered that the proposed reduction of the interest rate from 9 per cent to 5 per cent would have no prejudicial influence "te meer terwyl de beleeners maar een gedeelte der waarde van hun ingebracht goed ontvangen en verpligt zynde ten bepaalden tyde met de renten uit te lossen, by nalatigheid van dien gevaar loopen dat het voor hunne reekening publiquelyk word verkogt aan welke voorwaarden Commissarissen voor het grootste gedeelte de weinige beleeningen op kleine ponden toeschryven."

Finally the Directors explained that when money was borrowed at the Bank " op een Custing of andere schuldbriev", it was possible that the debtor of the same might have or acquire a particular outstanding account with his creditor, which he then settled with a portion of the bond. In order to do this it was unnecessary for the debtor to be present when the amount was written off on the bond " al sulx weer door onderhands de quitantien geschied,konnende den crediteur voorwenden de Schuldbriev niet te konnen vinden." Furthermore, " Commissarrissen van deese betaalinge ignorant en dus ook niet tot securiteit van de Bank konnen werksaam zyn,en in't vertrouwen verkeerende dat deeze schuldbriev goed en waardig is, om het daar op geschooden capitaal te konnen praesenteeren, intusschen dezelve geheel of ten deelen betaald is,en van geene of weinig waarde meer komt te zyn,'t welke dus,indien de borgen voor het op de schuldbriev beleende capitaal niet soos sufficient wierden bevonden,als commissarissen by't beleenen vermeent hadden de Bank aan onvermydelyke schade zoude blootstellen ----. "

However,at a meeting of the board of directors held on 24th.September,I798,[II] it was resolved to carry all these propositions into practice. It would appear,therefore,that nothing of any great importance was brought about by MaCartney,

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II) Ibid.,pp.I5I-I52 24th.Sept.,I798.

except for a few minor important regulations as entlined above.

However impractical in other respects,Sir George Yonge, the new governor,could give valuable and authoritative advice on banking matters owing to his previous experience in that field in Great Britain. He was of opinion that the growing commerce called for more paper currency. But,like MaCartney he was also in favour of the abolition of the Lombard Bank. Yonge proposed[12] the establishment of a Colonial Bank on the principle of the Bank of England,of which the Governor for the time being would be head,assisted by a Deputy Governor and Directors. The Government itself was to be the pledge for the bank stock,but he would pour into this National Bank stock all the existing Colonial Funds,those of the church,the Orphan Chamber,the Lombard Bank,and all other such funds,the Trustees of which to become proprietors of the Bank stock according to proportions to be arranged. The Bank thus established would issue paper money like the Bank of England,payable to bearer and answerable in specie on demand. It would also " discount merchants' Bills and other Bills of good credit." All persons depositing specie in the Bank at a denomination to be fixed would receive interest after a given time,at a certain rate,ar at their option they could become proprietors of stock.There ideas of Yonge were, however,not brought into practice. He had only been installed in December,1799 and in April,1801,only three months after his proposal,received his letter of dismissal without even receiving an answer.

Although Yonge had admitted that the circumstances of the Colony called for a greater circulation of paper money,he had refrained from providing it by means of further issues of paper money. When his successor,major-general Dundas took over the Cape Government,the Burgher Senate[13], on behalf of the

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12) Rec.3 pp.395-396 10th.January,1801 Sir George Yonge to Henry Dundas.

13) Kaapse Plakkaatboek (1795-1803)p.265.

inhabitants of the Colony, strongly represented to him the " serious inconveniences experienced by the small quantity of paper currency in circulation bearing no sort of proportion to the encreased trade and commerce of the settlement nor to the property it is meant to represent. In two memorials on the subject the Burgher Senate had requested that the capital of paper money now in circulation through the Lombard Bank might be extended" in order to present the evil consequences that are likely to issue in case such a step be not speedily taken." Dundas had made enquiries into this important matter and by proclamation[I4] of Ist. January, I802, he ordered the fabrication of I00,000 rds to be issued through the Bank on the security of immoveable property and two sufficient bondmen. The interest arising from the I00,000 rds was not to be paid into the Government Treasury but was to be paid into the Treasury of the Burgher Senate and applied to the general benefit and improvement of Cape Town, whereby he hoped to relieve the inhabitants from the Colonial assessments for that purpose.

On 2nd. January, I802, a Government Advertisement[I5] announced that the acting Governor was anxious that a fair and proper distribution should be made of the I00,000 rds and all persons wishing to obtain loans had to send in their applications to the Lombard Bank on or before the 9th. instant. In response to this advertisement applications were received amounting to more than 600,000 rds. By contracting the demands of those who had most ample securities to offer, rejecting such as were dubious or that did not accord with the established rules and regulations of the Lombard Bank, and of such also as could not be considered by the committee in the light of proper objects of relief according to the intention of Government in granting this loan, this sum was scaled down to I65,000 rds. Dundas further directed[I6] that the additional sum of 65,000 rds should be taken provisionally from the funds of the Corn

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I4) Ibid. Ist. January, I802. Procl. by maj. gen. Dundas.
I5) Ibid., p. 268 2nd. January, I802, Govt. Advertisement.
I6) Ibid.

Committee and issued through the medium of the Lombard Bank for the use and relief of the inhabitants.The interest of this sum was also to be applied to the usual repairs and improvements of Cape Town under the direction of the Burgher Senate. On the 9th.February,I802,[I7] the I65,000 rds were advanced to the Lombard Bank,thus raising the Bank's capital to Rds 8I0,255-I2. If this new addition is added to the original issue the capital of the Bank would have been raised to 845,000 rds. But in I804 the Batavian Government called in all paper money at the Cape,and new notes to the amount of 8I0,255 rds were re-issued to the Bank,the 34,744 withdrawn by Sluysken and Craig having been burnt by order of the Government.[I8]

I7) C.O.4457;Rec 9,pp.475-6;RecI9,pp.I84-6;B.O.53,no.442.
I8) Arndt:Op.Cit.,p.I7I.

CHAPTER III.

THE CAPE UNDER THE BATAVIAN GOVERNMENT (1803-1806).

During the British occupation the Cape Colony had enjoyed a period of prosperity. But when the more economical Dutch rulers took over the Cape Government the abundant source of fortunes ran dry, credit ceased and poverty became more evident from day to day.

Memorandum of De Mist.[1] — In his memorandum the Commissioner-General recommended the maintenance of the Lombard Bank. It was to be under the supervision of a president, two commissioners, a bookkeeper and a cashier, governed by suitable instructions. Both the Board of Orphan Masters and the Lombard Bank were to rank immediately after the Council of Justice. The office was to be looked upon, not merely as a post of honour, but as a means of livelihood and was to be entrusted only to influential and well-informed burghers of the Cape of unimpeacheable character. A report on the investigations made into its existing condition, arrangement, utility and influence and proposals for its improvement, or at least a scheme defining the methods to be employed in the future, was to be handed over to the commissioners. The details necessary for drawing up such a scheme were to be obtained from the report, with its appendices, compiled by the Commissioner-General.

On 4th May, 1804, de Mist accordingly issued Provisional Regulations[2] for the Bank which were practically identical with those issued by the Dutch Company and amended by the British authorities. The affairs of the Bank were still to be managed by a Board of three Commissioners, but the original

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1) De Mist: Op. Cit., pp. 80, 228.
2) Rec. 5, pp. 198-205; B.P.P. 406, pp. 69-72; Vide Appendix "I

specification as to whom they should represent was now deleted. Only a few minor alterations were introduced.

Views of Governor Janssens. — The governor was of opinion that "hoe meer hy den tegenwoordigen staat dezer Volkplanting overweegt, hoe meer Hy overtuigd word, dat dezelve ongevoelig aan haare eerste instelling is ontwassen, en van eene ververschingsplaats is geworden eene Maatschappy, welke niet meer op haare oorspronklyke beginsels kan worden bestierd".[3] Therefore, when the Cape was restored to the Batavian Republic the mother country wisely resolved to adopt a new system whereby guidance could be given "aan de nu onweerstaanbaar geworden uitbreiding ------- welke een bestendig, en, zo veel mogelyk, gelukkige herbou, aan de Volkplanters kan verzekeren." However, as the Colony expanded and according as it deviated from its original establishments, the Government, without any specific aim, established certain institutions "welke niet alleen het eerste beginsel deeden ophouden, maar ook op een uit den aart der zaake, veels onzeker geworden basis, de onzekerheid vermeerderen." As a result, Janssens pointed out, many irregularities were observed in various departments of the Government.

The Cape was no longer merely a refreshment station but a Colony (Volkplanting) "waarvan de voorspoed en welvaart het groot oogmerk van het Bestuur is". In order to realise these ideals it was the duty of Government to make itself conversant with all particular aspects of the settlement "ten einde over de resources, en de middelen te bereiking van dat doel, met behoorlyk naauwkeurigheid te kunnen oordeelen". This knowledge could best be obtained by long and painstaking research but also by consulting such individuals as were competent to express an expert opinion on certain matters.

Naturally the banking institution was one of the first

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3) K.C. 12th June, 1805: Extract Resol. of Govt. and Council.

matters about which Janssens desired some more information: (a) The Bank was established out of necessity and necessity alone kept the institution going. He wanted to know whether the existence of the Bank served its purposes; if not, why not; (b) He asked whether the Bank should not at all times have adequate funds to be loaned out on sufficient pledges for short terms for the convenience of the people; (c) Seeing that the Bank charged a lower rate of interest than the permissible and normal rate, would it not necessarily always absorb its capital? (d) If the capital of the Bank was insufficient, by how much should it be increased? (e) If the Bank needed more capital should the rate of interest not be fixed at 6 per cent?

Administration of the Bank investigated. — At a Council meeting held on I4th August, I805, the secretary produced a proposal on behalf of Janssens concerning the increase of the Bank's capital.[4] "Ik heb met oplettendheid nagegaan de staat van de beleeningen by de Bank en het is my voorgekoomen, dat dat werk gebiedend onze voorziening vordert, - Alle vermeerdering van Papieremunt boven de volstrekte behoeften kan geene ander strekking hebben als de waarde er van te verminderen; en dit groote kwaad, dat genoegzaam altoos noodmunt vergezelt, behooren wy zo veel in ons vermogen is te matigen en te voorkoomen. Het is my uit de staat der beleeningen voorgekomen, dat het zeer gemakkelyk zyn zal een aanzienlyk capitaal door aflossingen te doen inkomen; het geen dan meer met de belangens van de Maatschappy overeen komende en dus met onze inzichten kan worden aangewend, zonder dat men tot het noodlottig aanmaken van meerder Papieregeld behoefd over te gaan; wierd het dog volstrekt noodzakelyk geacht voor een tyd het capitaal by de Bank van Leening te vergrooten, zoude het my voorkoomen, dat zulks niet als door vermindering van Papiere of Gouvernements Credit alleen

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4) B.R. I3, pp. 2500-2503, I4th August, I805.

bestaande behoorde te geschieden. Het Gouvernement heeft eigendommen die voor Particulieren mischien aanzienlyke waarde hebben, terwyl dezelve aan den Lande niets noemenswaardig opbrengen, maar ter contrarie aanzienlyke uitgaaven aan amptenaaren, onderhoud van gebouwen, en verstrekking van lyf-eigenen kosten; van deeze zommige op gemakkelyk te betaalen termynen, te verkoopen, schynd my het belang van den Lande te zyn de gelden, die dezelve zouden opbrengen, konden aangewend worden tot vermindering van het papiere geld op Gouvernements credit bestaande, en wierd zulks nodig geoordeeld konde het by de Bank worden overgebragt."

Finally, the governor requested the Council to devote special attention to the last part of his proposal: "men kan omtrent het nut of nadeel dat er in geleegen is, 's lands Domeinen te verkoopen, in begrip verschillen, en verschilt men in denkbeelden, verliest de Gouverneur, so als het behoord, de overtuiging dat zyn opinie de beste is; en onze onderlinge begeerte is te doen het geen ons geweeten ons zigt het belang van de Societeit, over wien de zorgen ons zyn toevertrouwd, te vorderen."

Accordingly, when the Council of Policy met on 28th August, I805, counsellor de Salis[5] read his memorandum which dealt with the Lombard Bank. He agreed with Janssens "dat de beleeningen van de Bank gebiedend onze voorsiening vordert ---- om reedenen dat men van de instelling en het nut dat eygentlyk de Bank moest daar stellen al langzamerhand is afgeweeken, door het geheele fons niet alleen te beleenen, maar ook om dat men niet gezorgd heeft dat op zyn tyd altoos eenige capitaalen of ten minste een gedeelte daar van aan de Bank wierd terug gegeeven, vooral door dezulke die vermoogend waaren, en zelfs aan particulieren geld leenden tegens eene hooge interest, dan die

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5) Ibid., pp. 2739-6I, 28th August, I805.

van de Bank terwyl zy voor aanzienlyke sommen Debiteuren aan dezelve waaren, deeze Lieden hadden dus de ondersteuning van de Bank niet nodig maar bevogden met dit geld van de Bank hun voordeel te doen op eene wyze die niet goedgekeurd kan worden, en waar door weezentlyke behoeftigen en nuttige ingezeetenen gepriveerd wierden van eenig geld voor een korten termyn op goede fondsen te kennen leenen". This was the greatest error that could have happened with the money of the Bank, while favouritism and other reasons also enabled people, who had sufficient means to obtain loans from the Bank.[6]

De Salis then proceeded to outline what should be done "om de zaaken te redresseeren, en in het vervolg op eene duurzaame en nuttige voet te brengen." A sufficient sum of money should be brought back to the coffers of the Bank. It was quite simple to do this for the debtors of the Bank could be classified into three classes, viz., the wealthy, the less wealthy, "en zulke Persoonen welke zonder zig te ruineeren niet in staat zyn voor als nog hun geleend geld van de Bank aan dezelve te restitueeren."[7] He therefore proposed that the debtors should repay 25, 10 and 5 per cent respectively of the loan at the date of its expiration. "Ik houde deeze wyse voor de beste, om dat wanneer men van de geheel vermogende debiteuren, de volle som te rug eischt, dezelve dan ook genoodzaakt zyn hunne uitgezette capitalen op te zeggen, en dus noods hunne crediteuren tot betaling te dwingen; immers is het ons alle bekend, hoe dat de geheele Colonie en voor de Kaapstad als een keten aan elkanderen hangt, en maar zelden een vermogend man in staat is zyne uitgezette capitalen te rug te vorderen, zonder een meenigte ongelukkigen te maaken, dit werkt des te sterker na rato hy zyne penningen in korter tyd wil gerestitueerd hebben, en hier van daan ook het geroep van gebrek aan geld."[8]

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6) Ibid., p.2741
7) Ibid.
8) Ibid., p. 2742.

Further, "op de bovengemelde wyse handelende, zoude de Bank zonder groote schokken te veroorsaaken, binnen weynige maanden reeds iets, en binnen twee jaaren gewis, honderd vyftig Duizend Ryxds. in haare cas sien te rug keeren; deese som zoude dan altoos machten dienen om op korte termynen van een half jaar en nimmer langer als voor een jaar ingezeetenen meede te gerieven, en aan deselve te leenen."[9]

De Salis pointed out that nobody could obtain a loan at an interest rate of less than 6 per cent. There were even instances where I2 per cent or more was charged. "Zoude het dus niet billyk zyn dat de bank ook ses pr C^{o},, nam? en het eene pr C^{o} dat men dus meer zoude betaalen als nu by de Bank genomen word, volgens de intentie van den Gouverneur en Generaal en Chef in mindering van het capitaal liet dienen; verscheide Hypotheeke zyn by de Bank zeer hoog beleend, en mooglyk wel boven haare weesentlyke waarde, op bovengemelde wyze zoude de bank meer securiteit voor de waarde haarer ponden bekoomen, terwyl het voor den Debiteur eene ongevoelige en zeer gemaklyke vermindering op zyn geleend capitaal zoude te weeg brengen; voeg hier by dat zulks eene vermeerdering van voorhanden zynde penningen aan de Bank zoude geeven waar meede andere Perzoonen wederom zouden kennen worden geriefd."[IO]

"De meeste penningen van de Bank zyn beleend op Huissen; Hypotheeken die verre boven hunne eigentlyke waarde zeedert de komst der Engelschen gereesen zyn, en die nimmer gezegt kennen worden deeze intrecique waarde te hebben; men begrypt niet hoe het mooglyk is dat gebouwen, slegts van ruuwe klippen en kley gemetzeld van Honderd Duizend Guldens en daar en boven verkogt worden; die van goede materialen gemaakt, en op de Heere Gragt te Amsterdam staande de helfte van die prys niet

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9) Ibid., pp.2742-3.
IO) Ibid., pp.2743-4.

zouden gelden. Wanneer de Colonie prospereert is het op zyn hoogst genoomen dat zig die prys souteneerd, maar mogt dit het geval niet zyn, ja niet spoedig zyn moeten deeze gebouwen met een derde, zoo niet weer binnen kort in prys verminderen. Hoe versigtig moet dan de Bank niet zyn om op zulke huizen niet hooger dan de helft te beleenen. Wanneer men van gedagten is, dat aan het geld meerder roulance moet gegeeven worden, zoude men kennen beproeven of ook aan de Beleen Bank een bank courant te hegten was, waar vermoogende en handeldrywende ingezeetenen geld teegens een interest van 3 á 4 pr C° konden deponeeren, om by alle gelegendheden oogenbliklyk geheel of gedeeltlyk over te kennen disponeeren. In welk geval men dan een fonds of credit zouden moeten zoeken te vinden, hetsy by het Gouvernement in de Republiek by wyze van wissel, of wel by de Caapse Regeering zelfs door het creëeren van eene somma Papiere-Munt, dewelke nimmer zoude mogen worden aangesprooken dan in zulke zeldzaame gevallen, wanneer deeze Ingezeetenen alle of de meeste voor hunne gedeponeerde gelden goedvonden gelyker tyd te beschikken. Deeze nieuwe gecreëerde munt kan voor geene vermeerdering van papiere geld gehouden worden, dewyl die altoos slaapende blyft, nimmer dan in zulke zeldsaame gevallen van hooge nood gebeezigd word; en die direct ook wederom uyt de wandeling, wanneer deselve daarin geraakt mogt weesen getrokken diende te worden. Daar evenwel den handel aan de Caap nog zoo groot, nog zoo actief is, en niet apparent binne korte jaaren zal worden, zoude myns bedunkens de Bank Courant, tot gelukkiger tyden voor deese Volkplanting kennen uitgesteld blyven,"[II)]

De Salis then dealt with the second suggestion of General Janssens "veronderstellende dat er weer papiere geld in de Colonie mogt noodzaaklyk weesen, om dan eigendommen van den Lande te verkoopen, en daarmeede te verminderen het Papiere geld

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II) Ibid., pp. 2744-2746.

dat op Gouvernements Credit bestaat om zulks by de Bank des noods over te brengen." De Salis could not say with certainty whether the paper money was sufficient or not, but it would appear that the paper money was sufficient if the existing state of the Colony was compared to that which prevailed under the first British administration. The paper money created by the British authorities was an augmentation "die verre de aanwas van menschen in de Colonie in eevenreedigheid te boven gaat. Hoe zeer nu deeze gelden op goede gronden zyn aangemaakt en een gedeelte daar van ook langsaamerhand wederom moet vernietigd worden, gaat het dog vast dat in het moment dit capitaal in omloop is, men kan dan het gebrek aan geld niet toeschryven, om dat er te weynig papiere munt in deeze Volkplanting exteerd, maar wel om dat het opgehouden word, en mooglyk in minder roulance op dit tydstip is; de Krygskas, de Weeskamer en den particuliere Schipper Janssen, hebben aanzienlyk sommen stilleggend geld; voeg hierby eenige weinige particulieren die geld in voorraad houden, om by voorkomende gelegendheden van goederen die verkogt worden te gebruiken. Deeze momenteele meerdere stillegen van contanten treft men in alle landen aan, dan door zulke omstandigheeden slegts kort duuren, zyn het geene bewyzen dat er geld te weynig is; alle vermeerdering van papiere geld, doet de waarheid daarvan verminderen, hoe billyk, hoe gegrond de reedenen ook daar voor kennen weesen. Men dient ook wel te onderscheiden dat het geroep van te weinig geld niet voorkomt om dat de ingezeetenen niet van elkanderen kennen koomen, en er tot de daaglyksche behoefte geld nodig is; Neen het komt daar van daan, om dat eenige ingezeetenen gaarne geld leenden, om daarmeede in de commercie te speculeeren, en zulks naa wensch niet spoedig genoeg kennen bekoomen; mooglyk zoude men daaruit opmaaken, dat er veel commercie is, en juist het teegendeel heeft plaats, er zyn veele zogenaamde Negosianten en maar weinig koophandel, deeze zugt is ongelukkig in de Kaapstad zoo groot

dat geen ambagtsman of tot andere staat hier koomend ingezeetenen uit Europa by zyne slyt blyft, maar altoos koopman word.

"Wanneer men de quantiteit van het papiere geld in de Colonie vergelyk met het getal van haare inwooneren, waaronder ik de slaven begryp, en niets uitzonderen, is er voor ieder mensch een derde meer contante specie als in de Republicq, zonder dat ik hier in tel het goud en zilver geld dat zig in deeze Volkplanting bevind, hoe is 't dan mooglyk dat er zoo een gebrek aan papiere munt zoude zyn."[12]

De Salis informs us of a meeting[13] of 17 "Notabele Ingezeetenen" which was held on 6th July, 1805. The question was there put to them whether there was sufficient, too little or too much paper money in circulation. Nine people were of opinion that the paper money was insufficient while eight maintained that the circulation was sufficient. "Het verschil was dus slechts een stem, hieruit mog men gerust besluiten, dat zoo er al te weynig moet weesen dit zeekerlyk niet algemeen gevoeld word, ja zelfs van geen belang kan weezen, anders invest in zoo eene aanzienlyke en door ons voor de verstandigste en eerlykste wordende ingezeetenen de groote meerderheid, zoo niet allen van gevoelen geweest zyn, dat er te weinig papiere munt was. Uit welk een en ander ik dus gerust durf zeggen dat er geen meerder papiergeld nodig is. Indien egter zulks volstrekt nodig was, zoude ik voor als nog van gevoelen zyn, dat men de Domeynen van het Gouvernement daar voor niet moest verkoopen."[14]

Because of all these reasons de Salis was of opinion that as yet there was no necessity to increase the capital of the Bank "dog dat het onverwyld nodig dat eene verandering en voorsiening in deszelfs administratie gemaakt word."[15] Further,

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I2) Ibid., pp.2747-2749.
I3) Ibid., pp.2749-2750.
I4) Ibid., p.2750.
I5) Ibid., p.2758.

he held that no "domeynen" should be sold.[16]

After they had heard this Memorandum, and in view of the Governor's proposal, the Council were unanimously of opinion that the existing administration of the Bank had not achieved its ostensible object of providing the inhabitants with sufficient money. On the contrary, the capital of the Bank would always be absorbed "zonder dat zulks selfs by vermeerdering van het capitaal voor het vervolg kan worden. geprevenieerd."[17] Finally, it was also agreed that the existing method of the Bank administration had defects which required the attention of Government.[18] It was therefore of the utmost importance that the Council should direct its attention to the administration of the Bank "ten einde de bestaande gebreken te corrigeeren, en de rigting zelve van wezentlyk nut voor de Colonie te doen zyn".[19] It was accordingly resolved to invite the Commissioners of the Bank "neevens derzelver Ministers" to appear before the Council of Policy "ten einde als dan bekend te worden gemaakt met de bedenkingen, welken Gouverneur en Raaden omtrent de teegenswoordige inrigting en administratie van de Bank voeden, en vervolgens, naa behoorlyk beraad, in geschrift aan dezelven te suppediteeren zodanige middelen, als waardoor Commissarissen oordeelen, dat de inrigting zelve verbeterd, en de administratie gezuiverd kan worden van de daarinne thans bestaande gebreeken, omme dus doende Gouverneur en Raaden in staat te stellen tot het neemen van een finaal besluit in dezen."[20]

The Commissioners, C.Nelson, A.V.Bergh and G.A. Kernel, as well as the cashier, G.Ackerveld, appeared before the Council of Policy on IIth September, 1805.[21] General Janssens told them

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16) Ibid.
17) Ibid., p.2759.
18) Ibid.,pp.2759-2760.
19) Ibid., p.2760.
20) Ibid.,pp.2760-2761.
21) Ibid., p.2906 IIth Sept., 1805.

"dat hoe zeer de wyze, waarop de Bank van Leening tot hier toe is geadministreerd, met haare primitive inrigting niet schynt te stryden, en gevolglyk de leden van het Collegie niet te inculpeeren zyn, zou in de Bank niet gevonden word een gereed middel, om de industrie te bevorderen, en in andere handelingen gegoede ingezetenen uit eene temporeele verlegenheid te redden; het egter zeeker is, dat de Bank aan deeze oogmerken niet voldoet, en op den tegenwoordigen voet niet kan voldoen; dat de vermeerdering van papieremunt niet dan eene nadeeligen invloed op de belangens dezer Volkplanting kan hebben, en bovendien door het capitaal van de Bank te vermeerderen, op den tegenwoordigen voet van dezelve niet meerder nut kan worden verwagt; dat Gouverneur en Raaden van oordeel zyn, dat het veel meer overeenkomstig zoude weesen, met de belangens dezer Volkplanting, om door lydelyke remboursementen der uitgezette capitaalen, successief te effectueeren, dat er altyd eenig capitaal by de Bank voor handen was; dat hier door geleegenheid zoude worden gevonden, ook eenige bestaande gebreken by de Bank te doen cesseeren; dat men gevolglyk langzamerhand zoude kunnen innen de capitaalen, welke beleend zyn aan persoonen, die zelve gelden op renten uitzetten; dat hierdoor langzamerhand zoude kunnen worden gesorgs, dat de beleeningen op huysen niet zoo verre wierd geextendeert, als tot nu toe is geschied; dat die geene, die waarlyk tot ondersteuning hunner industrie gelden hebben opgenomen door lydelyke remboursementen van het capitaal, zich op eene ongevoelige wyze van hun schuld zouden kunnen ontlasten; en dat door deze middelen, welke met overleg in't werk gesteld, niemand zouden drukken, by de Bank spoedig een capitaale fonds zoude ontstaan, waarvan een gedeelte tot bevordering van industrie, en een ander gedeelte tot een temporeelen toevlucht voor anderzints gegoede ingezeetenen zoude kunnen worden geëmployeerd".[22)]

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22) Ibid., pp.2907-2908.

Janssens accordingly requested them to consider these points "met byvoeging, dat Gouverneur en Raaden in het verbeteren van de tegenwoordige inrigting van de Bank oordeelen als essentieele pointen van order voor het vervolg te moeten aanmerken, dat de leeden en ministers van het Collegie zelve geene penningen by de Bank negotieeren, en dat ook de beide posten van Boekhouder en kassier niet door den zelfden persoon worden waargenomen, het eerste, om het Collegie in deszelfs besluiten altyd vry en onbezwaard te doen zyn, en het laatste, om de controle behoorlyk te verzekeren."[23]

The Governor pointed out that the Government did not want to obstruct them "in het opzeggen van capitaalen, aan zodanige perzoonen, aan welken zy nu of in der tyd zouden oordeelen, derzelver capitaalen niet langer met gerustheid, en zonder hunner personeele responsabiliteit in gevaar te stellen, te kunnen laaten behouden, als blyvende Commissarissen onverlet, om in dezen alle die middelen te employeeren, welke zy voor hunne eigen zekerheid nodig agten."[24]

On 2nd October, 1805, the Memorandum[25] drawn up by the Bank Commissioners were presented at the meeting of the Council of Policy. They fully agreed that the existing establishment and administration of the Bank "geenzints aan het bedoelde oogmerk beantwoord, omme eersdeels een toevlugt te zyn voor een ieder die door temporeele omstandigheeden in verleegenheid van geld is gebragt, en tweedens een beteren omloop of circulatie aan de papiere munt te geeven; om dit doel te bereiken, moet altyd geld in cassa zyn, dat teegenswoordig geen plaats vind; dewyl door geduurige prolongatien, de Debiteuren hunne volle capitalen op renten blyven behouden, en

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23) Ibid., p. 2909.
24) Ibid., pp. 2909-2910
25) Ibid., p. 3127 2nd Oct., 1805

by verkoop van Hypotheecquen, de daarop beleende gelden op andere worden overdragen; zo dat weinige ofte niet noemenswaardige capitaalen werden afgelost, waardoor Commissarissen buiten staat blyven, andere gegoede ingezeetenen uit een temporeele verleegenheid te redden."[26] Thy also agreed "dat het meer overeenkomstig met de belangens deser Volkplanting zoude zyn, wanneer door lydelyke remboursementen der uitgezette capitaalen, altyd eenig capitaal by de Bank voor houden was, en dat tot deese gedeeltelyke afbetaaling, in de eerste plaats in aanmerking behoorde te komen, zodanige perzoonen, waar van bekend is, dat zelve gelden op renten uitstaan hebben."[27]

They had, however, offered some improvements: firstly, every individual who paid interest on loans from the Bank, should repay annually a certain amount of the capital in order to avoid any semblance of partiality; and, secondly, that "zodanige persoonen, dewelke door Debiteuren van de Bank gelden wierden opgezegd, omme te strekken tot aflossing van een gedeelte hunner aan de Bank verschuldigde capitalen, by preferentie, by weize van nieuwe beleening, met een gedeelte van het door hun op te brengen capitaal uit 's lands cassa diende geholpen te worden, omme daar door deze nieuwe inrigting in zyne gevolgen zo min drukkend en nadeelig te doen worden, als mogelyk is."[28] Accordingly they made the following suggestions:

I) The Commissioners of the Bank should call the debtors, whose "tyd der beleening" had expired, before them, and make an arrangement as to how much each of them could repay annually. The amount to be repaid should not be more than $\frac{1}{5}$ nor less than $\frac{1}{20}$, unless a larger amount should be paid voluntarily. If it

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26) Ibid., p. 3I28.
27) Ibid., p. 3I29.
28) Ibid., p. 3I30.

should be found that individuals are unable to repay any of their capital, the Commissioners should use their discretion "als zy naar de omstandigheeden, en tot hunne meeste zekerheid zullen vinden te behooren, van al't geen hiertoe spicteerd, ter hunner décharge, des gerequireerd, behoorlyk aanteekening houdende."[29]

2) No prolongation should be allowed to any person whose loans have not yet expired, while they were also to repay annually a portion of their capital.

3) An amount of approximately 200,000 rds should be set aside from these repayments to be used as a fund "om uitgeset te worden, aan zodanige ingezetenen, als temporeel om geld verleegen zyn, en de nodige zekerheid kunnen stellen, dog niet langer als voor tyd van ses maanden."[30]

4) Everyone who wanted to negotiate for a loan should inform the bookkeeper of the amount required, the reasons for desiring such a loan, the object to which it was to be applied, as well as an "opgave der Hypotheecquen en Borgen."[31]

"Wanneer door deeze ofte andere meer geschiktere inrigtingen gelden in cassa waren gekomen, den tydelyken President verpligt zoude zyn vergadering te doen beleggen, waarin de voormelde aanteekeningen onder zogt, en het geld toegewesen wierde, aan zodanige persoon ofte persoonen, als Commissarissen oordeelden, het meest benodigt te zyn, en tot de nuttigste eindens te willen gebruyken, onder zodanige voorwaarden, als het minst drukkend voor den beleender en het bequaamste zyn, het in deezen bedoelde oogmerk te bereyken, namentlyk het geld van de Bank te

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29) Ibid., pp. 3130-3131.
30) Ibid., pp. 3131-3132.
31) Ibid., p. 3132.

doen roulleeren en van d'eene in d'andere hand te doen overgaan."[32] By these means the Bank would serve its purpose and would stimulate industry "en gegoede ingezetenen uit temporeele verlegenheid te redden."[33]

The Commissioners warned, however, that it would take some time before these " nieuwe inrigtingen" could be properly brought into practise. "Het zyn alleen die geenen, waar van de tyd der beleeningen geen pireert is, die Commissarissen vermeenen te kunnen en te mogen aanspreeken tot afdoening van een gedeelte van het capitaal; terwyl zy veronderstellen op de overige Debiteuren geen regt te hebben, voor en al eer de tyd hunner beleening ofte de daar op verleende prolongatie geeyndigt is."[34] In addition, they (Commissioners) had to exercise the utmost of care in the existing "neringlose tyden en algemeen verleegenheid om geld," when demanding the repayment of capital with a minimum of pressure for the Colonists. "Hier door zullen de aflossingen byzonder in den beginnen gering zyn, en het ingehouden capitaal, omme te strekken tot een temporeel toevlugt, niet voldoen aan de inwoonderen die geruststelling te geeven, dat zy ten allen tyden, by de Bank kunnen geholpen worden en een uitkomst vinden, wanneer hunne meede burgeren in gebreeke blyven de aan hun op tyd beleende gelden te betaalen -----."[35] It was because of these reasons that the Commissioners recommended that a further I50,000 rds should be created to serve as a fund in order to render temporary assistance for a few months "hoe zeer wy ook ------- overtuigd zyn, dat de vermeerdering van papiere munt een nadeeligen invloed op deeze Volkplanting kan en moet hebben, kunnen my ander gunstig welduyden, deeze nieuwe munt niet beschouwen als een vermeerdering van papiere geld, maar eenlyk als een noodmunt, om des doenlyk te beproeven of daar

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32) Ibid., p. 3I32.
33) Ibid., p. 3I33.
34) Ibid.
35) Ibid., p. 3I34.

door geen meerderen omloop aan het Papieregeld, zoude gegeeven en het groote disconto op schuldbrieven en kustingen voorgekomen werden; terwyl het by de Bank ingehouden capitaal's maandelyks door Commissarissen zoude moeten afgegeeven werden, aan zodanige personen als ------- Gouverneur en Raaden tot dies ontfangst gelieven te quatificeeren, omme ------- verbrand en vernietigt te werden, waar voor de gemelde Rds I50,000 als spoedig uit den omloop zouden gebragt werden."[36] Finally, the Commissioners thought it to be "hard en nadeelig ------ dat de Leeden en Ministers van het Collegie, geene penningen van de Bank negotieeren, ofschoon zy ten striksten observeeren, de voor andere vastgestelde en bepaalde ordres."[37]

The Governor and Council agreed with the ideas expressed in this memorandum in regard to the administration of the Bank being operated on another basis, "waartoe het gedeeltelyk inbrengen der beleende capitalen, in allen gevalle dienstbaar zal moeten zyn, inmiddels dat gedeelte dier memorie welk op het inbrengen van capitalen betrekking heeft ------."[38]

It would appear, however, that no alteration was

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36) Ibid., pp. 3I34-3I35.

37) Ibid., pp. 3I35-3I36 "Zoude het niet kunnen gebeuren, dat een of ander Lidt een Huis van een particulier kogte, het welk gedeeltelyk by de Bank verbonden was, of temporeel om eenig geld verleegen raakte, zoude het in beide gevallen niet hard zyn, dat hy het capitaal niet gelyk andere onder zeekere voorwaarden konde overneemen, dan wel uit zyne verleegenheid geholpen worden, zoude deeze strikte bepaaling niet geleegenheid kunnen geeven, dat een, anders gemoedelyk Amptenaar om zig uit zyne verleegenheid te helpen, zyn toevlugt tot andere perzoonen zoude neemen,om op hunne namen de benodigde penningen te negotieeren, en daar door strafbaar worden; wy verzoeken u derhalven Gouverneur en Raaden! dit een en ander in bedenking te neemen, en my vertrouwen van u billykheid, dat u van dit poinct zullen afzien, en ons gelyk stellen met andere individus en het Collegie van Weesmeesteren, waarvan de Leeden op hunne naamen geld by de kamer opneemen."

38) B.R. I3, pp. 3I38-3I39.

effected in the administration of the Bank for by 1807 these very same defects in the administration of the Loan Bank had revealed themselves. In this particular instance the Governor realised the need for drastic improvements but when the Batavian authorities left the Cape their ideas in this regard had not been materialised.

Report of W.S van Ryneveld. ___ On 19th March, 1805, Janssens wrote a letter[39] to the Burgher Senate (Gemeente Raad) to the effect of increasing the existing paper money by 200,000 rds through the medium of the Lombard Bank on account of the inconvenience experienced by individuals with good securities in obtaining money. Mr. W.S. van Ryneveld[40] had also been consulted by the Governor and according to him there were two kinds of paper money in the Colony, viz., those created by the Government for itself and those brought into circulation by the Loan Bank. With regard to the first he said that "deeze operatie was zeekerlyk ten uittersten avantagius voor het Gouvernement, doch kon nimmer geagt worden gepaard te gaan met de belangens van deeze kolonie-ze kon integendeel uit den aart der zaak, niet anders dan als schadelyk worden beschouwd -------"[41] This paper money, he suggested, should be redeemed.[42] The paper money brought into circulation by the Bank, however, was of a different nature: "dit geld sal zig self inwisselen zodra er door de inwendige activiteit der ingezeetenen, producten komen voor den uitvoer," and specie would thus be attracted to the Colony.[43]

"De Bank van Leening is voor de Kolonie wel een noodzakelyk kwaad, - doch is in de omstandigheden, waarin zich

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39) B.R. 64, p. 335.
40) B.R. 64, pp. 335-363, 25th March, 1805: W.S. van Ryneveld to General Janssens.
41) B.R. 64, p. 339, 25th March 1805: W.S.van Ryneveld to General Janssens.
42) Ibid., p.346.
43) Ibid., pp. 339-340.

the Bank ought to furnish money to all those "die op aangeboodene weezentlyke onbeswaarde eigendommen geld benodigd zyn."[47] "Vermeerdering van populatie en vermeerdering van byzondere eigendommen in de kolonie, vorderen, tot voortzetting van inwendigen handel, zekerlyk eene vermeerdering van dit representatief, en wel, (omdat er eene Bank van Leening bestaat), door middel van dezelve Bank."

"Men versta ondertusschen hiermede niet, dat ik in het oog hebbe, om het kapitaal van de Bank van Leening maar te doen vermeerderen, ten behoeve van allen, die hypotheek of eigendom hebben in de kolonie; - en dus, om naar het geld daartoe te doen aanslaan; om, by voorbeeld, iemand, die goedvindt hier of daar een leemen huis of hut op te bouwen, en die daarop met eigendom voor den dag kwam, om er geld op te beleenen, - ten einde dan zyne pyp te rooken, en dat geld tot zyn onbezorgd onderhoud aan te wenden, - en dergelyke - hierin te faciliteren!" On the contrary it would have the opposite effect than the actual aims of the Loan Bank. "Onvoorzigtigheid en verkeerde directie ten dezen, zou de geheele Kolonie insgelyks kunnen bederven. Commissarissen van de Bank van Leening, kunnen, - of er veel of weinig geld by de Bank voorhanden zy, - in alle gevallen, niet genoeg letten op het oogmerk, en op het principe, van de Bank van Leening."[48] In the first place they should be extremely careful in determining the value of the fixed property to be mortgaged, and secondly, the persons themselves, who want to obtain loans on any kind of property (fixed or otherwise), should be also thoroughly taken into consideration.

"Het behoort aan Commissarissen van de Bank niet genoeg te zyn, dat er voldoende zekerheid is voor het geld, en voor de voldoening der renten. Maar het hoofdzakelyk, dat hunne oplettendheid vereischt is, of de persoon die by de Bank van Leening

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47) B.R. 64, p. 354, 25th March, 1805: W.S. van Ryneveld to General Janssens.
48) Z.A. Tijdschrift, 1832, p. 282: Memorandum by W.S. van Ryneveld, 1805.

geld verkrygen zal, de qualiteiten, die het Gouvernement in hem veronderstelt, om van het aan hem verleend crediet een nuttig gebruik te maken. Wanneer, by voorbeeld, een vader, die arbeidzaam is, en bezitting heeft, welke hy, om zyne eigene zaken behoorlyk voortgang te doen hebben, niet verminderen kan, - evenwel daarop, by de Bank van Leening geld verzoekt, ten einde zyn zoon voort te helpen, - door hem, by voorbeeld, te plaatsen op een goed stuk grond, om dat te bebouwen, of in eenige andere tak van industrie in de kolonie, - dan zou, in zulk een geval, zoo iemand by preferentie behooren te worden geholpen, omdat hiermede eigenlyk aan het bût van de Bank van Leening zou worden voldaan. In zelver voege, zou een koopman, die op koopmanschappen, welke hy, om eenen onverwachten meerderen aanbreng, niet wel van de hand kan zetten, geld noodig had, daarop, of onder verband van die koopmanschappen, altoos en in alle gevallen, voor een tyd behooren te kunnen worden geholpen; - en waarom? - omdat hy dan, met de waarde van die koopmanschappen, welke anders renteloos zouden moeten blyven liggen, intusschen winst zou kunnen doen, en dus zyne industrie, mitsgaders de activiteit van hem, die hem omringen, in werking houden. Daarentegen zou al wederom diezelfde koopman, nimmer of ooit by de Bank van Leening, op diezelfde koopmanschappen, hoe veel geld er ook in de Bank zyn mogte, toevlugt mogen hebben, wanneer het eenigzins bleek, dat die koopmanschappen in de kolonie schaars zynde, de beleening by de Bank daarenboven enkel geschiedde, als eene manoeuvre, om den prys er van te doen stygen, en dus monopolie te dryven."

"Hetzelfde behoort plaats te hebben, wanneer zoogenaamde kapitalisten, of menschen die er hun werk van maken, om geld uit te zetten, by de Bank van Leening kwamen, om geld op te neemen, - als welke er geene aanspraak op behoorden te kunnen maken, wanneer het eenigzints bleek, dat zy dit geld wederom aan anderen zouden uitzetten; ten einde daardoor het dryven van

woeker voor te komen, waarvoor sommigen in de kolonie wel vatbaar zyn, en die dikwerf van verlegene oogenblikken, der schamele gemeente, een schandelyk misbruik maken, waaromtrent de Policie met genoeg waakzaam zyn kan. Deze zyn derhalve eenige weinige, van die menigvuldige gevallen en omstandigheden van personen en zaken, in welke het waarlyk op het discernment, de voorzigtigheid, en de discretie tevens van Commissarissen van de Bank van Leening aankomt, van soigneuslyk te zorgen, dat ten dezen aan het oogmerk worde voldaan."[49]

If the Chamber for Regulating Insolvent Estates (Desolate Boedelkamer), in addition to these necessary precautions, should continue with the required activity to carry out the executions imposed, in order to preserve the good faith and mutual credit in the internal trade of the Colony "dan zie ik er niet alleen geene zwarigheid in, maar vinde het integendeel nuttig en noodzakelyk, om van tyd tot tyd, tot eene matige vermeerdering van het kapitaal by de Bank van Leening te besluiten. Menschen, derhalven, die industrieus zyn, en eigendom als hypotheek kunnen aanwyzen, behooren op de hulp van de Bank van Leening (wanneer ook) te kunnen hopen."

Van Ryneveld maintained that no industrious person who possessed property, would borrow paper money and pay the interest thereon, solely for the purpose of locking the money in his coffers. "Dit doet men wel met specie, met goud of zilver, waarvan men dus, om er by voorkomende gelegenheid toevlugt toe te kunnen nemen, een dood kapitaal maakt, - maar dit is met de Bank van Leening het geval niet. Dat er thans inderdaad schaarschheid is aan geld, kon uit verscheidene omstandigheden worden afgeleid. Hiertoe wil ik niet brengen, het geloop - en het vragen om geld; - dit zal altoos zoo blyven; - de meesten zelfs, die draven om geld, zyn dikwerf in het geval, van het----

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49) Ibid., pp. 283-284.

niet te kunnen bekomen, al ware het ook, dat er in de Bank van Leening geld voorhanden ware. Sedert het oprigting van de Bank van Leening, heeft men zekerlyk verscheidene huisgezinnen zien achteruitgaan; verscheidene andere heeft men daarentegen aanzienlyke enterprices zien doen, en men heeft hem er wonder wel in zien slagen. Zoo zeer als de yverige man zyne zaken verbetert, zoo zeer verachteren die van den luiaard. Den laatsten dus, omdat zyne zaken verachteren, geld te schieten, zou zeer aanloopen tegen het bedoeld oogmerk van de Bank van Leening, en over het algemeen, de allernadeeligste gevolgen hebben."[50]

According to van Ryneveld there were various people with sufficient unquestionable property but who were unable to obtain money on that, in order to embark on enterprices. Accordingly the Orphan Chamber received applications from time to time "met aanwysing van voldoende onbezwaarde zeekerheid - zonder dat men in staat is hun te helpen."[51]

There were, however, other circumstances from which van Ryneveld inferred that the Loan Bank stood in need of money "tot het oogmerk harer oprigting."[52] According to him "de hoofd- en zakelyke is, - de vermeerdering van menschen/eigendommen in de kolonie. Er zyn hier, het is waar, vele indolente ingezetenen,- vele luiaards en lediggangers; en dit is te beklagen; - doch er zyn ook verscheidene andere werkzame, industrieuse menschen. Een ieder, die de kolonie sedert eenige jaren heeft gade geslagen, zal moeten erkennen, - dat de particuliere eigendommen er in zyn vermeerderd; deze vermeerdering van byzonder eigendom, komt niet van zich zelf, maar ontstaat zekerlyk door nyverheid en industrie, welke onder de goede klasse van ingezetenen zyn toegenomen. Het toenemen of teruggaan van de inwendige industrie, en dus het vermeerderen of verminderen der

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50) Ibid., pp. 284-285.
51) B.R. 64, p.358, 25th March, 1805: W.S. van Ryneveld to General Janssens.
52) Z.A. Tijdschrift, 1832, p.285: Memorandum by W.S. van Ryneveld, 1805.

byzondere eigendommen, behooren, naar myn inzien, in vergelyk van het geen er wegens de Bank van Leening in roulance is, by het Gouvernement te zyn de Barometer, waaraan de noodzakelykheid, om aan de Bank van Leening al of niet nog eenig geld toe te staan, altoos behoort te worden getoetst. Van wege de Bank van Leening, is er thans effectief in omloop, een bedragen van Rds 810,255. Deze som is zekerlyk, in vergelyk van de byzondere eigendommen, welke in de kolonie dagelyks worden verhandeld, en in evenredigheid van het eigenlyk bût, hetwelk er mede wordt beoogd, van geen belang. Die som kan dus alleen, met volkomene gerustheid worden vermeerderd; - vooral, daar men hoop heeft, dat het papieren geld, wegen 's Gouvernements byzondere uitgaven als nog in omloop, ten minste voor het grootste gedeelte, zich wel zal vereffenen."

"Eene zwarigheid blyft er ter ontruiming echter over, te weten, dat de vermeerdering van ingezetenen, en van eigendommen in de kolonie, dan ook, op het bovengem. grondbeginsel, altoos en in alle gevallen, het aanslaan van nieuw papieren geld, en dus in tyd en wylen, ook eene zeer nadeelige accumulatie daarvan, mede by de Bank van Leening, zoude ten gevolge hebben, zoodanig, dat dit in infinitum geschiedende, al de eigendommen in de kolonie, eindelyk aan de Bank zouden verhyphothekeerd raken. Deze zwarigheid zou gegrond zyn, wanneer het Gouvernement maar jaarlyks, zonder eenige bemoeyenis, onverschillig voortging, om zoo veel geld aan de Bank van Leening te geven, als er gevraagd werd. Doch dit is in geen voorzigtig Gouvernement te veronderstellen. Het papieren geld dat, door middel van de Bank van Leening, in omloop is, behoort, naar evenredigheid van populatie, van eigendom, en handel in de kolonie, te worden gefixeerd of bepaald, tot eene ronde som; en dan behooren er maatregelen te worden genomen, om die som, of een gedeelte daarvan, jaarlyks weder tot de Bank van Leening te doen terug keeren, ten einde alzoo de circulatie van het geld, van de eene hand in

de andere, te bevorderen."[53]

This was, however, an operation to be put into practise at the right time and with the greatest of care. In order to achieve this object of circulation at the Bank it could, for instance, be directed that, in addition to the interest payments, persons holding loans should also repay annually $\frac{I}{IO}$ th or $\frac{I}{5}$ th of the capital. Thus, $\frac{I}{IO}$th or $\frac{I}{5}$ th of the total Bank capital outstanding would annually be available at the Bank for the convenience of others. "Doch deze operatie hoe juist en aan het oogmerk ook schynende te kunnen beantwoorden, zou evenwel thans nog aan byzondere zwarigheden onderhevig zyn, en, voor eenen algemeenen regel aangenomen, by velen, ook tegen de eigenlyke intentie van het Gouvernement, zelfs zeer groote inconvenientien veroorzaken. Het is waar, - de Instructie van de Bank van Leening brengt mede, dat de beleeningen maar geschieden voor eenige maanden, of voor een of twee jaren; - en dat er dan prolongatie moet worden verzocht. Nu, die prolongatie geschiedt dan ook, doch zy geschiedt enkel pro forma; er is niemand, of ten minste, er zyn zeer weinigen, die hunne kapitalen afleggen, of er iets op af betalen. Het zou thans niet mogelyk zyn, om in het algemeen te bepalen, dat een iegelyk, jaarlyks, zeker gedeelte van zyn kapitaal, by de Bank van Leening zou aflegging.[54] Ook dit punt, eens

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53) Ibid., p. 286.

54) "Een landman, by voorbeeld, die het geld van de Bank van Leening behoorlyk heeft aangewend, mog in de eerste jaren wel content zyn, wanneer hy zyne interessen heeft betaald, en zich zelven, zyne slaven en zyn vee van het noodige voorzien; - wanneer hy naderhand iets overwint, vordert zyn belang, dat hy zich meerder werkende handen, meerder gereedschap, en dergelyke, aanschaffe; een landman, die in dit land krummelt, is en blyft altoos een sukkelaar. Zoo hy nu in de eerste jaren, na dat hy geld van de Bank van Leening heeft bekomen, behalve zyne interessen, ook een gedeelte van zyn kapitaal moet afleggen, dan is hy zekerlyk genoodzaakt, om, of een slaaf, of eenige paarden, of een ploeg, een wagen, of iets anders, ter voortzetting van zyn werk hoog benoodigd, te verkoopen; - dit legt dan den grond tot verachtering van zyne zaken, en doet zynen moed en handen verslappen; - wanneer hy echter eenige jaren heeft voortgearbeid, heeft hy meerder vermogen verkregen, en dan is hy ook te beter in staat, tot het afleggen van een gedeelte van zyn kapitaal, nevens zyne renten."

regelmatig ingevoerd, zou dan nog zeer van de onderscheiden van Commissarissen van de Bank van Leening, of van het Gouvernement zelf, moeten afhangen. Zoo zeer als Commissarissen, by het uitzetten der kapitalen van de Bank van Leening, hunne aandacht moeten vestigen op personen en zaken, zoo zeer moeten zy dit ook in het oog houden, by het afleggen of invorderen der kapitalen."[55]

In the first place, van Ryneveld held, the Bank ought never to be without money otherwise it would be no Bank and would not achieve it's object, while the colonists would receive no assistance. "Hierom is er, by velen, die volgens de inrigtingen van de Bank van Leening inderdaad geld behoeven, thans ook eene wezenlyke, eene nadeelige verlegenheid. By de Weeskamer worden, van tyd tot tyd, gouden en zilveren specien, in de groote kas gedeponeerd, in plaats van papieren geld, zelfs door vermogende ingezetenen, die er by de Bank van Leening niet op kunnen geholpen worden. Op het oogenblik ------ is er nog van een voornaam koopman aan de Kaap, een bedragen van I4,000 Rds in de groote kas van de Weeskamer, zoo aan Spaansche Matten, als andere specie, voor papieren geld, welke hy tot zyne speculatien in den handel noodig heeft; hieruit blykt het dus, dat er in sommige opzigten, waarlyk zulk eene verlegenheid is, die den inwendigen handel stremt, en waarin dus, op eene wyse, behoort te worden voorzien. Alle takken van industrie in de kolonie verdienen 's Gouvernements bescherming en ondersteuning. De Bank van Leening, kan dus niet enkel en alleen zyn ten gerieve van den landman; hoe nuttig die stand ook zyn moge, zoo is echter de ondersteunende hand van het Gouvernement niet partydig. Zy strekt zich tot allen uit, - al dat maar nyverheid is, kan, zonder onderscheid van standen, op de algemeene middelen van hulp en onderschraging aanspraak maken."[56]

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55) Z.A. Tijdschrift, I832, p. 287: Memorandum by W.S. van Ryneveld, I805.
56) Ibid., p. 288.

"Een koopman, byvoorbeeld, die aanzienlyke koopmanschappen heeft, moet, op welk uur van den dag ook, op die koopmanschappen geld kunnen krygen by de Bank van Leening, zoodra hy, volgens hetgeen ik ten dien opzigte hierboven beschreven heb, daartoe in de termen valt. Dit geeft hem gerustheid in zynen handel, en vestigt een alhier zoo noodig algemeen crediet. Doch ook niemand is al wederom, gelyk een koopman, zoo zeer in staat, zyn kapitaal op zyn tyd af te lossen; aan zoodanig iemand, behoort, onder geen voorwendsel hoe ook genaamd, prolongatie te worden verleend; - wanneer het geld er op zynen tyd niet is, moeten de verpande koopmanschappen, terstond, zonder de minste ceremonie, worden verkocht; het geld moet in de Bank van Leening terug vloeyen, en daar wederom strekken, ten gerieve van anderen. Dit behoort een regel te zyn voor de Bank van Leening, omtrent alle beleeningen op losse goederen, of koopmanschappen."[57]

On the one hand van Ryneveld differentiated between the loan of paper money for the purpose of carrying on agricultural operations whereby lands and farms would be pledged, and on the other hand, money loaned for the purpose of carrying on commerce, on the security of gold, silver and such like. In the first instance, from the nature of the case, prolongation should be granted, but in the second instance "zou ik nimmer tot de prolongatie doen besluiten, maar het geld op zyn tyd effectief doen inbrengen, om daardoor ook de meerdere circulatie te faciliteeren."[58]

"De Bank van Leening, behoort niet te zyn het middel van monopolie, noch tot bevordering van de luxe, want dan wordt zy misbruikt en verderfelyk. Het oogmerk is enkel nyverheid en industrie te bevorderen. Wil iemand zyn eigen goed in weelde verteren, hy doe dit, als een vry mensch; - hy en de

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57) Ibid., pp. 288-289.
58) B.R. 64, pp. 359-360, 25th March, 1805: W.S. van Ryneveld to General Janssens.

zynen ondervinden er wel ras de gevolgen van. Doch zoodra hy, op zyne goederen by de Bank van Leening geld verschuldigd zynde, er eenige neiging toe betoont, behoort by ten minste eerst zyn kapitaal by de Bank van Leening af te lossen, ten einde aldaar wederom, ten gerieve van nyverheid en industrie, gereed te liggen."[59]

The directors of the Bank should meet annually and without exercising any discrimination as regards persons and subject to the approval of the Governor and Council, they should determine the portions of capital that should be brought in during the year. "Men houde altoos in het oog, dat niet de persoon, maar zyne industrie, op de zekerheid zyner goederen, by de Bank van Leening geld verkryge. En men zal dan ook wel, zoodra er eene evenredige som, ten gerieve van inwendigen handel, voor de Bank van Leening, bepaald is, middel genoeg vinden, om door zulken regelmatigen weg, de roulance van het geld in de kolonie te bevorderen; en van de Bank van Leening alhier, zoo tot indirecte wering zelfs der luxe, als tot bevordering voornamelyk van nyverheid en industrie, zonder de minste kwade gevolgen voor de kolonie, met verstand een nuttig gebruik te kunnen maken."

"Deze zyn dan de regelen, die, zoo als het my voorkomt, behooren te worden in het oog gehouden, om de kolonie, evenwel met het papieren geld, te brengen tot zulk een graad van voorspoed en geluk, als waarvoor zy, redelyker wyze, verondersteld kon worden vatbaar te zyn. Het Gouvernement wyke ondertusschen nimmer af van het eigenlyk bût van de Bank van Leening, - namelyk, om te strekken tot gerief der Ingezetenen, in cas van noodzakelykheid of behoefte, of ter aanmoediging van industrie, het zy van wege het Gouvernement zelve, het zy van particulieren, en niet enkel om er eene belasting uit te vinden, omdat, ter verkryging van revenuen, de gewone middelen voorhouden zyn. Het

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59) Z.A. Tijdschrift, 1832, p. 289: Memorandum by W.S. van Ryneveld, 1805.

Gouvernement legge zynen kolonist belastingen op, naar evenredigheid van de inkomsten, welke zyne industrie hem oplevert; - daartoe zyn de regelen voorhouden, welke in de uitwerkselen niet kunnen missen, en welke dan ook, naar mate dat de ressources in de kolonie toenemen, 's Lands inkomsten allengskens mede doen aanwassen en vermeerderen. In die middelen strekken de revenuen van de Bank van Leening toevallig wel mede tot soulaas, doch zy behooren er nimmer een noodzakelyk hoofdpunt by uit te maken. Integendeel, - het Gouvernement beschouwe het oogenblik, dat die inkomsten ophouden, voor zich zelven en voor de kolonie gelukkig; - wanneer namelyk, door inwendige welvaart, dit geld wederom van zelve tot de Bank van Leening terugvloeit, en 's Lands inkomsten daarin alsdan, zoo als natuurlyk is, door honderd andere kanalen wordt vervangen."[60]

Finally, in a discussion of the Colonial Revenues,[61] he expressed the following views with regard to the Bank: "wat er ook met de Bank van Leening, of het papiergeld daaruit in omloop, gebeuren moge, het Gouvernement kon er eigenlyk niet by verliesen; in weinige jaren lost zich het geheele kapitaal zelve af. Er is dus voor het Gouvernement geene reden van bekommering, wanneer de omstandigheden der kolonie anderzinz eene vermeerdering van het kapitaal by de Bank van Leening noodzakelyk maken. By welke vermeerdering, zoo die, volgens het eigenlyk oogmerk, met de noodige precautien ge geschiedt, deze rekening by 's Lands generale inkomsten, jaarlyks ook, naar evenredigheid, voordeeliger vertooning maken zal."

Conclusion. — Although the opinions of van Ryneveld were always treated with great respect, it does not appear that the Batavian authorities had reacted on his proposals. The Lombard Bank was thus continued as before and when this short Dutch regime came to an end not even the Bank's capital had

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60) Ibid., pp. 289-290.
61) Ibid., p. 376.

been altered. Again, we may say that it was very unfortunate that the Batavian authorities' stay at the Cape was of such a short duration because General Janssens fully realised that something had to be done about the Banking institution. One may assert that he would have carried some of his ideas and those of his advisers into effect, had not his attention been diverted to other more pressing matters of the day as a result of the resumption of hostilities in Europe. Thus, no material alteration had been made in the administration of the Bank up to 1806.

CHAPTER IV.

DEVELOPMENT BETWEEN 1806 AND 1814.

Immediately after the second capture of the Colony in 1806 the Governor interested himself in the Loan Bank.[1] He desired information as to the constitution and concerns of the establishment of the "Bank van Leening" as well as from whence its funds originated and to what purpose they were now applied. On 20th May, 1806,[2] the Bank furnished Colonial Secretary Smyth with the required information. After tracing the history of the Bank under the Dutch Company and the first British occupation the following conclusions were drawn:-

1. that the institution of the Lombard Bank solely aimed at the promotion of trade and industry and thus the prosperity of the Colony;
2. that the necessary fund was created for that purpose only, under the security of the property of such persons as wished to participate in the same, and
3. that in that very same manner the Bank was still administered on the same principles and by the same rules as former Governments, and even the British, directed.

Administration by the Lombard Bank.- The dangers of Government banking and the mal-administration of the affairs of the Bank had revealed themselves by 1807. The Loan Bank, upon its institution in 1793, was said to be established for the encouragement of trade and industry in the settlement.

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1. C.O.4821 p.110 2nd May,1806. Colonial Secretary Smyth to Directors of the Lombard Bank.
2. C.O.5 no.42 20th May, 1806. Directors of the Lombard Bank to Col. Secretary Smyth L.B.4.

The funds of which it was composed were very considerable yet, "it is apparent that the public derive at present little or no benefit from it"[3]. The Administration of the Bank had proved to be lacking and defective, and, by the mode of administering to affairs rather tended to the prejudice than to the relief of the industrious part of the community[4]. That clause which empowered the Bank to continue the loan beyond the period of two years and which was intended to be used solely upon particular occasions, became general in its application. The repayment was never made, not even demanded, and consequently each loan diminished the capital without a reflux of its former issues to answer the subsequent applications, as the interest was employed to the immediate use of Government and formed part of the current revenues of the year. The Bank's entire capital was tied up in frozen loans[5]. Of the Bank's capital of 810,255 rds., Rds 810,222-16 were lent out by the end of 1807, with the result that the establishment had no longer the means of lending further sums "and because of no other advantage to the public than what arose from the receipts of the amount of interest of the money lent out, after deducting the expences of management"[6].

Nor was this the only abuse: it had likewise been found that it was not the necessitous alone who sought for and obtained the advantages of a loan. Many speculators who could succeed in borrowing from the Bank a sum at 5 per cent. lent it at increased interest to the more needy whose want of collateral security or of interest with the Commissioners perhaps prevented them from receiving relief through the regular channel[7]. In the preamble of the

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3. C.O.4824 pp.256-9. 15th Dec., 1807. Assist. Col. Secretary Bird., Rec.9 p.476.
4. Rec.7 p.180. 16th Oct., 1809. Caledon to Secretary of State Viscount Castlereagh.
5. Rec.6 p.277.
6. Rec.7 p.181. 16th Oct.,1809 Caledon to Secretary of State Viscount Castlereagh.
7. Ibid., Rec.20 pp.33-37.

proclamation of 14th December, 1807,[8] it was stated that many representations had been made to Government of the distress to which several of the most substantial inhabitants were reduced by the prevailing scarcity of circulating medium. It appeared upon inquiry into these statements that not only was the representations justly founded but, moreover, that "there are strong reasons to believe that several avaricious individuals, (taking an undue advantage of the public calamity), have been guilty of the most injurious practices". Thus the Bank, established partly for the suppression of usury appended the means to many individuals for conducting a usurious traffic, with the additional advantage at all events of obtaining 1 per cent. if lent as legal interest without being subject to the cognizance of the law.

Great distress prevailed at the Cape at the time which arose from various causes such as the great depreciation of the paper money, the loss of mercantile credit as well as confidence between man and man.[9] The want of any fund from whence they could derive temporary assistance and the dreadful necessity of borrowing at usurious interest, all conspired to render some assistance from the Government absolutely necessary.[10]

Committee of Inquiry appointed.- Actuated by the most ardent wish not only to remedy these evils but also to take such measures as might tend to prevent any future occurrences of a similar nature affecting the welfare of the community,

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8. Rec.6 pp.231-332. 14th Dec., 1807., P.A.O.N. p.72. 14th Dec., 1807. procl. by Caledon.
9. C.O.414/7 G.2 p.35. 18th January, 1808. Report of Committee.
10. Rec.9 p.476. 14th April, 1814. Memorandum by President of the Lombard Bank.

Caledon decided to appoint a committee to enquire into the "actual state of the Loan Bank and the means there may be in that institution capable of being brought out in support of the Public Credit". They were also to inquire into the circumstances that appear to have caused the "absorption of the Colonial Currency" and to suggest such remedies as were most likely to remove the evils complained of. From what causes the Bank had failed in the principal object for which it was created, was to form the primary object of the Committee's enquiries.

It had already been suggested to the Batavian Government that the reduced rate of interest paid by such persons as were indebted to the Bank, encouraged many who were not in circumstances needing pecuniary assistance, to borrow from that fund and to lend out their own capital at the legal interest of the Colony. By this means they not only made improper profits out of the funds of the Bank, but by absorbing the money of the Bank, frustrated the aims of the Government which intended the institution for the relief of such as might require temporary accommodations. Into this question they were also to inquire and if it was the case they were to report on the advisability of raising the interest to the legal rate of the Colony. They were also to point out such cases of this nature as were most obvious, with their opinions as to the expediency of calling in such sums as might appear to have been so improperly employed.

They were to report on the advisability of calling

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11. P.A.O.N. p.72 14th Dec., 1807 procl. by Caledon; Rec.6 pp.231-232.
12. The Committee was to consist of the following members: F. Dashwood (Receiver General); C. Brand (Collector of Tythes); A. van Kervel (President of the Lombard Bank); P.L. Cloete and J. Murray.
13. C.O.4824 pp.256-259 15th Dec., 1807. Act. Col. Sect. Bird to Committee.

in the entire or certain portions of the sums which had been outstanding longest, always bearing in mind, however, that the great object His Excellency had in view was to relieve the necessities of the public at large but not to assist one section of the people by means that might be injurious to others. They were to point out and report on the abuses that might from time to time have crept into the establishment which had been conducted by so many different persons, so as to remedy them in any future arrangements that might be made; this naturally leads to the consideration of the mode which it would be most advisable to adopt under the existing circumstances for the general benefit in the future managements of the concerns of this establishment.

The mercantile interests of the Cape appeared to stand in great need of some source whence they might obtain temporary accommodation at periods when the Colonial currency was from unavoidable causes withdrawn from circulation. What amount of capital would be necessary to form a fund adequate to give effectual aid to such as could give undoubted security for the sum advanced? To what amount and for what period should such sums be advanced and what kind of security should be required? What provisions were necessary to be enacted to enforce a punctual discharge of the obligations incurred, since without the greatest strictness with regard to punctuality of repayment it was evident that the capital which might be created would very shortly be absorbed and the intention of the establishment be again frustrated? What was the amount of capital which might be drawn from the Bank towards forming a fund for the purposes before mentioned? These were the principal points for enquiry, but the Committee was also directed to extend its investigation "as far as the subject may appear you to require".

The Report.- On the 18th January, 1808, the Committee was in a position to report its findings.[14] In the Report of the Committee several important points were brought forward in the history of the establishment, accompanied with suggestions for its future management, and especially as to the means of redeeming its funds, which were absorbed in permanent loans and of applying them to the relief of the inhabitants by extending the accommodation for short periods. It was perfectly clear to them that the object of the Loan Bank was not to aggrandize the property of certain individuals by permanent loans, but merely to afford them a temporary relief through the medium of a loan for a limited period as well as to encourage trade and industry. According to the 9th article of the regulations, which enabled the commissioners to grant prolongations, it must have been intended to provide for a possible case, namely, the inability of some individuals to make good the repayment of their loans when due; "but it never could have been in contemplation to grant a renewal to such as had by means of this very Loan not only surmounted all their difficulties but greatly enhanced the actual value of their property, the better to forward their other private speculations, and lend out their own Funds at 6 per cent. when they paid only 5 per cent. on the Loan". Although many of this description might certainly be found, it would be invidious to attach such illiberal selfishness to the whole. There were also many, who, from an honourable and charitable feeling, were labouring under difficulties themselves, would have been under the necessity of enforcing the payment of their just debts from others, had they not chosen to apply to the Bank to prevent it.

"It is difficult to conceive why the first

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14. C.O.414/7 G.2 18th January, 1808. Report of the Committee.

Commissioners should have so departed from the spirit and letter of their regulations by allowing renewals indiscriminately to all who applied, unless it arose from a conviction that the great body of debtors might still be unable to redeem their mortgages, but unfortunately this formed a precedent for those who succeeded them in the direction to act upon notwithstanding the certain knowledge they must have possessed in most instances that the parties so applying laboured under no real necessities which the original Institution had in view to relieve, but on the contrary were then in the enjoyment of infinite effluence and could only require a prolongation of the loan to aggrandize themselves by turning it to an unfair and dishonourable advantage."

Instead of demanding a statement of affairs to prove the borrower's inability to pay, they found that the mere form of a verbal application was not even always insisted upon. Many had been allowed to continue on the list without having obtained a renewal, some indeed as far back as 1801, "so completely had the idea of permanent loans got hold of the minds of debtors as well as the Commissioners." It furthermore appeared that many individuals had actually obtained additional loans upon the very same property which had been previously mortgaged to the Bank.[15] They remarked that it was necessary that a register of the value of the

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15. Rec. 27, p.459. In 1826 the Commissioners of Inquiry reported that "the practice that continues to prevail at this day, in respect to the loans from the funds of the reformed church, many of which have been outstanding for the last thirty or forty years, sufficiently evinces the disposition of the colonists to perpetuate mortgages upon their fixed property; a measure by which they have been enabled to transfer their houses and lands to persons possessed of very little capital, and to render their own capital productive, by employing it either in agriculture or trade, or in lending it to those who required temporary accommodations".

property should be produced on which two-thirds might be obtained on landed estates and one-half on houses, so that those who had obtained the utmost extent of loans that could be granted according to the regulations, have obtained additional loans without giving additional security. An attempt was made, however, to obviate this difficulty, because the value of the property when the first loan was granted and the real value at the time a second loan was obtained had greatly increased. This was ascertained by the commissioners on applying to the landdrost of the district on whose report of the then nominal value they have been induced to grant or withhold the sum required. In Cape Town where the commissioners were supposed to know the real value of the property mortgaged, it had been the practice for a number of years past to grant such additional loans as they judged the property had increased in value. As the commissioners were responsible for the security they received and bound to make good the interest at the end of the year, they appear to have considered themselves justified in deviating from the letter of the regulations as in the case of a certain van de Graff. This gentleman had obtained 40,000 rds. on a property which had only cost 41,000 rds. Again, when the additional capital of 165,000 rds. created by General Dundas was distributed, the commissioners appointed[16] for that purpose had no difficulty in granting to Adrian Vincent Bergh an additional loan of 6,000 which was equal to the full registered value of his property, judging no doubt that its real value had increased in that proportion. The management in the past must have misunderstood the object of the institution or erroneously have deviated from the letter of their instructions. Whether they may have been biassed by partiality or not in the granting of loans, is

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16. Messrs. Barnard, Matthiessen and Reyneveldt (Ryneveld).

difficult to say, yet it was known that many applications were rejected.[17]

"We cannot, however, look with apathy and indifference on the many great deviations which we find they have been guilty of in not strictly adhering and acting up to those regulations which appears to us to have reduced their line of conduct to a moral certainty, in viewing the Institution as it is at present conducted. It is certain no possible benefit can be afforded by it to the Public at large. That of promoting trade and industry, is wholly out of the question". In short, the institution had entirely failed in its objects. Temporary relief, one of the most ostensible objects of the Institution, had been converted, by the facility of obtaining renewals, into a sort of permanent loan. In viewing the class of debtors, the Committee reported it was much to be lamented that such a large proportion of affluent individuals should not have been induced to pay off their loans (and thereby afford accommodation to others) when they had no real occasion for continuing it. But they have thought it perhaps unnecessary until required to do so by the commissioners.

The Committee accordingly recommended that the whole capital lent out should be recalled. By the Deed of Prolongation the debtors were bound, if required by Government, to bring in a portion or the whole of their loans. It was

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17. "But at the same time that we mention this circumstance we beg leave in the distinctest manner to acquit Mr. van Kervel the present President of the Bank of ever having rejected during his administration any petition whatever for a loan, except in the case of Mr. Huizer who was not refused, but who did not think proper to produce satisfactory security. This is the only instance Mr. van Kervel positively stated to have occurred of any individual being rejected, and in every instance his conduct appears to us to have been upright, fair and unequivocal."

therefore proposed that all debtors whose property and wealth were ostensible were to be called upon to pay in 50 per cent. after six months' notice and thereafter 25 per cent. annually. The Governor would decide who fell under this immediate description. To those selected but yet unable to pay, the Governor could grant such indulgence as he saw fit. An earnest appeal should be made calling upon all with the interests of the community at heart, at this period of universal distress and difficulty, to pay down 50 per cent. without delay. The non-opulent debtors were to pay back 10 per cent. of the loans annually, commencing from the expiry of the Deed of Prolongation. Six months' notice was to be given to those whose prolongations expire within that period, because the period of payments would then be varied, whereas, were they to be collected at the same moment, it would certainly create difficulty and perhaps distress. On all transfers of property 20 per cent. should be levied as often as it was transferred. This would not bear hard upon those who had obtained greater sums then the actual value of their property entitled them to by the regulations, to oblige them forthwith to pay the difference between what that property entitled them to receive and the actual sum they did receive. There suggestions for recalling such a great proportion of the capital, arose from the full conviction that the holder of loans would not be materially distressed by enforcing the execution of the payments, but would have the effect of bringing back a capital destined for one purpose but employed in another, to form a Bank according to the original institution, which, although not affording immediate relief to the community at large would ultimately tend to produce that effect.

Interest on all monies lent by the Loan Bank should be raised to 6 per cent. per annum, the legal interest of the

Colony, In fixing the rate at 5 per cent. the Commissioners-General Nederburgh and Frykenius had probably two distinct objects in view: firstly, to do away a general dissatisfaction that prevailed in consequence of a new system of taxation that was introduced at that time, viz., a stamp duty on Vendue Bills which was afterwards abolished; and, secondly, to endeavour, if possible, to bring down the established interest to the same standard. The Committee, however, saw no good grounds for continuing the reduced rate. The books of the Bank should be closed on 31st December, and interest accrued during the year paid promptly within the two following months which were peculiarly favourable for the collection of all rents and especially the returns of the country produce. The existing practice, however, was to allow ten months to the commissioners to bring in the arrears of interest and consequently the same term to the whole body of debtors after the same had become due.

The President of the Bank should be nominated by the Governor and the commissioners should no longer rotate as had been the practice, because much negligence and inattention in making up the Books was clearly occasioned thereby. If the Governor approved of their scheme of calling in the Bank's capital, fixed salaries should in future be paid to the President, Commissioners, bookkeepers etc., who at the time were deriving their salaries from 1 per cent. of the whole interest paid in on the capital. It is evident that in proportion as the capital is repaid their income would be likewise reduced.

So far as the prevailing currency situation was concerned, the Committee were decidedly of opinion that the true reason for the existing scarcity of paper money was the effect of two different causes.[18] The want of means of

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18. C.O.414/7 G.2. pp.21-22. 18th January, 1808. Report of the Committee.

remittance and the loss of mercantile credit by which the circulating medium was, on the one hand accumulating in the hands of individuals without sufficient outlet to make it flow back into circulation, and, on the other, a large property was constantly locked up for the want of confidence between man and man which was the life and soul of commerce. The existing system of competition for public bills was raising the premium even beyond the natural level, which was beneficial only to speculators and jobbers. They accordingly recommended a maximum or fixed premium of 20 to 25 per cent.

Commercial Credit.- According to the Committee, the existing scarcity of circulating medium was largely due to the deplorable state of mercantile credit. "Every man at all acquainted with the detail of commercial operations in this Colony, is well aware of the difficulty if not absolute impossibility of effecting sales to any extent and with safety except by Public vendue.....because confidence is lost." The Vendue Master possessed a great command of money, which he could circulate at the rate of 10 per cent. per annum and upwards in his capacity as Banker. He was secured by his priority and benefit of immediate execution and could thus collect his debts when due, which was more than any individual in the Colony could pretend to do. It was therefore to his interest to support this system and give indulgences to his customers, both buyers and sellers. Consequently vendue sales increased to an alarming degree and no species of usury, however extravagant, could be compared with the destructive system in vogue, pursued by many persons for the support of their credit through the medium of Vendue Sales. This sort of accommodation could only be obtained at an expence of 7½ to 8 per cent. including Vendue charges and discount on every transaction. The Committee therefore proposed that the priority of the Vendue Master should be limited to 500 rds. so as not to operate to

the prejudice of the lower orders who would still find credit with the Vendue Master for all their wants at public sales, since it was evident that this priority was destructive of confidence and credit and one of the ostensible causes of the scarcity of money.

Bank of Discount.- The Committee was decidedly of opinion that the difficulties of the public would not only be alleviated, but in all probability all the evils complained of be done away with by establishing a Bank of Discount with a capital of 500,000 rds. The balances in the public offices would offer but little relief, and the repayments of loans to the Lombard Bank would not be immediately forthcoming. Hence they proposed that the Government should create 500,000 rds. to form the capital of the Bank, which would afford instant relief to the public, and especially the merchants, by discounting their bills at short periods.

This measure would be of the greatest benefit to the community. It would not only prevent the necessity of applying to the Vendue Master for prompt payment on which the public lost 4 per cent. and upwards, but would effectually end the necessity of obtaining discounts from those usurious persons who hoarded up large sums for their nefarious purpose. In addition it would restore credit and confidence. The 500,000 rds. were only to be pro tempore and all repayments of loans of the Lombard Bank were to be applied to the purchase of this new fund which was then instantly to be destroyed. Thus, of the Lombard Bank's capital of 810,255 rds., 500,000 rds. would go to the Discount Bank. It would appear extremely just to those who have obtained loans on farms by which agriculture was promoted, that they should also be particularly considered for it is evident that in proportion

on the sums to be called in from the country debtors were paid, so would the means of carrying on all agricultural improvements be diminished. In order to support the same and at the same time render it unnecessary to create a greater sum than 500,000 rds., they proposed the remaining 310,255 rds. should be reissued by the Lombard Bank for the needs of agriculture but only to individuals who had hitherto derived no benefit from loans or those who were evidently in want of support to carry on agricultural improvements.

Taking into consideration the uncertainty of the period of retaining any sums that might be collected from any public office as well as the uncertainty of the period when they might be collected, the Committee , from the conviction that an immediate sum was necessary for the relief of the public, recommended the creation of a capital that could not be diverted from its object, and not recommended any of those different sums to form a part of the same. These might be brought into action, particularly the sum in the Orphan Chamber which was an increasing fund that had no appropriate object and would certainly be more beneficially employed in the Discount Bank. With regard to the Grain Fund it was uncertain when it might be wanted, as well as the prize property which might be instantly drawn out of the Treasury. Thus, the balances in the hands of public offices should not form part of the capital, but they should be handed over to the Discount Bank and turned to temporary advantage.

Total Circulation.- The Committee was unanimously of opinion that the existing floating mass of paper currency amounting to 2,000,000 rixdollars and upwards was fully adequate for all purposes of commerce as well as internal

improvements, if, as they had reason to believe, by the operation of this Bank and a more judicious and economical distribution of the public bills, the accumulation of the circulating medium in the hands of individuals would be effectually prevented.

With a view to facilitate this last object and to accommodate the public, the Committee recommended that the Discount Bank should likewise be a Bank of Deposit "and that on the most favourable terms that can be granted to such as may happen to have a sum of money locked up in their chests for a certain period without any determinate object, and also to induce all descriptions of persons to make this Bank the Depository of their ready money by affording the utmost facility in withdrawing the same, by check or otherwise as most suited the convenience of the Parties, when it is not intended to remain sufficiently long to become productive". The average balances of these accounts under a judicious management would materially aid the Discount Fund and promote a freer circulation of paper currency. The Registrar of the Court of Vice Admiralty was to be directed to keep a running account with the Bank in order to prevent the immense accumulation which at one period during the war comprised nearly one half of the whole circulating medium of the Colony, which evidently must cramp the energies and in some measure frustrate the intention of a Discount Bank. Further, if the Governor thought it proper he should direct all heads of departments to open accounts with the Bank. It would have the effect of preventing accumulation in any one quarter, as no doubt a great majority of the mercantile part of the community would be glad to get rid of the trouble of keeping and counting paper money which might be done with so much safety and expedition by cheque on the Bank.

Nature of Securities.- All notes at two months' date or that had not longer to run, with at least three good names were to be received and discounted, provided the directors were satisfied that the paper was not absolutely fictitious and founded on no real transaction but thrown in for the purpose of accommodation. Not more than 10,000 rds. were to be granted to the same individual or partnership concern at a time , until such note or notes were taken up.

Loans on merchandise or other valuable effects which were proved to the satisfaction of the directors to have at least remained three months unsaleable, and not for the purpose of monopoly, in the possession of the borrower, were to be granted for a term not exceeding three months, to be given with two personal securities, and to the extent of half the estimated value of such merchandize and effects. Relief should be afforded in loans upon houses for the same term and under the same restrictions as those upon merchandise, but no repetitions of the transactions were to be admitted except in cases of real distress and then only once, so that no loan either on merchandise or houses was to be granted for a period in all exceeding six months upon any consideration whatever. The Bank should enjoy priority of payment in all cases save and except Government claims and registered debts and should have the benefit of the most summary proceedings in the recovery of bad debts without going through the ordinary tedious process of law. Interest at 5 per cent was to be paid on all sums above 1,000 rds. deposited in the Bank for a period not less than three months and ten day's notice was to be given before the same was withdrawn. There should be two discount days per week and all securities were to be laid before at least three directors on the preceding day. Finally, they recommended the establishment of a Sinking Fund, to which all net profits of the Lombard and Discount Bank were to be applied.

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Caledon's Response.- In general Caledon agreed with the findings of the Committee but was opposed to any further issue of paper money. Thus, for the moment he would postpone acting upon the suggestion for the establishment of a Bank of Discount, though he yet hoped that, by some additional and provisional regulations to the Lombard Bank, considerable relief might be afforded. The Committee was to frame these regulations for his approbation.

Caledon entirely concurred with the Committee's opinion as to the propriety of the books of the Bank being closed at the end of the year and felt that the receipts of the Bank should be paid to the Receiver-General monthly as they accrued after the accounts of such receipts had been examined by the auditor-general. He had reason to think that it would be more advantageous to the public that the business of the Bank should be under the direction of a perpetual president instead of under that of a president annually changed. This would only be reverting to the system under which the concerns of the Bank were long managed; the alteration, having been experimental, had been found to have some inconveniences which would thus be removed. It being Caledon's intention that Bank's officers should have fixed salaries and that every source of receipt whatsoever should be brought to the account of the public, he therefore asked the Committee to ascertain the rate of salaries to be paid, taking the average receipts of the members for the last three years as a basis.

As to the means of increasing the disposeable funds of the Loan Bank, the first object to consider was the average amount necessary to be made for calling in a proportion of

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19. G.H.34/3 pp.42-45 2nd May, 1808. Act. Col. Sect. Bird to Committee.

all such capitals as have been outstanding above two years. He thought 10 per cent per annum of the sums on mortgage in Cape Town and vicinity and 6 per cent. of the sums on mortgages upon estates in the country would be sufficient. But upon the transfer of any mortgage taking place, 20 per cent. of the outstanding capital should be paid in, when the person to whom such capital is transferred, appears to be entitled to be considered as a new debtor and therefore should not be called upon for repayment of any further proportion until the expiration of two years from the date of his transfer. The whole of the interest was to be raised to 6 per cent. payable half yearly.

By these means the capital of the Lombard Bank would by degrees be again brought into circulation. In the meantime Caledon thought it expedient to make an advance of 150,000 rds. from the Public Treasury as a loan to the Lombard Bank for a short period. This, plus repayments, were to be employed in small loans to the public not exceeding 5,000 rds. for short periods of two to six months upon such security as the Committee should determine to be sufficient to prevent any loss to His Majesty's Government and to ensure punctuality in the payment at the time fixed. It was Caledon's desire that, until further orders, no money was to be issued from the Bank in any other manner, nor any sums in this, unless the case was previously submitted with its circumstances for his consideration and approbation.

Thus, in consequence of the Report of the Committee the Governor had resolved to exert every energy of the Government and to bring into action whatever means it possessed to alleviate, if not avert, the general calamity. Accordingly the first measure be determined on was the reorganisation of the Lombard Bank.

Reorganisation of the Lombard Bank.- On 1st June, 1808, came the public announcement by way of a Government Advertisement of the reorganisation of the Bank.[20] Caledon thought it expedient to advance 150,000 rds. to the Loan Bank as a loan from the Public Treasury, "in order that the same may be advanced in small sums for short periods upon sufficient security, to such persons as, under the circumstances of the times, require pecuniary assistance". In addition, such other sums as might be collected in the Bank from its own resources were also to be applied to the same purpose.[21]

The capital of the Loan Bank had been absorbed by the practice of granting renewals in all cases and it appeared that great inconvenience might result from breaking through the custom at the present moment. The President and members of the Bank were therefore empowered to continue the same upon due consideration of each case, but they were required to refuse the application where it was apparent that it would not be injurious to the party to pay in the principal sum for which he was indebted (6). Whenever application is made to the directors for a loan to be transferred upon the sale of the estate which was mortgaged to the Bank by the original debtor, the same was not to be complied with unless 20 per cent. upon the principal sum was paid into the Bank (7). The directors were required to call in 10 per cent. per annum of all debts that have been outstanding above two years, due by the inhabitants of Cape Town and its vicinity,[22] and 6 per cent. per annum on those properties elsewhere. In both cases

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20. P.A.O.N. pp.86-87. 1st June, 1808. Govt. Adverticement; Rec.6 pp.336-338; L.B.10. G.H.23/2 Enclosure 73 no3.; Cape Town Gazette 4th June, 1808, 26th Aug.,1808; C.O.182 no.13 p.3.
21. Rec.6 pp.356-7. 1st June, 1808. Assist. Sect.Bird to Lombard Bank; L.B.10.
22. The "vicinity" was to be marked by a line drawn from Riet Valley direct to Simon's Bay, comprehending all within the Salt River to Simon's Town inclusive.
See also: L.B.10. 15th June, 1808; C.O.4825 p.237.

six month's notice was to be given, but this regulation was not to interfere with the right which the directors had to call in the whole sum due to the Bank in such cases as circumstances might make it adviseable (8). Persons who had paid 20 per cent. upon the transfer of a loan to them, were not to be called upon for any further proportion within the first two years from the date of such transfer (9). The interest of all money, either already issued, or to be issued from the Bank was raised to 6 per cent., the legal interest of the Colony (10). The above regulations were devised to bring into activity a proportion of the capital which was at present absorbed. In order, therefore, to keep in constant circulation the means entrusted to them and to render as much aid to the public as possible under the existing circumstances, the directors were to advance for the present no further sums on permanent mortgage, but were to confine the advances to loans for short periods of from one to six months. They were not to issue to any one person or any firm, more than 5,000 rds. (11). Nevertheless, it was not the intention by such regulations to deviate from the original design of the Bank, which at a future period would be directed to afford to the agriculturists and traders such relief as in justice could be granted to them, and under such a length of tenure as might enable them to prosecute their labours with increased effect (12).

The directors were to accept any sort of security, whether moveable or immoveable, that might appear to them sufficient for the protection of the public, but they were not to advance any money on Vendue Rolls or Extracts (13). As the benefit to arise from this made of advancing money must greatly depend on the punctuality to be observed in the reimbursements, the directors were not to issue any sums without sufficient collateral personal securities. By failure

of prompt payment by the principal, the persons who bound themselves as securities for others, would be immediately liable by parata executio to the most summary mode of procedure against themselves (14)[23]. With regard to the security of future Deeds of Mortgage hereafter passed by virtue of these regulations in the Loan Bank, it was to be considered as legal mortgages from the date of the registry, and thus preferred to all other special Bonds laid on the goods of the debtor subsequent to that period (15).

It had appeared to Caledon that the fees charged upon loans at the Lombard Bank were too great for persons borrowing money for short periods in the manner which, under the existing circumstances, was esteemed most advantageous to the public[24]. All fees, therefore, of every description were to be duly accounted for to the public at each period of submitting the accounts of the Bank to the inspection of the Auditor General (3). The directors were not to charge any fees upon loans issued for short periods of six months or under, but the obligations were to be made out on a stamp of 2 rds. and the fee for Enregistration at the Secretary's Office was to be continued (16). All applications for loans were to be made to the president and members of the Bank by letter, in which the sum required and the time for which it was wanted, were to be stated, together with the nature of the security proposed. Preference in the issues was to be given to those who had not received prior aid from the Bank (17). However, no sums of money might be issued by the Bank without the special approbation of the Governor, and it was therefore necessary that each application with the comments of the directors should be submitted to the Governor[25].

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23. See also L.B.24 pp.2-4.
24. Rec.6 pp.356-7 1st June,1808. Assist. Sect. Bird to Lombard Bank.
25. Ibid.

The Loan Bank was in future to be under the direction of a permanent president and three members, [26] in addition to a bookkeeper, cashier and a messenger (1). Their fixed salaries, [27] amounting to 2,000 rds., 1,600 rds. (each), 2,100 rds., 1,750 rds. and 30 rds. per annum respectively, were to be paid out of the Colonial Treasury, and were, therefore, not to be drawn as formerly, from a proportion of the income of the Bank and from the amount of fees received in the Office (2).

The accounts and books of the Bank were to be closed on 31st December each year, when, of course, the interest of all outstanding capital become due, and was to be collected with the least possible delay. The proceeds of such interest were to be paid by the Directors of the Bank to the Receiver-General of His Majesty's Revenues monthly as these are collected, together with the amount of fees received in the Office (4). Before any payment was made to the Receiver-General, the account concerned was to be examined and certified to be correct by the Auditor-General of Public Accounts (5).

Finally, the directors of the Lombard Bank were to be guided by their former instructions in all cases which were not provided for by the above regulations (18).

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26. Ibid. It will be perceived that the management of the Bank was to be conducted by a president and three members which was an addition to the establishment. But this it was to be understood to be only a temporary arrangement which would cease upon the first vacancy when the Bank, as formerly, would be directed by a president and two members.
27. Ibid. One consequence of this would be that the income of the persons employed in the Bank, whose emoluments hitherto were derived from a proportion of the fees received, would be considerably reduced. With regard to the bookkeeper and cashier, it appeared that the emolument hitherto received by these officers had been far greater than was usually paid to persons filling similar situations. But the parties who held them being old servants of the public, the Governor was unwilling to reduce the income upon which they had hitherto depended. Upon these two positions being vacated "His Excellency will affix such salary to the successor as at the time may be deemed expedient and adequate to the labour and responsibility of the post". See also C.O.54 no 15.

Later in March, 1811, the Lords of the Committee for Trade and Plantations entirely approved of these measures of Caledon.[28]

Caledon not supported.- In the meantime Caledon had communicated with the Secretary of State, Viscount Castlereagh.[29] He gave a very grave account of how the Bank had utterly failed in its original objects. "The Bank which had for it's object the relief of distressed industry and the promotion of trade was no doubt an establishment worth of a considerate government, but this institution, which professed the attainment of such objects, had by the mode of administering its affairs rather tended to the prejudice than to the relief of the industrious part of the Comminity". Of the 810,255 rds. capital of the Bank, Rds.810,222-16 had been lent out, from which it results that the establishment had no longer the means of lending further sums, and, therefore, instead of being an advantage to the public, had become a burden. The whole of this paper money had no other security than the mortgage of the borrower and, being identified with the other Colonial paper, the faith of Government was ultimately pledged if circumstances should require its redemption. There was an absorption of the paper currency and the Loan Bank, under existing circumstances, was totally inefficient to afford relief to temporary distress. He announced that for the attainment of that relief which the Loan Bank was unable to produce, he proposed "the conversion of the Loan into a Bank of Discount, or, if not the total diversion of the Loan Bank from its original purport, that there shall be additional powers and instructions given if for the discount of bills at short sight under proper and sufficient security".

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28. Rec.8 p.12. 22nd March, 1811.
29. Rec.6 pp.276-278. 4th Feb., 1808. Lord Caledon to Sect. of State Viscount Castlereagh. G.H.23/1 p.120 etc.

Caledon pointed out that in such a small society the circumstance of every merchant were too well known to make the act of discounting a matter of much hazard. It's adoption certainly would destroy the system of usury which still prevailed and prevented that perpetual recourse to vendues or sales by auction which was the usual mode of obtaining money, and which cost the party so obtaining it at least 7½ per cent. To institute a bank of this nature without a capital could not be done, but the mode of obtaining capital did not appear difficult. Caledon proposed to apply the unappropriated interest in the hands of the Orphan Chamber amounting to 96,000 rds. which had no defined object nor any relation to the property of the minors, and 150,000 rds. of the surplus in the hands of the Receiver-General to form the basis of the Bank, to which would be added the repayments on outstanding loans of the Loan Bank. But if these sums be found inadequate as a capital for such an establishment, he asked leave to create more paper money to an amount not exceeding 400,000 rds. which would gradually be destroyed as the capital of the Loan Bank was repaid.

Viscount Castlereagh, however, did by no means hold the same opinion as Caledon.[30] Thus, on 10th June, 1808, Caledon received the following answer from the Secretary of State: "I have perused with attention the subject of your dispatch upon the Colonial Paper Currency, and your proposition for establishing a Bank of Discount; it does not appear to me prudent at present to make any material change in the arrangements of the Colonial Currency. Certain inconveniences will always arise in regard to currency in those places where the exchange of commodities is unfavourable, which never can be completely remedied; and a Bank of Discount seems merely calculated for countries where mercantile speculations are numerous and allow the creation of fictitious capital".

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30. Rec.6 p.362. 10th June, 1808. Secretary of State Viscount Castlereagh to Caledon.

Perhaps Caledon did not put his case strongly enough before the Secretary of State, but in any event he was not to be discouraged by the answer he received.

The Establishment of the Discount Bank.- On 30th July, 1808,[31] the Governor asked the directors of the Bank for their views on an announcement he proposed to make that the Bank would accept deposits of 1,000 rds. and upwards, and that it would discount vendue extracts at legal interest for the period such extracts had to run. Care was to be taken that Government suffer no loss by the mode to be adopted for discounting vendue extracts. The vendue accounts became payable after three months in Cape Town, and in the district, six months after the sales had taken place. But, as there was a danger of the cash not being forthcoming punctually, he considered it fair that an additional month's interest should be charged to cover the loss that would otherwise fall upon the Government.[32] In reply the directors of the Bank stated that they had contemplated to offer a plan to Caledon by which the funds of the Bank would have been increased by holding out a bonus to individuals who should place cash in the Bank proportioned to the period of deposit, "but the conversation I had yesterday..... with you, entirely does away what had before appeared to us a matter of necessity: we have therefore no observations to offer at the moment on the subject". With regard to the arrangement necessary to take place in the Bank they conceived that an extra bookkeeper with an assistant would be sufficient to carry on the further duties imposed upon it.

On 12th August, 1808,[33] the Lombard Deposit and Discount Bank, generally referred to as the Government Discount

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31. L.B.10. 30th July, 1808. Assist.Col.Sect. Bird to Lombard Bank; L.B.221. Rec.6 pp.372-373.
32. L.B.24 pp.4-5. 3rd Aug.,1808. Lombard Bank to Assist.Col. Sect. Bird.
33. Rec.6. p.374. 12th Aug.,1808. Advertisement; Rec.7 p.183; L.B.24. p.11.

Bank, was established, as a branch of the Lombard Bank. It was to be under the same control as the Lombard Bank. No expence was incurred on account of this establishment, except the annual salaries of the bookkeeper and casher.[34] Its capital was to be derived from the deposits of the receivers of revenue,[35] but in addition it would accept deposits from the public. The directors of the Lombard Bank informed the public that the Governor "having taken into his consideration the necessity of forming a bank of deposit, as a place of security to all who may wish to entrust sums of money to the care of the directors of the Lombard Bank, all sums exceeding Rds. 1,000 will be received, and a running account opened with the parties; all checks for part or the whole to be payable on demand. Persons desirous of vesting their money for twelve months certain, and notifying the same, will receive five per cent. interest."[36]

As from 22nd August, 1808,[37] the Bank was ready to receive and discount vendue rolls at 6 per cent., which hitherto had been discounted by the Vendue Department at 10 per cent.[38] The extracts were, however, to be endorsed by the Vendue Master to the effect that no sum had been advanced by him, on account, to the holders thereof. On 25th August, Caledon ordered the Lombard Bank to advance 55,000 rds. to the Discount Bank, and a further loan of 25,000 rds. was made to it on 4th October, 1808. This

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34. Rec.7 p.183. 1824.
35. Rec.27 p.461; C.O.36 no32.Vide Rec.19,pp.410-425, 28th Dec., The Receiver-General was not bound to deposit the public money in the Bank, but it happened frequently that advances were made by the Bank, and that the warrants, instead of being discharged, were deposited by the Receiver-General with the Bank till the balance of the account was in his favour, or until he might be enabled to refund it.
36. Rec.6 p.374. Advertisement of 12th August, 1808.
37. Ibid.
38. Rec.27. p.461.

80,000 rds. formed the capital of the Discount Bank. In addition all public offices and collectors of renenue were directed to pay in their daily receipts to the Bank. The capital employed by several instalments from the Treasury amounted to 175,000 rds. and constituted the "Short Loan Fund". The funds of the Discount Bank were to be issued to the public in discounts, without reference to the accommodation of any class of society in particular.[39]

Vendue rolls or credits for goods disposed of by public auction were discounted to considerable amounts in proportion to the amount of bills or other securities discounted. They were never rejected when submitted for discounting, if funds permitted, since the acceptance of theVendue Master, a Government officer, was their security for due payment.[40] The Vendue Master was accountable for the amount of all movable or immovable property sold by him, and was bound to make his payments for sales in Cape Town or its environments within three months after date of sale and within six months in the remaining districts.[41] Discounts and deposits usually increased after notification that there were bills to be disposed of. Vendue rolls were submitted for discount and usually the transactions were completed by drawing cheques in favour of the Commissary-General or the party from whom bills had been purchased.[42] Depositors applying for discounts upon the security of their deposits were also accommodated, paying 6 per cent. for the usual period of three months while the Bank paid them 5 per cent. on their annual deposit.[43]

The mode of obtaining a discount from this Bank was as follows:[44] the person who sold his property through the

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39. Rec.7 p.183; Rec.9 p.477; Rec.37 p.464; C.O.36 no 32; C.O.183 no 13 p.3.
40. Rec.7 p.182.
41. Ibid.
42. Rec.19 pp.410-425.
43. Rec.20 pp.32-37.
44. Rec.7 p.183.

Vendue Master and wished to procure immediate payment submitted an application to the members of the Bank for the amount which appeared on the face of the Vendue roll; if acceded to, a bill of acceptance for the amount is drawn by the holder upon the Vendue Master payable to order, when, upon his acceptance at the rate of 6 per cent., the discount took place.

When Caledon reported his innovations to the authorities in England it was very well received by them. In March, 1811,[45] the Lords of the Committee of Council for Trade and Plantations commented on the discount Bank that "this appears to be well calculated to furnish the means of assistance rendered necessary by the change of system in the Department of Sales; and the continuance or regulation of it must depend upon what shall be finally decided respecting that Branch of Revenue".

Finally, in order to facilitate the transactions of the Discount Bank, the cashier was allowed to be entrusted by the directors with as much currency as might be required to meet the daily demands upon the establishment.[46] The advantages of such an institution, under proper regulations and judicious management, are manifest. Many, who, rather than run any hazard by lending to private individuals in a place where punctuality was so little attended to as at the Cape, suffered their rixdollars to lie for months unemployed in their chests, felt no scruple in confiding them to the Bank at 5 per cent. from whence men of good credit could obtain them for the purposes of trade and commerce at 6 per cent.

Views of the Commissioners of Inquiry.- It was the opinion of the Committee that the paper currency then in circulation, amounting to two million rixdollars and upwards,

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45. Rec.8 p.13. 22nd March, 1811.
46. L.B.24 p.11 25th Aug.,1808; L.B.10 30th Aug.,1808; Rec.27 p.461.

was fully adequate for all the pruposes of commerce as well as internal improvements. But according to the Commissioners of Inquiry they appear to have been influenced by a belief that the absorption of the capital of the Bank in protracted loans had checked the active circulation of the currency, which it was their object to restore. It appears, however, to have escaped their consideration that it was already in active circulation by means of the usurious transactions which it was their desire to supersede, and that not being exchangeable at the pleasure of the holder, nor referable to any standard value, there was no means of regulating the amount held in circulation by the fluctuating demands of the public.[47]

The Commissioners observed[48] that if it might have been inexpedient before the cession of the Colony to make any considerable change in a system by which the Government was exclusively engaged in transactions of the nature already described, which had its origin in the circumstance of the Colony having been established under the Dutch East India Company, it was at all events of great importance to check the abuses and to restore or to reform the regulations that had been infringed or misapplied. As the object of the establishment of the Loan Bank has been the encouragement of trade and agriculture, both of which by the decline of the Dutch East India Company had ceased to depend exclusively on its resources, it was an obvious departure from these views, as well as from the regulations of the Bank, to perpetuate loans upon mortgage which were not directly employed in improving the resources of the Colony, or in giving effect to industrious enterprise. The usurious transactions complained of might be considered to have been extended by the improper application of the resources of the Bank. "The proposal, therefore, to revert to the system of

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47. Rec.27 p.460.
48. Ibid., pp.461-462.

lending for short periods to those who were engaged in agriculture, who had fixed property to offer as security, and who were not possessed of capital absorbed in loans on mortgage at high interest, was unquestionably sound and judicious; nor does it appear that the Government was bound to consult the convenience of those who had for a series of years profited from the resources of government, through the facilities afforded by the bank, and who had lent their own capitals at higher rates of interest than the bank demanded from them. To have required such persons to refund the advances by redeeming their own loans, and to have afforded accommodation for short periods to parties where property was involved in private mortgages, was an obvious measure of justice and expediency".

The application of the funds thus redeemed, in forming a capital for a Bank of Discount, was also a measure that would not have been objectionable under the circumstances of the Colony, being a means of providing those facilities to persons engaged in trade, which the short loans were to afford to the agriculturists, and at it was also very desirable to arrest the transactions of the Vendue Department, in discounting their bills of sales at an exorbitant rate of interest.[49]

The measure adopted by the Government of augmending the capital of the Bank by advancing 150,000 rds. of Colonial paper currency from the Treasury, was intended to afford the required accommodation, and to obviate any sudden or peremptory demands upon the persons by whom the capital of the Bank had been absorbed. The subsequent measure of establishing the Discount Bank, without appropriating any part of these funds to the formation of a capital, involved the Government in extended transactions of a nature that could be submitted to no efficient control, and although a source of considerable profit, exposed it to the risk of

49. Ibid., p.462.

embarrassment in the event of the deposits on which it depended being suddenly withdrawn. The interest allowed on sums deposited for a year, afforded the best security for the continuance of those deposits, by holding out an inducement to annuitants to place their funds in the Bank, and to be content with a smaller income in consideration of the greater security afforded by a public establishment and the punctual discharge of its engagements.[50]

The management of the Loan Bank does not appear to have undergone any material change in consequence of these measures, except in the extension of its transactions by means of the new fund placed at its disposal. As both Banks were placed under the same direction, and as the office of the president was united with that of receiver-general, a system of accommodation was introduced between the Colonial Treasury and the Banks which was at variance with the regulations of both departments, and augmented the risk attending the transactions of the Discount Bank.[51]

President of Bank proposes increase of Capital.[52]- The real object of the institution having been that of promoting industry, encouraging trade, and relieving every species of distress where sufficient security could be had, had convinced Dashwood, president of the Bank, of the propriety of granting every possible indulgence to those whom misfortune or circumstances might have rendered unable to make good their payments. Of the 150,000 rds. placed in the Lombard Bank for the purpose of affording temporary accommodation to individuals, nearly the whole sum that had fallen due had been repaid. These sums as they became due were transferred to the Discount Funds and Dashwood proposed applying only 100,000 rds. to that account and lending out the remaining

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50. Ibid., p.463.
51. Ibid.
52. C.O.14 no5 16th March, 1809.

in the case of a capital formed by Government. To recover the payment of a debt the latter had the parata executio and the former the tedious process of the Court of Justice. Even if any body of persons was able to raise a capital of 500,000 rds. the utmost return they could speculate upon would not exceed 8 per cent. out of which the expences of the concern must be paid. "If I may judge from the backwardness of the public to make the Government Bank a place of deposit for any cash Balances they may have in hand, I cannot suspect a Bank conducted by private individuals would have better success, and therefore its speculation must almost wholly depend upon the capital employed". A public concern must, have a greater degree of credit than a private one, besides the many advantages the former has over the latter, for instance, the application for the time being of all the collected revenues as well as of sums applicable to public purposes but not immediately employed in the same, affords a source that the other could not possibly possess.

It would appear, however, that there was little probability of persons coming forward to establish a private bank, and that genuine capital could not be found for the purpose. Many, no doubt, would be too happy to enter on the speculation with a fictitious one. They must consequently issue their own notes but it was doubtful whether the public would be inclined to accept them, and, moreover, the Government, could not under the circumstances acknowledge it. "I do not believe that the measure of a private fund, even though a real capital could be had or that a fictitious one was admitted, that the public would derive that assistance which a capital employed under the auspices of Government would distinctly and absolutely afford".

Dashwood was at a loss to conceive what was meant by the idea of trading with the public money as having

anything objectionable in it as far as related to its operation in the Colony. Whatever was made by the operation of the public funds, either by the act of discounting or by interest received upon loans, was a clear benefit to the public. There was hardly an instance of security tendered that was not fully adequate to secure the repayment of the loan required. Moreover, the Government had hitherto suffered no loss by loans. "The value of property is so accurately ascertained, that we cannot err in the security we receive. With regard to extending the discount funds, and receiving bills and other obligations of course greater care and attention would be required but still I should be satisfied by limiting the quantum and period of discount, and by having a sufficient number of creditable witnesses as a security for the fulfilment of the obligation when due".

Caledon is Encouraged.- In the meantime, however, Caledon had again communicated with Viscount Castlereagh and inter alia transmitted all his proclamations issued between 27th May and September, 1808.[53] Naturally his measures with regard to the reorganisation of the Lombard Bank on 1st June, 1808 caught the eye of the Secretary of State. He declared that, "I am disinclined from giving any determinate opinion upon it, as I fear I do not entirely understand the subject. It appears to me that the Loan Bank was one of the most ingenious expedients ever hit upon for introducing a paper circulation into a Colony and raising a permanent Revenue in that circulation."[54] He pointed out that in England the state issued a paper circulation in exchequer bills and paid an interest of about 5 per cent. to the subscribers, whereas at the Cape the state issued the circulation of the Colony and received an interest of 5 per

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53. Rec.6 p.499.
54. Ibid., pp.499-500 12th May, 1809. Sect. of State Viscount Castelreagh to lord Caledon.

cent. from the subscribers. The natural effects of the two issues should be that the one receiving an interest would be hoarded, the other paying an interest would be in circulation to enable the subscribers to pay their interest. However, Caledon had stated a different result "and whereas the Exchequer Bills here are in constant circulation, you complain that the paper money which pays an interest in the Cape is hoarded, and it seems you are adopting forcible means to prevent this hoarding". It seemed to him "that instead of throwing any difficulties on the loan holders, or at all interfering with the existing circulation, the most advisable measure would be to increase the fund of the Loan Bank contiously so as to provide a sufficient quantity of paper currency for circulation and hoarding too, so that the State may take advantage of the particular disposition of the Colonists for hoarding, and those who had not this disposition might have sufficient circulating medium for traffic and speculation. Not feeling myself sufficiently master of the subject, I do not frame any instruction upon it, but throw out these suggestions in order that your Lordship may not, under any alarm from the principle of hoarding paper currency, endanger the continuance and good effects of a system which seems so advantageous". This, then, was a complete reversal of the previous attitude of the Secretary of State.

In October, 1809, Caledon returned to the charge.[55] While existing revenue, he reported, was barely adequate to meet current expenses, the construction of numerous public works was urgent. "A greater quantity (of paper money) may in my opinion be created, and issued with advantage as an

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55. Rec.7 pp.163-5 12th Oct., 1809. Lord Caledon to Sect. of State Viscount Castlereagh. G.H.34/3 pp.142-150.

increase of capital to the Lombard Bank. The distribution of it to be regulated by the members of the Bank under the control and with the concurrence of the governor for the time being". He asked leave to issue 1,000,000 rds. for the Lombard Bank, the erection of public prisons, a market place and a wharf under certain safeguards. Unlike Castlereagh, the new Secretary of State, Lord Liverpool, supported by the Committee for Trade, gave approval to the plan.[56] Accordingly it was proclaimed on 14th June, 1810, that the growing commerce and the augmented population of the Colony justified and required an addition to the circulation to assist the industry of the inhabitants.[57] The capital of the Lombard Bank would thus be increased by 1,000,000 rds. from time to time, and of this amount 500,000 rds. were to be stamped and issued to the Bank on 19th June, 1810. This money was to be issued by the Bank to the public render the usual regulations, subject to the special approval of the Governor and "provided that no person be admitted as a collateral security, whose circumstances are not known to be fully adequate to the discharge of such obligations, whether original or collateral, as he may have already undertaken".[58] There was still a further restriction to the effect that no person or firm could obtain a loan of more than 10,000 rds. On 26th June, 1810, the Bank received the 500,000 rds. from

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56. Rec.7 pp.260-261 3rd March, 1810. Sect. of State lord Liverpool to Caledon.
57. P.A.O.N. pp.135-136 14th June, 1810. procl. by Caledon; Rec.7 pp.391-393; C.O.4828 p.195; L.B.10 14th June, 1810.
58. C.O.4828 p.195 14th June,1810. Assist. Col. Secretary Bird to Lombard Bank. Rec.7 pp.392-393.

the Colonial Secretary, and by this measure the capital[59] of the Lombard Bank was increased to Rds. 1,310,255-12 which constituted what was called the "Long Loan Fund".

Operation of Discount Bank.- The discounts commenced on 26th August, 1808.[60] It appears that during the year 1808, on a capital of 80,000 rds., the Bank had been enabled to extend assistance to the public to the amount of 335.545 rds. 2 st.- a sum more than four times the capital itself and this in the course of 4 months and 6 days. At the same time it produced to Government by discount Rds. 3478-3-2 which was approximately 13 per cent. per annum. For the period January to June, 1809 the public had derived the advantage of converting 377 vendue bills into cash to the amount of Rds. 501,701-2-Ø and the discounts received on this sum had been Rds. 5,498-4-3. During these six months the capital of the Bank had been applied more than six times and had produced nearly at the rate of 14 per cent. per annum. Thus, for the period of 10 months and 6 days, 681 vendue bills were discounted, which amounted to Rds.837,246-2-2, and produced by discounts Rds.8,976-7-5. This was at the rate of upwards 1 million rixdollars per annum in bills and Rds.10,772-3-Ø for discounts which averaged very nearly 13½ per cent. per annum on the Bank's capital.

In order to explain how the Bank of Discount was enabled to make discounts to such a great extent beyond the capital, it is necessary to observe that the sundry deposits from public offices and private individuals amounted on an

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59. C.O.20 no13 26th June, 1810. C.O.4457; Rec.19 pp.184-186; Rec.27 p.464.
An important measure of general improvement in Cape Town was connected with this issue of paper currency,, by affording accommodation to the inhabitants, and thus enabling them to remove the thatched roof from their dwelling-houses, which had exposed them to the danger of frequent accidents from fire, and to substitute flat roofs, bearing a thick course of plaister which have equally tended to the security and the embellishment of the town. See Rec.27 p.463.

60. G.H.23/2 p.113 16th Oct.,1809 Enclosure 73 no 6. Vide Appendices J and K.

average calculation to about 200,000 rds. at the end of the year 1808. These had become due and were paid 142 bills amounting to Rds.147,501-1-3 leaving still outstanding not due 162 bills amounting to Rds.188,043-6-5 at which time the cash in the hands of the cashier was Rds.106,991-7-3. At the end of June, 1809, there had been 395 bills due and paid amounting to Rds.513,576-2-5 and at this time the balance of cash was Rds.148,424-3-5. Hence it appears that the average balance at all times was about Rds.127,708-1-8.

It would also appear that the monthly amount of bills discounted had fluctuated from Rds.47,635-2-3, which was the lowest, to Rds.131,939-6-3, which was the highest. Averaging to 10 months, the discounted bills would amount to about 83,724 rds. per month which was more than twelve times the capital of the Bank in the course of one year.

Thus, in 1814 the President of the Bank could report[61] that, as a result of the Bank's ability to meet almost every demand made by the public, the face of sorrow and distress seemed to give way to that of prosperity and contentment. The very rapid increase in deposits had enabled the Discount Bank to carry on discounts without having recourse to its capital. Accordingly sums were withdrawn from the Discount Bank at different periods, and placed in the Lombard Bank and by the issue of these sums to the public in short loans of three to six months, additional relief was afforded, while the Government derived very considerable benefit.

As early as 24th April, 1809, the Auditor-General reported[62] as follows on the administration of the Discount Bank: "The discount bank being a new establishment, we paid the most minute attention to the mode of its administration,

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61. Rec.9 p.477 14th April, 1814. Memorandum by Dashwood.
62. C.O.14 no 10.

and we have the satisfaction to assure your Excellency that we found the same not only regular and correct in every point, but, in particular so clear and simple that the balance may be struck every day....."

The President suggests certain improvements.[63] "The magnitude and importance of the trust which is reposed in the president and members of the Lombard Bank, a concern in which the welfare and interest of the community is so materially involved, not only demands the utmost diligence and attention, but requires a system of action - a rule of conduct by which its general transactions must be regulated and determined." Dashwood adverted to the operations of the Bank which were carried on under these instructions previous to his nomination as president of the Bank. He recalled to the recollection of the members of the Bank the possible bad effects that might have resulted to the community by a system of granting loans to individuals whose affluence and prosperity did not appear to have entitled them to claim a benefit from a fund, which, according to the very spirit of its institution, had alone the honourable and beneficient object of relieving the distressed and supporting and forwarding the views of the instructions. He pointed out that when it is further recollected that loans granted to these individuals for a given period of time, had acquired by the facility of obtaining prolongations, a sort of perpetuity, it became a matter of serious consideration with the governor whether the members had not acted directly contrary to their instructions, or whether from ambiguity or misconception they had not been led into error of judgement. The governor was, however, determined to bring back the capital of the Lombard Bank into that channel by annually recalling a given portion of the capital so lent out in order

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63. L.B.8 pp.1-10. 31st Aug., 1809. F. Dashwood to the members of the Bank.

that it might gradually change hands and become possessed by those whose industry and capability might render it beneficial to themselves, as well as highly important to the interests of the Colony. "This being the feeling and sentiments of His Excellency, it behoves us most particularly to attend to the same, and to prove ourselves worthy of the great and important trust, he has been pleased to commit to our charge; by acting with circumspection and promptitude both in the selection of individuals who may solicit loans, as well as enforcing payment (without discrimination) from all who shall be found negligent in not making good their obligations when due. Perhaps I should not go so far as to say without discrimination, for it is admitted, that there must be exceptions to every general rule. There may be individuals whom unforeseen misfortunes renders worthy of consideration, but as it applies to those whose means are unquestionable I would not hesitate one moment in pursuing them with the utmost promptitude and rigour of the law".

This principle would also apply to the funds employed in short loans, but here the intended object of the fund is to relieve all classes of the community, at least all those who could satisfactorily prove that they were compelled to solicit temporary assistance either to relieve an immediate necessity or to forward any fair speculation either in trade, agriculture or commerce. But Dashwood did not apprehend that this fund as well as the other, at all extended to those whose reputed affluences gave a negative to their pretended necessities "and which you most honourably confirmed in a recent instance, by rejecting the application of one whose accumulated wealth had become proverbial in the Colony".

The difference between the old Loan Bank and the new Fund established for general relief (with its exceptions)

consisted in this that the former granted loans to individuals, for a given period, with the intention of granting a prolongation if required. Many of these had literally employed the sum obtained in carrying on agricultural pursuits, or otherwise it would have fallen hard upon them to recall the capital so lent before they had obtained a sufficient return from the produce of their land to employ them to repay it; "and here there appears an effficient and obsolute reason for not untimely distressing the individual, and even now, under the late regulation of His Excellency, in recalling annually a portion of all sums lent from this fund, it may possibly happen that some few may be found unable to pay and then may form an exception to the rule I wish to establish....." But with regard to the new Fund the case was different: everyone borrowed with his eyes open, had a general intimation that the sum must be forthcoming when due, or that instant prosecution would ensue. These, therefore, had no right to speculate beyond the time, or had any claim to indulgence from the Bank "but yet there are particular cases, which perhaps the members may feel themselves justified in attending to".

Dashwood stressed the point that the directors had been hitherto too indulgent and he accordingly strenuously recommended that in the future it be held a rule that no indulgence to be greater to anyone who had any ostensible means of liquidating his obligation when due. Every bad consequence might result if decisive measures were not taken to put a stop to it. Each individual conceives he has as good a claim to indulgence as his neighbour, and would borrow without every possible means of making good his payment, by looking forward to that indulgence, which should alone be granted when an intermediate misfortune precludes his punctuality.

The Discount Funds was at present applied in the mere discount of Vendue Extracts. The Vendue Master had been particularly punctual in paying his acceptances, and there was no reason to suppose he would not invariably do the same. It was by this punctuality that the directors were enabled to discount so largely by making use of the general deposits to a certain extent.

Accordingly Dashwood proposed that a Committee should be formed once or twice a month to take into consideration whatever concerned the general interest of the establishment, and particularly to consider the merit of the several applicants for loans. The members were to report all defaulters who have neglected to make good their repayments. In addition such remarks were to be made on the character of the individuals, as might either lead to further indulgence or to enforce the immediate payment of their respective obligations.

A Private Book had to be kept in which the transactions of each day were to be recorded, stating the gross amount of receipts and payments, and the cash balances on hand. The cashier and accountant in the Discount Bank were each to deliver to the members a docket on the Monday of each week stating the cash balance on hand, by which the members would be enabled to ascertain the sum that could be employed in the discount of Vendue Extracts, taking as a rule not to discount more than one-third of the cash balance, without it should appear, that considerable sums would fall due in the course of the week. It would further be necessary for the members to enquire as to the probability of deposits to any large amount being withdrawn which must of course regulate their conduct in determining the quantum of discounts. The cashier and accountant in the other department of the

Lombard Bank were also to deliver a docket separately on the Monday of each week, stating the amount of receipts and payments distinquishing the sums granted from the old loan funds, or receipts to the same, as well as the sums issued and received from the funds appropriated in short loans. These details being transcribed in the Private Record Book would furnish an important check upon both departments. The books of the several departments were daily to be closed and regularly added up. The members were occasionally to inspect the cashier's chests and note down their correctness in the Record Book. The weekly member was to consider himself accountable for the transactions that had occurred.

In addition several directions were given for the officers employed in the Discount Book.

"Kustings" Discounted.- Caledon had received representations to the effect that it would be a very great accommodation to the public if the directors of the Lombard Discount Bank were authorised to discount such proportion of the "Kustings" (registered bonds) issued by the Chamber for Regulating Insolvent Estates as the nature of the case should appear to them to require. Accordingly he authorised the directors of the Bank to discount such Kustings provided that the balance in the hands of the Bank should admit of this being done without prejudice to the other object of the institution and only in such cases as should appear to them of peculiar urgency.[64] It would of course require particular prudence in acting upon this instruction lest the number of applications, if attended to indiscriminately, should absorb the funds of the Bank. Moreover, there were very few instances in which the longest period of payment of the Kusting, viz; 2 years, should come within the meaning of

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64. C.O.4828 p.202. 19th June, 1810. Lord Caledon to Lombard Bank. Government Gazette 23rd June, 1810; L.B.10 19th June, 1810.

this authorisation. In October of the same year the Governor also permitted the discount of Private Kustings (private bonds) on the same conditions as above "provided that in all cases the collateral personal security be unexceptionable."[65] Lord Caledon, therefore, fearful of compromising the credit of Government, attached limitations to the discounts authorising in the first instance, the discount of vendue extracts and kusting and afterwards to private kustings.

Military Drafts.-[66] At the request of the Commander of the Forces the Governor had consented to an arrangement being made for the purpose of enabling the Assistant Commissaries-General in the districts of Graaff-Reinet and Uitenhage to make their payments on the spot without putting the military administration to the risk and inconvenience of constantly sending money into the interior. The Governor had therefore authorised the Deputy Commissary-General to draw upon the Lombard Bank (according to a certain form) and to issue such Drafts through the Resident Commissary as cash, when the service requires it.

The Deputy Commissary-General was to open an account at the Lombard Bank for this service and deposit a sum equal to cover any demands which the Assistant-Commissaries might make upon the Bank in the first instance. In order to give as much facility as possible to the circulation of such drafts the landdrosts and heemraden of the several drostdies and the receivers of money on the public account, had been instructed to receive them (if tendered) as cash in all payments due upon the said accounts.

65.L.B.10 29th Oct., 1810 Assist. Col. Sect. Bird to Lombard Bank.;
Government Gazette 3rd Nov., 1810; C.O.36 no 32.
66.L.B.10 31st Dec.,1810. Assist. Col. Sect. Bird to Lombard Bank.
Government Gazette 5th January, 1811.

Enlargement of Discounts.- Mr. Dashwood, the president of the Lombard Bank, had addressed a memorial to the Governor relative to enlarging the discounts of the Bank in consequence of the large balances which the increasing confidence of the public in the establishment left at his disposal.[67] However, the Governor[68] felt great difficulty in assenting to any proposal for discounting private acceptances. He saw, however, no reason to object to an advance being made from the Bank at the discretion of the directors for a limited period of 3, 6 or 9 months upon such obligations (scheepenenkennissen) as should appear upon examination to be fully and regularly secured. At the same time he did not think that it would be prudent to employ in discounting generally more than one-third of the personal balances deposited in the Bank.

Sums applied in Short Loans.- In the beginning the progress of the Discount Bank was rapid; the demands for discounts were greater than the funds could supply. But, after some time, the personal balances increased, while the demand for discounts did not absorb that portion of the personal balance which might have been dedicated to that object.[69] In consequence of a total stoppage having taken place in the discount of Kustings and Vendue Extracts, the president of the Bank was obliged to make use of the capital which was especially dedicated for that purpose. A certain portion was withdrawn from the Discount Bank and lent out to the public in short loans of 3 months subject to occasional prolongations.

The personal deposits which had heretofore been made

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67. C.O. 4829 p.222; Rec.8 p.56.
68. C.O.4829 p.333 4th May, 1811 Assist.Col.Sect. Bird to Lombard Bank. Rec.8 p.56; L.B.10 4th May, 1811.
69. C.O.36 no 32.; Rec.20 pp.32-37; Rec.37 p.461.

use of to a given extent (combined with the before mentioned capital) in discounting, and which produced considerable revenue to Government, had greatly increased, as well as the deposits of individuals claiming interest at the rate of 5 per cent. according to the proclamation of Caledon. Thus it followed, that unless some measures were adopted by which a given portion of the deposits might be brought into action and turned to account or that the existing plan of receiving deposits bearing interest, be reversed, the Government must necessarily be playing a losing game. In August, 1811,[70] Dashwood declared that "If it were permitted to make use of these deposits bearing interest, by applying the same in the manner I have conceived it necessary to apply the Funds originally intended for the operation of Discounts, it would more than probably give a Balance interest in favour of Government, and..... would be preferable to doing away the interest which is now claimed on deposits; it would evidently have a tendency to affect the credit of the Bank and I am fully persuaded that whatever the amount may be of deposits bearing interest a sufficient number of individuals will always be found who would borrow the same for short periods."

As it was a matter of importance that the establishment should be made as productive as possible the Governor approved of the measure taken by the Bank.[71] The Governor would, however, not decide upon the policy of reducing or withdrawing altogether the interest paid by the Bank but had no objection to the Bank applying any surplus to short loans, "the Bank taking special care that

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70. L.B.24 pp.84-85. 19th Aug., 1811. Dashwood to Col. Sect. Alexander; C.O.32 no 6.
71. L.B.10 22nd Aug., 1811 Col. Sect. Alexander to Lombard Bank; C.O.4830 p.56.

they may be adapted to meet the demands of such persons who have lent their money to the Bank and to be forthcoming, should the public creditor demand his money". This arrangement, however, was to be considered temporary and subject to the ultimate decision of the succeeding Governor.

The Bank come to rely entirely on deposits for its discounts, The time deposits bearing interest were applied either in discounts or "short loans", and it was deemed a safe policy to apply one-third of the general deposits not bearing interest for purposes of discount.[72]

Extension of Discounts.- On 9th December, 1811, Cradock received a communication from Dashwood declaring that the directors were of opinion that much benefit would accrue to the community in general if they were empowered to discount bonds and other obligations, particularly "bills at short dates" not exceeding 3 months, issued by respectable and solvent individuals. They had no possible objection "to an object so much sought after by the community", while at the same time it would also be beneficial to Government. So far the directors of the Lombard Bank were authorised to discount only vendue extracts and Kustings.[73]

On 20th December, 1811, the President submitted a report to Cradock giving a short view of the state of the Discount Bank together with observations on the propriety and even necessity of extending the discounts under certain regulations and restrictions. The capital destined to be employed in the operation of discounts amounted to 175,000 rds. The Collectors of Revenue, the Orphan Chamber and the Grain Fund had been directed to deposit their receipts with the Bank,[74]

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72. B.P.P.406 p.24; M.H. de Kock: Economic History of South Africa p.365.
73. C.O.33 no 15 9th Dec., 1811; Dashwood to Sir John Cradock.
74. L.B.24, pp.91-94; 20th Dec., 1811. Dashwood to Sir John Cradock; C.O.33 no 16. Rec.20 pp.32-37; B.P.P.406 p.49.

which the last two had already done. Deposits by the public for twelve months on interest amounted to 157,000 rds., in addition to a very large amount on current account. Thus the means of affording assistance to the public had become proportionally great. From the beginning, a large portion of the above capital had been employed in short loans. Throughout the year (1811) the demand for discounts had decreased while deposits at interest had increased. The applications for short loans had greatly increased, so that it became expedient to apply as large a sum as could be spared from the Discount Funds to short loans. The amount so issued was 225,000 rds., while the amount of discounts actually outstanding did not exceed 123,000 rds. Thus short loans made up the deficiency of discounts.

The excess of the sum employed in short loans over that employed in discounts arose from the greater variety of securities which could be taken against short loans. Although it might appear nearly the same thing whether the public had it's wants supplied either by discounts or short loans, yet it diverted the capital destined to be employed in discounts and it was desirable to extend the class of securities on which discounts could be had, though certain sums employed on short loans would always be necessary. At the time only vendue extracts and kustings could be discounted, whereas short loans could be obtained on any security which the directors deemed sufficient, with the exception of vendue extracts. The mercantile community would benefit greatly if they could obtain discounts on promissary notes and accepted bills, and also if bonds granted by private individuals could be discounted to a certain extent.

Dashwood therefore proposed that discounts not exceeding 5,000 rds. should be allowed on bills at 3 months drawn by any individual or merchant. Promissary notes payable within three months drawn by any individual or

merchant should similarly be accepted for discount. Finally, bonds to the extent of one half their value, provided these did not exceed 5,000 rds. should also be acceptable for discount. In addition he proposed that applications for amounts exceeding 5,000 rds. should be subject to the Governor's approbation. Further, the Governor was to receive monthly reports for his inspection, so that he might be aware of every transaction; As we have seen before, the Governor initially felt great difficulty in assenting to any proposal for the discounting of private acceptances. But on 27th December, 1811, he gave his consent to the several proposals of the President of the Bank.[75]

In May, 1812, it was further notified to all persons living in the Country who might wish to obtain discounts on bonds, bills or other obligations from the Bank, that in future it would be necessary to have an agent in Cape Town responsible for the payment of such discounted bills when due.[76] As a result of this extention of the discounts the whole of the Bank's capital in deposit was progressively circulated.[77]

Proposal to abolish Deposits.- Cradock, however, did not feel too happy about this extension he had sanctioned and wished to guard effectually against all dangers. Accordingly he consulted the Colonial Secretary, H. Alexander, on the question and discussed the latter's views with the President of the Lombard Bank.[78] Dashwood, the President, pointed out,[79] that the Governor had granted him considerable discretionary

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75. C.O.4831 p.182 27th Dec. 1811. Assist. Col. Sect. Bird to Lombard Bank; Rec.8 pp.218-219. L.B.10 27th Dec., 1811; Cape Town Gazette 4th January, 1812.
76. Cape Town Gazette 16th May, 1812.
77. Rec.20 pp.32-37 Dashwood to Commissioners of Inquiry. (12th Feb., 1825).
78. C.O.36 no 32; C.O.4832 pp.277-279; L.B.10 25th Aug., 1812.
79. C.O.36 no 32 6th Aug., 1812. Dashwood to Sir John Cradock.

powers, and with his sanction he had withdrawn various sums from the Discount Bank which he had applied in short loans. After some fluctuations, the whole of the original capital of the Discount Bank was withdrawn and applied in loans of three months, subject to an occasional renewal. But owing to the small demand for discounts, in the face of an increase of deposits bearing interest, he was induced to draw out 100,000 rds. of the general deposits which was similarly applied to short loans. The Lombard Bank had stood debtor to the Discount Bank for this sum for a considerable period, but it had been gradually replaced.

The amount of discounts was still small and the deposits bearing interest required more than that little. How then was the deficit to be balanced but by a variation in the application of the funds, unless the Government had at once done away with these deposits bearing interest? Thus even under these adverse circumstances the measure of continuing the interest on deposits was still considered a measure of policy. The few discounts which took place at the time might have arisen from adventitious circumstances and had at one time been equal to meet the funds appropriated to that object. But from conversations with a variety of the community, he had been persuaded that the discounts should be extended to every class of security, whether bonds, bills of exchange or promissary notes. He had urged this strenuously but Caledon objected, probably for the same reasons that had been urged by the Colonial Secretary, H. Alexander, viz., that the directors could not possibly from their habits of life, their education or otherwise, be deemed sufficiently competent to judge of mercantile credit. The meaning as applied to the knowledge of mercantile credit in this small metropolis was neither more or less than the knowledge of the solvency of a few mercantile

individuals, for it did not appear that there were more than some half-a-dozen importers of British goods. Everybody's solvency was known, and it was in consequence of this fact that no man would lend his name to another of whose affairs he was not perfectly acquainted. There was no astonishment excited at the bankruptcy of an individual because his affairs were long before known. It was merely the price paid for ignorance in trade or the folly of speculation. Seven months had now elapsed since Cradock had extended the discounts and the Bank had suffered no loss. In addition the amount of mercantile credit on which discounts were obtained formed such a small proportion of the total discounts, that if every dollar of it were lost, it would produce no sensible effect upon the community. Much less could any serious or dreadful calamity to the State be expected from it.

Dashwood completely joined issue with H. Alexander, that there could be no comparison between a security fortified and supported by landed property and collateral securities, with that of a security supported alone by the credit of individuals. But still there remained that sort of security which the directors had no difficulty in receiving even at the risk of that penalty, which each and all were subject to from the securities they had respectively given to Government to secure it from the losses it might sustain either through their ignorance or delinquency. It would not therefore be easily credited, that even allowing the discretionary power rested on them to be as great as described, that they would wantonly trifle with the charge committed to their case by which a general ruin and misery might ensue when they themselves must necessarily be involved in its consequences.

The Bank had most evidently changed it's original

nature, It was established in times of distress and in it's infancy embraced every aid within its power. But now the Cape had changed into a bustling community full of vigour and industry and looking anxious to the means to give succour to its endeavours. The Bank was open to all,, but because buttressed and double fortified securities could not be obtained from all, he asked whether it would be policy to cramp the energy of those who could not give it but who yet had apparent credit to rely on. If it was possible (and there was no reason why it should not be so) that bills discounted by the Bank should be considered legal bonds, and take their claims according to their registration, then it would at once defeat the fear and disaster which seem to attach to the concern in its existing operations.

Dashwood proceeded to enquire into the policy of granting an interest to induce deposits, for according to an observation made by the Colonial Secretary, it was borrowing to furnish funds for the discount of bills of exchange and promissary notes. These deposits existed previous to the permission to discount these bills and notes and was continued and thereby considered a measure of policy, even at a period when the interest produced by the discounts of Vendue Extracts and Kustings were scarcely equal to cover the interest due on these deposits. He was therefore at a loss to conceive why the continuation of these deposits, when bills of exchange and promissary notes were afterwards permitted to be discounted, should be construed into a fund as actually formed for this object. He would allow, however, in its actual application to be really the case, for without this sum not one half of the bills and notes could have been discounted, so that in absence of these bills and notes this deposit fund would be as useless as a capital from whence discounts could be had. There were reasons for approving and holding these deposits to be absolutely necessary to give

full effect to the Bank. In the first place the floating currency of the Colony was alone equal to carry on a general medium of exchange. In whatever spot a given portion of that capital was locked up, the public would necessarily have recourse to it, from the deficiency created by its absence. If the greatest part of the currency should find its way into the Bank, the public from some principle of necessity would bring their bonds, bills and pledges to withdraw it. It is true that previous to the existence of the bills and promissary notes this capital was not always made use of in discount, but a salvor was found in the short loans which immediately absorbed it. Whatever amount of this description of deposits be placed in the Bank it would be absorbed either by discount or short loans.

Under the old system of discount a man was obliged to sell his property to obtain a vendue extract on which he could obtain a discount, if he had no bond or other obligation to offer. But now, if he had a slave, an ox or an ass, his friend would lend him his name, and making out a bill between them, he could obtain the little help his necessities required without sacrificing any one article that was necessary to his existende. It was not the miserable return which the Government should have in view, but the essential benefit which the community at large derived from the deposits, which demanded their continuation. Suppose that the deposits in the Bank subject to be withdrawn at a moment's notice amounted to 750,000 rds. and that one-third could alone with propriety be made use of; further, that instead of this third or 250,000 rds. the public demands required 400,000 rds., the public must suffer disappointment to the extent of that difference. Again, if 150,000 rds. was at the same time placed in the Bank for twelve months at 5 per cent. interest this sum would be an intangible property for the time being.

"These are my sincere views and opinions..... that whatever may be the amount of these deposits, they will be absorved either in Discount or Short loans, and that as to the risk, it is in itself so trifling that in the very extent of its consequences the Directors having given their securities against loss or malversation, the Government has nothing to apprehend". The Colonial Secretary, H. Alexander, wished to abolish the deposits at interest, but without this fund not half the bills and notes could be discounted, and the risk to the Government was a mere trifle.

Dashwood, however, raised a further point of interest. By Cradock's instruction of 27th December, 1811, the directors were not to advance more than 5,000 rds. on discount to any one individual or merchant, though Cradock had allowed an additional margin of 500, to 1,000 rds. in special cases. But this was not the unfortunate question of error. They assumed that obtaining the discount of one bill accepted by one person did not preclude the discount of another which was drawn in his favour by a different person; because, here a third party appeared. If this construction of the order was denied, then the instructions were nugatory and of no avail. To illustrate: A draws on B for 5,000 rds., B accepts and A discounts it. C draws for 5,000 rds. on A who accepts, but when this is presented at the Bank it is refused since A has already obtained a discount to that amount. Thus all C had to do was to destroy the bill and make out a promissary note on which he obtained the required sum. In this way the security of the Bank was diminished. In this instance they had only C to depend on, whereas before they would have had the collateral security of A. When he proposed the discount of 5,000 rds., Dashwood had never intended that C would be prevented from obtaining a discount as in the above example.

Every new name created a new bill and although there were twenty acceptances to one individual, they would all be liable to be discounted otherwise they had only to resort to the same plan of operation adopted by C. It by no means followed that each would obtain his discount but still as promissary notes were discountable, it would depend upon the good name of the individual whether he obtained it or not.

Should the Governor's mind not be clearly decided, the Bank would welcome the appointment of a Committee to enquire "into every circumstance connected with the concern, its rise, progress and utility, the policy even of its existence and a comparative view of those dangers which may be the result of its continuance, opposed to the general benefit which the Society may be supposed to derive from it".

Cradock[80], however, assured Dashwood of his entire approbation of the manner in which they had conducted the affairs of the Lombard and Discount Banks. With regard to the enlargement of discounts and small loans, his view of public advantage inclined to perseverance in the present system under all the required restrictions, and they were urged to be scrupulously cautious. It also seemed desirable to follow the practice of the Banks of England and Ireland that all bills for discount be left at the Bank for consideration, and that no answer be given until the following day. The most rigid adherence had to be paid to the prescribed sum and fixed period. The regulations regarding the discounts of 5,000 rds., was certainly to be confined to one transaction while in effect, and a second discount upon the same name, could not be given without special authority. "I shall have pleasure in being accessible to you or your representative at the Bank", and any deviations which appeared without hazard

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80. C.O.4832 pp.277-279 25th Aug., 1812. Cradock to Dashwood; L.B.10 25th Aug., 1812.

and that might partially accommodate the public, could be considered without loss of time. Should he be absent he would give such directions, through the Colonial Secretary, as would obviate delay or other injury to the public interests. His mind was also not quite made up yet on the continuation of interest at 5 per cent. on deposits for a year certain. But he admitted that if they were to continue on the present extended plan of discount, he could not see how they could get on without these funds. Otherwise it would be money thrown away.

Loans advanced for Public Works.[81] In the years 1812, 1813 and 1814, the sum of 500,000 rds., created for the execution of public works, was issued[82] to the Bank in five instalments and was immediately applied[83] to various objects. The removal of the public offices from the Castle, and the erection of new offices, with a Court of Justice and Public Library, and the construction of reservoirs and laying down water-pipes, constituted the principal improvements in Cape Town. To these were subsequently added advances from the fund in aid of the erection of a Commercia Exchange, of the purchase of a town Granary (formerly the Custom-House), and of the purchase of a Hospital for the town. In the district the advances from this fund had been applied to the opening of passes, the erection of churches and civil buildings, and subsequently to the purchase of lands and buildings for the establishment of new drostdies or seats of magistracy. Except in the erection of the public offices in Cape Town, these advances had been made a charge upon the town and the districts, to be repaid from the local taxes. Interest at 6 per cent. had been charged upon the several sums, with the exception of those advanced for the water works.

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81. Rec.27 pp.465-466.
82. Vide appendix D.
83. Vide appendid F.

The sums originally advanced and subsequently re-issued amounted to 624,551 Rds., of which 315,719 Rds. had been repaid on account of principal and interest; and by allowing the amount of interest that had been paid, and that had retarded the redemption of the principal, to be carried to the credit of "capital repaid", a sum of 321,165 Rds. was still due to the fund.[84] Besides these advances from the Bank, considerable sums were issued from the Colonial Treasury to effect the purchase of buildings, or the execution of works.

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84) Vide Appendix E.

CHAPTER V.

DEVELOPMENT BETWEEN 1814 and 1825.

The progress of the Banks had been most gratifying. The revenue derived by Government from the Banks had been considerable; that of the Loan Bank consisting of 6 per cent. per annum on the amount of the loans, together with some inconsiderable fees had increased from 25,765 Rds. in 1807 to Rds. 44,632 - 1 - 5 in 1808[1] and to 83,689 in 1812. The profits arising from discounts had similarly increased from 3,478 Rds. in 1808 to 18,759 in 1812 and 37,427 in 1814, after deducting the amount paid for interest on deposits.[2]

Memorandum by Dashwood: - On 14th April, 1814, the President of the Lombard Bank submitted a memorandum[3] to the Governor and he inter alia declared that with a few exceptions the whole mass of the debtors to the Bank were punctual in the payment of the interest due on their respective loans. At present the whole capital destined for the operation of discount had been withdrawn from the Discount Bank and lent out to the public in short loans at three months subject to occasional renewal for the same period. The shortness of time of these loans, however, precluded any material difficulty from arriving to Government should it be desirous of withdrawing this capital. The deposits bearing interest might be applied either in discount or short loans and perhaps one-third of the general deposits claiming interest might be applied with safety in discount. Therefore the public paid only 5 per cent. on loans obtained from the Bank, 1 per cent. less than the legal interest of the Colony, and the Government derived but 4 per cent., 1 per cent. being allowed to the members and accountants for its administration. Lord Caledon, however, raised the interest on

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1) Rec.7, p. 179.
2) Rec.27, p. 465; G.H. 23/2, p. 113. Enclosure 73, No. 6.
3) Rec.9, pp. 477-478, 14th April, 1814, - Memorandum by Dashwood.

loans to 6 per cent. and directed the whole of the proceeds to be carried to the account of Government, and attached at the same time specific salaries to the department.

Dashwood maintained that although the interest paid on deposits might be considered a drawback to the produce of the discount funds, yet whatever might be their amount, there would always be found individuals too happy to borrow for three, six, nine or twelve months. Thus, the objection to the continuation of granting interest on deposits was materially, if not wholly, done away with. Indeed, the plan of operation in the Bank appeared to require little or no amendment.

Somerset's Reforms: - In 1814 the annual interest bearing deposits,amounted to 673,000 Rds. These deposits were principally made by a class of annuitants or small capitalists who were living upon the interest of their money and were contented, for the sake of Government security, to take 5 per cent. on deposits for one year certain from the Bank in preference to 6 per cent. from individuals. Demands for peremptory repayment of the sums deposited were not made on the Bank, because it was known to be the regulation of the Bank not to repay within the period for which the sums were deposited. If, however, parties who had funds in deposit, applied for discounts on their own deposits, they were accommodated upon the unexceptionable security of these deposits. They paid a discount of 6 per cent. for the usual period of three months, while the Bank paid to them 5 per cent. for their annual deposit.[4]

In 1814, after three years experience of this system, it was considered, that, owing to the facility it afforded to the needy for obtaining money through the Bank, a door had been opened for speculation to an extent which neither the state of society, nor the resources of the Colony at the time justified, and which, unless speedily closed, would lead to the most

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4) Rec. 20, pp. 32-37.

pernicious consequences whilst the difference of 1 per cent. between the charge for discount and the interest paid, did not appear to Government as adequate compensation for the risk, trouble and expense incurred.[5]

Scarcely two months after the new Governor, Lord Charles Somerset, had arrived at the Cape, he decided to introduce some reforms. He had considered the general affairs of the Lombard and Discount Banks and in particular his attention was drawn to the 5 per cent. interest granted to such individuals who had deposited money for the term of twelve months. He found that by this regulation the Bank paid interest upon the large sum of 673,000 Rds. The continuation of this regulation appeared to him to be a matter of very questionable policy and he felt that the profit derived therefrom was not an amount of any considerable importance to the Colonial Government. Accordingly the Bank was instructed to stop the payment of interest on deposits.[6] This was to be done by sending out circular letters to the existing depositors and in future to refuse to receive deposits upon the terms of paying interest. Somerset specifically directed that under no circumstances should a public notice to this effect appear in the Government Gazette.[7]

This step, he maintained, would reduce the expenditure of the Bank, and in the long run he did not expect any considerable reduction in the amount of the deposits. The directors would naturally arrange their discounts with caution so that enough cash would at all times be available to pay the deposits which were entitled to be withdrawn. He would naturally feel considerable anxiety on this head and wanted frequent reports. He renewed the regulations directed in the letters of 1st June, 1808, and 27th December, 1811, from the Governor's Office. As for Cradock's last letter of 25th August, 1812, referred to above,

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5) C.O. 182, No. 13, p. 4.
6) Rec.10, pp. 121-122, 10th June, 1814: Assist. Col. Sect. Bird to Lombard Bank; L.B.10, 10th June, 1814; C.O. 4836, pp. 146-147.
7) L.B. 10, 15th June, 1814.

he would be ready for representations on any point at any moment.

Since the interest on deposits had ceased, the whole amount to whatever extent had of course become liable to be withdrawn at a moments notice at the pleasure of the depositors. The diminution of discounts was the effect produced by the measure of suspending the payment of interest on deposits for twelve months.[8] The capital was progressively withdrawn.[9] "Since that period", says the Civil Servant despondingly, "bank discounts are procured with more difficulty, and mercantile speculation has abated. The public distress, aggravated by dearth, has increased, is increasing, and ought to be diminished; and unless things find their level at an early period, imminent distress appears to hang over the Colony ....." Bills were discounted upon the same principles as formerly, but upon a more limited scale, always however, in a ratio proportioned to the amount of deposits. But on 22nd September, 1823, the president of the Bank reported[10] that "eight years have now elapsed, since the commencement of the latter system, which, although defective in the present day, has been productive of all the practical benefit to the Colony, which could have been reasonably anticipated from it."[11] In the very next year, Marshall gave evidence before the Commissioners of Inquiry and declared that the deposits without interest have so much increased that it was unlikely that the immediate interests of the establishment would be promoted by allowing interest upon deposits made for long terms.

President of the Bank Resigns: - Three days later Dashwood, in informing the Governor that he had made public his commands, submitted his resignation on the grounds that he feared the introduction of Somerset's views would not only diminish the revenue but also the general accommodation and

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8) Rec.20, pp. 32-37.
9) State of the Cape of Good Hope in 1822, p. 35.
10) C.O. 181, No. 13, pp. 4, 22nd September, 1823.
11) B.P.P. 406, p. 21, 28th December, 1824: Marshall to Commissioners of Inquiry.

relief which had been afforded to the public.[12] "As a man cannot act with the same energy in a cause in which his mind is at variance and as by a possibility of implication, the want of success in his endeavours might be attributed to lukewarmness and a desire to render the measures of Government inefficient by the spirit of opposition, and presuming as I do at the same time many disagreeable consequences which may result both as to the security of the establishment by withdrawing the means which upholds it (in the absence of an adequate capital to form its funds) and thereby involving a responsibility upon the members, in proportion as their means of affording assistance to the public becomes circumscribed and insecure, as well as other considerations which more immediately remain in my breast, I must beg your Excellency will be pleased to accept my resignation as President of the Lombard Bank and to appoint a successor as early as may be convenient."

This turn of events caught Somerset unexpectedly and he was no doubt alarmed.[13] "I should disguise my feelings were I to refrain from assuring you that I experience real concern that an act of mine should conduce and deprive any office of the Government of the services of a Gentleman whose respectability and character and conduct in office could not fail, to render his services most advantageous." In 1811 Dashwood had been appointed by Caledon to the joint post of Receiver-General and President of the Bank at a salary of £1,000.[14] Somerset, therefore, accepted his resignation in both capacities but subsequently reappointed him as Receiver-General only at the original[15]

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12) Arndt: Op. Cit., p. 185. Dashwood to Somerset 13th June, 1814. See also C.O.54 No. 15, 30th July, 1814.

13) Arndt: Op. Cit., p. 186. 14th June, 1814: Lord Charles Somerset to Dashwood.

14) Rec.20, pp. 32-37. 12th Feb., 1825: Dashwood to Commissioners of Inquiry. "I apprehend that the advantage resulting to the public from the connection of these offices during the period that I held them together, was the knowledge that I possessed of the finances of the Colony. I was enabled to regulate the transactions of the Bank and of the Treasury, so as to render them subservient to the necessities of each other, by borrowing from the Bank in aid of the revenues of the Colony, or from the Treasury in aid of the public discounts."

15) Rec.27, p. 467.

salary of 3,000 Rds. which was equivalent to about £338, and appointed Mr. Locke, his brother-in-law, as president of the Bank.

The aggregate deposits in the Discount Bank at the time of Somerset's change in policy, amounted to 1,268,543 Rds., but interest was only paid on 673,000 Rds. Also 1,044,797 Rds. had been advanced on bills and bonds and the cash balance of the Bank amounted to 223,746 Rds. Since 673,000 Rds. were on fixed deposit, the Government's risk was limited to 374,797 Rds.[16] The Government itself was a considerable creditor which further diminished the risk. Nevertheless, Somerset prudently considered the profit of 1 per cent. to the Bank on discounts, many of which were for private accomodation and not for purposes of trade or agriculture, as being too inconsiderable an advantage for the risk which might at any moment arise. Upon any serious alarm all deposits would be claimed and withdrawn on forfeiture of interest. A run upon the Bank of this extent, with only 100,000 Rds. capital, was sure to bring it to the ground.[17]

After Somerset's change discounts diminished and were obtained with greater difficulty owing to the withdrawal of the capital on deposit.[18] It was considered that, before the change, the door had been opened for speculation owing to the facilities afforded to the needy for obtaining money through the Bank, but,[19] as a result of the change, the mercantile speculation naturally abated.[20]

Mismanagement of the Lombard Bank: - Somerset had instructed Messrs. Bentinck and Matthiessen to examine the accounts, books and other papers relative to the administration of the Loan and Discount Banks and to bring out a report relative thereto.[21] On 30th July, 1814, they reported that more[22]

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16) Ibid., pp. 466, 467; B.P.P. 406, pp. 48-49.
17) State of the Cape of Good Hope in 1822, p. 35.
18) Ibid., p. 35.
19) Arndt: Op. Cit., p. 186.
20) State of the Cape of Good Hope in 1822, p. 35.
21) C.O. 54, No. 15.
22) C.O.54, No.15, 30th July, 1814: Report by Messrs. Bentinck and Matthiessen.

than 5,000 Rds. were advanced to some persons which was a deviation from the Instructions. They further pointed out that the losses occuring to this Bank must fall upon the Government because by the letter of 30th July, 1808, no mention was made of responsibility but only an authority to discount was granted. They found that several persons had not appointed new sureties in the place of those who had died or gone away, and others had not prolonged according to the 9th article of the Instructions. As a result Government had lost the 1 per thousand and ¼ per cent.[23] as well as the stamp duty of 5 Rds. on every Deed and the other fees for drawing up the same.[24]

It also appeared that in the Bonds passed since 1st June, 1808, the regulation, that, after the expiration of two years 10 or 6 per cent of the capital should be paid off, had not been inserted. In their opinion it was absolutely necessary in order to be able, by legal process, to force the debtor to fulfil his contract according to the tenure of his Bond. By letter of 1st June, 1808, the Government had placed a certain sum at the disposal of the directors to be advanced in small portions and for short periods. From this letter it could be concluded that the object of Government was to keep this money in constant circulation in order to assist those inhabitants who might need temporary assistance and thus to be of real use to them, even sacrificing part of the fees attached to common loans. A sum of Rds. 80,266 - 5 - 2 had been advanced for periods of three and six months, not in small, but principally

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23) Vide Article 22.

24) Directed by the proclamations of 24th Dec., 1807, and 25th May, 1812, Messrs. Bentinck & Matthiessen reported: "Although the late president and the directors, attempt to excuse this neglect by quoting the 8 article of the provisional Instructions, which directs that annually 10 and 6 per cent. must be paid off, and that by this alteration the Directors had the right taken from them to call in the whole capital and to require of the debtor to pay it unless this agreement was complied with, whereby the asking to prolong was become unnecessary, and superfluous, however well founded this observation is, it has not changed our opinion of its being a neglect, the more so as the conduct of the servant of the Bank contradicts what the Directors suppose, because some willing creditors have prolonged in due time and paid the costs attending it."

in large amounts. The debtors had abused the indulgence of the directors and by obtaining delays, had put off the repayment of the capital and kept the money for years in their possession. This was of course contrary to the beneficial views of the Government to assist all the inhabitants as occasion might require. However, Dashwood had declared to them that Sir John Cradock had directed him, verbally, to discontinue the sending of the lists of applicants to him, because the Governor, not knowing these individuals, could not judge of the propriety.

On the 16th July, there remained in hand Rds.47,585-5 which did not belong to the Bank, but according to the 4th article of the provisional instructions should be paid monthly into the Government Treasury. This neglect was the cause that such a large sum had remained in the hands of the cashier, which was contrary to the 28th article. Therefore, as long as the directors leave the money received in the hands of the cashier and do not take the superfluous money under their own care,[25] there would always be a considerable sum under the responsibility of the cashier.

They also presented two lists of persons whose interest were in arrear from December 1812 and 1813 and who, according to the 4th article, ought long since to have been compelled by legal measures to the payment thereof. Finally they added "that on investigating this administration, it has been observed to us, that many of these neglects would have been prevented, had, according to the 30th article, a regular meeting of the Directors taken place."

On 23rd August, 1814, the directors of the Bank received a letter[26] from the Secretary's office to the effect that the Governor desired them to take remedial measures to give "such directions and use such superintendance as shall effectually prevent any future deviation from those fixed rules, by adherence to which only a concern of the nature of the one under

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25) Vide Article 29.
26) L.B.10, 23rd Aug., 1814: Assist. Col. Sect. Bird to Lombard Bank.

your direction can be continued upon a safe and advantageous footing for the publick interest," which was accordingly done.[27] They were also to report to the Governor on the errors.

Again in March, 1816, the Auditor-General reported[28] that "the erroneous system upon which the affairs of the bank are conducted, has made so serious so alarming an impression upon my mind, that I do not hesitate to declare that a radical and an immediate reform is absolutely necessary." He particularly mentioned the irregular practice of individuals who had been allowed never to pay off any part of the capital advanced to them, nor one shilling of the interest. The directors, instead of being guided by motives of delicacy, ought without distinction of persons to have taken such efficacious steps as would lead to the recovery of the arrears. In order therefore to establish a check upon similar practices in future, he suggested that the directors should transmit every quarter to the Audit Office a list specifying the amount of arrears of each individual. However, in August, 1816, the Lombard Bank was informed[29] that the Lords Commissioners of His Majesty's Treasury had issued instructions with respect to the mode in which the Public Accounts in the Colony were to be submitted to the Colonial Auditors in England. The Governor therefore directed them to forward to the Secretary's Office at the end of each year a statement of the receipts and payments made in the Lombard and Discount Banks, together with explanatory observations.

It would appear, however, that notwithstanding the knowledge of these deviations from the Instructions and regulations of the Bank, they were continually tolerated. In June, 1820, the Auditor of Accounts reported[30] that the Board of

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27) L.B. No. 8, Resolution 25th Aug., 1814.
28) C.O.81, No.11, 27th March, 1816: Auditor-General to Assist Col. Sect. Bird.
29) L.B.10, 14th Aug., 1816: Assist. Col. Sect. Bird to Lombard Bank.
30) L.B.11, 29th June, 1820: W. Bentinck to Colonial Secretary.

Directors was inclined to carry their indulgence towards individuals to too great a length in allowing several persons to be considerably in arrear, as some had neglected to pay off any part of the capital advanced to them, as well as the interest due thereon. It was of the greatest importance to the public that the existing regulations should be strictly adhered to and the directors should on all occasions immediately take the most efficacious steps for recovering what might have become due. Even in 1826 the Commissioners of Inquiry[31] reported that the system of renewing loans was continued to a late period, and the regulations for their repayment by instalments were but imperfectly observed.

Bank Proposes Interest on Deposits: - Owing to a variety of causes but principally to the extension of commerce and to the increased resort of foreign ships to the Cape since the establishment of peace, the demand for discounts had increased considerably while the funds of the Bank had gradually been on the decline. In order to provide more effectuality for the permanent security of the Discount Bank, and to extend the accommodation to the public by discounting a large amount of unobjectionable securities than the existing limited means of the funds would permit, the Directors of the Bank laid three plans before Somerset in March, 1817.[32] In order to accomplish the object they had in view they suggested the adoption of one of the following measures: firstly, an increase of the paper currency, secondly, a loan from Government to the Bank, and thirdly, a loan from individuals to the Bank. The first measure appeared to them objectionable on account of the delay which must attend a communication with H.M. Government at home before it could be effected and the uncertainty whether it might eventually be approved. The second measure appeared to them at present impracticable. The third plan was therefore the only one which under existing circumstances was feasible or likely to

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31) Rec.27, p. 47, 6th Sept., 1826.
32) L.B. 24, pp. 127-131, 6th March, 1817: Lombard Bank to Lord Charles Somerset.

afford the means of providing for the necessities of the public, consistently with security to the Bank.

They proposed that the means whereby this plan should be carried into execution was by offering a bonus of 4 per cent. on all deposits of sums not less than 1,000 Rds. for at least twelve months. Should the funds permit, the directors were to be allowed to restore the principal or part thereof without interest after the expiration of three and six months, and with interest after the expiration of six months, to such parties as might require it. In fixing the rate of interest at 4 per cent. they had in view to give every reasonable encouragement to individuals to render the Bank as far as possible the general place of deposit for all the circulating medium in the Colony and at the same time to give additional stability without lessening the existing amount of profit to Government. An interest of 5 per cent. would not in their opinion leave a profit sufficiently large to defray the expense of the establishment, while 3 per cent. would not hold out a sufficient encouragement to individuals to make the deposits required. Indeed, while the legal interest of the Colony continued at 6 per cent, they did not expect any rapid or very extensive effects from the operation of the measure of giving 4 per cent. But on the other hand they did not anticipate any considerable diminution of the deposits for indefinite periods. At the moment there was no other public channel through which any interest for money could be obtained and it was not unreasonable to expect that many individuals would be ready to avail themselves of an opportunity to derive a moderate interest from a secured capital in preference to a more precarious profit through private channels, especially while the high rate of exchange continued to operate against remittances.

Within a few days the Bank received a reply from[33]

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33) L.B.10, 14th March, 1817: Lord Charles Somerset to President of the Lombard and Discount Banks.

Somerset which reveals the fact that the Governor had changed his previous attitude towards interest payments on deposits. "It is scarcely necessary for me, who am principally interested therein, to assure you gentlemen of the great anxiety I have not ceased to fell for the permanent security of the Banks and of the zealous support which I shall be always disposed to give to any measure likely so desirable an object in." Somerset accordingly authorised the directors to carry their proposition into effect but at the same time be warned that it might have dangerous consequences for the Bank to solicit deposits of this nature by means of any public advertisement. Such a measure, he thought, might give rise to unfounded surmises with respect to the stability of the concern itself. According to the Governor a borrowed capital in a Bank was an insecure foundation to rely much upon in transactions of moment and "it has been my wish gradually to increase the standing capital placed at the discretion of the directors, trusting that such capital shall.... be appropriated to the accommodation of the public upon unobjectionable security. When however I examine the monthly statements of Discounts transmitted to me from your office I see large sums long outstanding which appear in their not committed to immediate and recurring wants of the public, I cannot but feel great apprehensions lest affording additional means may only have the effect of adding to the already numerous list of defaulters to the ultimate serious and alarming consequences thereof." So strongly have these impressions guided Somerset that he had long since taken steps for adding to the capital of the Bank all the returning sums with interest due on them of the 500,000 Rds. sent to various public securities from funds created for the particular objects to which they were appropriated. "I shall sedulously study every additional means by which such desirable objects may be attained, as the perfect security of the Bank and the possibility of affording sufficient accommodation to fair mercantile operations."

Somerset is Completely Converted: - By 1821 the circulating capital of the Cape was composed of paper money and Vendue Rolls or amount of sales by public authority at three months for which Government was responsible. The paper money was in the hands of a few individuals who lent it out at usurious interest.[34] The Vendue Rolls, again, were in the possession of merchants who were unable to realise them at fair mercantile discount, "as there is no institution, public or private, conducted on that principle, equal to the transactions." According to Mr. Ellis, the deputy Colonial Secretary, it was obvious that the first evil, namely deficiency in the amount of the circulating medium, could be remedied by an additional issue. The increased amount of paper money, like other commodities, would to a certain extent find its way where it was most required, that is, into the country districts, and any surplus would be absorbed in Cape Town. This absorption must, however, be conducted upon a regular system and it would be found in discounts on real transactions effected through a Colonial Bank. Such an establishment actually existed in name, but being without permanent capital and relying entirely for capability to discount on deposits, for which it paid no interest, had but a limited utility. In fact, the state of its balances exhibited a constant danger of insolvency which was only prevented by aid from the Public Treasury. Before 1814 when interest was allowed on deposits, these had amounted to 1,200,000 Rds. In 1814 the interest on deposits was discontinued and the facility of discount so abridged as to substitute private capital and usurious interest as the sources and means by which activity was to be maintained in commercial transactions. The fact that not even one-sixth of the Vendue Rolls could obtain discount at the Bank sufficiently proves the evil of a want of capital. Moreover, 20, 50 and even 100 per cent. were the rates of discount by usurious capitalists, even in real transactions. Thus, these circumstances sufficiently attested the necessity of some effort on the part of the Government to relieve the industrious classes from such insuperable obstacles to

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34) Rec.14, pp. 48-52, 6th July, 1821, Memorandum by Dept. Secretary Ellis.

advancement.

The Deputy Colonial Secretary, Ellis, recommended the creation of a capital of 500,000 Rds. to be called Bank Rix-dollars. This was to be placed at the disposal of the Government Bank for purposes of discount and the capital of the Bank should be further increased by a recurrence to allowing interest on deposits. The success of the measure would naturally depend upon the rates of discount and interest and must be regulated by considerations applicable to the existing circumstances. If the rate of interest for deposits was too high the Bank might be inundated with capital beyond the power of employment, while, if the rate of discount was too low the applications would be numerous in excess, and compliance might from facility or mismanagement produce embarrassment. With a capital of 500,000 Rds. the rate of interest for deposits need not exceed 5 per cent., while the existing difficulty of obtaining discount on the best security would justify a demand of 8 per cent. This rate, although exceeding the legal interest by 2 per cent., was much below the rate at which private bills could be negotiated or even Vendue Rolls to any considerable amount. The latter, as Government securities, could be discounted at 7 per cent.

There were undoubtedly advantages incidental to the plan recommended. If it is supposed that the deficiency of the amount of circulating medium was non-existent but that the paper money found its way into the hands of a few individuals who would only circulate it on the condition of usurious interest, the existence of an efficient Discount Bank would compel the holders of the paper to diminish their demands of interest and to open their hoards at least to the extent of capital possessed by the Bank; thus the benefit to industry and commerce would at least be equal to that amount. The profit that must accrue from the augmented rate of discount by the Bank might be applied to the destruction of the capital

created. The advance in the rate of legal interest would induce individuals who now hasten to remit their capitals to Europe to allow them to remain at the Cape, and even in the event of departure from the Colony to be satisfied with the remittance of the interest. Moreover, the sudden increase in total population consequent upon the emmigration of British subjects called for an increase of circulating capital to give energy to the augmented agriculture necessary for their support and to the superior mechanical skill and industry from which alone their prosperity could be derived. Much might be effected towards these important purposes by small advances from Government or from the Bank under the sanction of Government, while without an increase in the circulating medium these advances were impossible. On the whole therefore it would seem that the necessities of the Colony called for an augmentation of the circulating medium, that this augmentation might be effected without difficulty or risk, and by employing the additional amount as capital to a Discount Bank on sound principles, might be made applicable to the best interests of commerce, to the destruction of the existing practice of usury and to the eventual improvement of the exchange.

On 27th July, 1821, Somerset communicated with Secretary of State, Bathurst, and also enclosed the above memorandum of Mr. Ellis.[35] He asked for leave to issue another 500,000 Rds. to be placed in the Bank and to restore the 39,000 Rds. of the 500,000 Rds. fund which had been destroyed. He further proposed that the legal interest of the Colony should be raised to 8 per cent., that Vendue Rolls should be discounted at 7 per cent. and that 5 per cent. be paid on monies deposited in the Bank.

However, the request to issue more notes was not granted, but instead Somerset advanced 200,000 Rds. to the Bank from the Treasury in 1822 for the distressed farmers. The Bank was required to keep an entirely separate account for this as

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35) Ibid., pp. 64-65, 27th July, 1821: Lord Charles Somerset to Sect. of State Lord Bathurst.

well as for the interest derived from it.[36] In addition, by proclamation of 11th October, 1822, provision was made for a Savings Department in the Bank.[37] Thus in 1823 the personal deposits amounted to 1,400,000 Rds. and the Bank's total receipts within the year to 14,000,000 Rds. In 1824 these amounts increased by 100,000 Rds. and 1,000,000 Rds. respectively.[38]

President of the Bank Appointed From England: - The Lombard and Discount Banks was an establishment, under the control of Government, by which the legal discount of all securities on real and substantial transactions was conducted. Few estates in or near Cape Town were free from mortgages which were in the hands of the Bank. The transactions in a year amounted to some hundred thousand rixdollars. From the amount, variety and nature, therefore, of the business the duties of the president were very confidential and locally important. This office was certainly one of great trust and responsibility. The first branch of the Lombard and Discount Bank was directed to advances upon land and other property of an immediately convertible character and the latter to discounts upon mercantile and other securities. From the first branch the concerns of most of the landed property of the Colony came under the consideration of the president, while the Discount branch was the only establishment in the Colony of that nature, the only check, as far as its

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36) P.A.O.N. p.557, 21st June, 1822: procl. by Lord Charles Somerset; Rec.14, pp. 408-409, 414; C.O.206, No.16; L.B.11, 22nd June, 1822.
Loans granted under the usual Bank Security to the following individuals in the :

Cape District	Rds.	81,933 - 16
Stellenbosch District		92,050
Swellendam "		9,933 - 16
Worcester "		8,266 - 32
George "		7,000
Total in Loan		199,183 - 16
Balance in hand deposited in Discount Bank		816 - 32
		200,000

See C.O.4457, 27th July, 1824.

37) P.A.O.N. pp. 574-5, 11th Oct., 1822 : procl. by Lord Charles Somerset.

38) Rec. 19, p. 416; C.O. 182, No. 13, 22nd September, 1823.

means extended, to usury, as well as the only aid to harvest enterprise and industry. To the president naturally belonged the decision of complying with the applications for assistance. It was therefore advisable that the president should be independent of local connections and indeed of local influence. In addition, it would always be difficult to find among the Colonists an individual of the particular character and capacity required for the office of president of the Bank.[39]

It was not surprising, therefore, that in June, 1822, Bathurst informed[40] Somerset that an office embracing so many essential objects as that of President of the Lombard Bank should in future also be made by "notification of His Majesty's pleasure to the Governor or officer administrating the Government for the time being." The King renewed the appointment Somerset had previously made in the person of Mr. Marshall, at a salary of £600 per annum.

Reorganisation Proposals by President of the Bank: - The state of the Colony had within the last few years undergone such a considerable change as materially to affect the system under which the business of the Bank had hitherto been conducted. A large increase of foreign and internal commerce, together with a sudden influx of British population had produced a corresponding increase in the pecuniary transactions of the Bank which rendered the institution one of vital importance to the welfare of the Colony. But at the same time it was loaded with a degree of responsibility which appeared to be incompatible with its security.

On 22nd September, 1823, the president of the Bank

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39) Rec.14, pp. 358-360, 27th April, 1822 : Assist. Col. Sect. H. Ellis to Robert Wilmot.
40) G.H. 1/7 No. 401, 30th June, 1822 : Sect. of State Lord Bathurst to Lord Charles Somerset.

reported[41] to Somerset on the affairs of the Bank. He pointed out that an evil had insinuated itself which threatened to undermine the establishment and which could not be effectually subdued, without the co-operation of Government. This evil alluded to was an increase and still increasing irregularity on the part of the public in the payment of bills, thereby rendering the funds unavailable when most required and altogether inapplicable to the purposes of general accommodation. This evil, however, was not to be ascribed to the system, but to the new and unforseen circumstances in which the Colony was placed.

The merchants had complained that they did not participate fairly in the accommodation afforded to the public by the Bank. It was clear, Marshall said, that the Bank has not the power, under existing circumstances, to meet their wish of a more extended accommodation nor would it even have the means of doing so until they could be prevailed upon to pay their bills with punctuality, more particularly, as such bills were not, as was generally the case, accompanied with collateral security. With regard to the allegation that they had not fairly participated in the accommodation hitherto afforded to the public at large, it proved to be altogether incorrect.

The Discount Bank had not a dollar of fixed capital, and, as the whole amount of its funds consisted of fluctuating deposits not bearing interest, it was incumbent upon the directors with a view of security, to reserve always a large balance in hand.

The deposits at the time were :-

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41) C.O. 182, No. 13, 22nd September, 1823 : Report by President (Marshall) of the Bank.
This Report was partly drawn up because of complaints by the merchants that they were not receiving sufficient accommodation. Marshall feared that they would complain to the Commissioners of Inquiry and accordingly addressed this lengthy document to Somerset in anticipation of such action.

Belonging to the Public	- Rds.	400,000
East India Company		300,000
Individuals		600,000

Those of the East India Company were liable to be withdrawn at any moment. One-half or a quarter of the 600,000 Rds. were the exclusive property of merchants. The number of accounts opened at the Bank at the time was 192, of which only 37 were those of merchants. It is therefore clear that the merchants had no claim to an exclusive accommodation from the Bank exceeding one quarter of the whole amount of its Discounts. The average monthly discounts for the previous six months had amounted to about 235,931 Rds of which 108,231 Rds. had been appropriated to the exclusive benefit of the merchants. The truth, however, was that the merchants, including shopkeepers and other tradesmen, had complained en masse, but only a small proportion had opened accounts with the Bank, depriving it thereby of the only ingredient which could fairly constitute a claim to any accommodation at all. Mercantile bills, not being often accompanied with collateral security, required a greater degree of caution, and in fact, whenever any instance of particular punctuality had come under the notice of the Bank, accommodation had seldom been refused to the extent required. "I presume it may be fairly concluded that the merchants have hitherto received as much accommodation from the Bank as they are really entitled to."

Owing to a variety of causes the imports of the Colony for some years past had progressively exceeded the exports, until the markets had been glutted and the shops filled with European goods. The consequence was that the usual method resorted to by the merchants for clearing their stores by means of public vendue, had in a great measure failed. They had, therefore, had recourse to the enticing bait of long credit with an implied understanding that payment when due would not be enforced if inconvenient to the parties indebted. The

purchasers, consisting of shopkeepers, had the same difficulties to contend with as the merchants had before them and were therefore not prepared to meet their engagements in time to enable the latter to make their remittances. In this dilemma the merchants sought for relief from the Bank, and not being able to obtain it for the reasons already mentioned, their object appeared to be to deposit all their undue paper and to receive certain advances thereon, leaving it to the Bank to collect the money. Their object was to transfer from themselves to the Bank the powers, together with the trouble and odium of collecting their outstanding debts by the rigid exercise of such power. The Bank, with respect to the debtors, would stand in the place of the Vendue Master, and would be equally dreaded in all future transactions with the merchants. However, the Bank was, or ought to be, the natural parent of commerce.

Marshall therefore prepared the adoption of such measures as might enable the Bank to yield the nourishment required without incurring the danger of breaking up its own constitution. All who were indebted to the Discount Bank should be required, by proclamation "to discharge their debts forthwith or in default to state in writing their inability so to do before a given period and to claim the indulgence (to be set forth in the said proclamation) of liquidating the same by four quarterly instalments and further, that in default of any instalment not being paid within three days after it falls due, the Bank be required to take steps forthwith for the recovery of the whole of the outstanding part of the debt by legal proceedings." Further, the proclamation should also set forth" that in all subsequent discounts at the Bank which should in no case exceed three months, the Directors be required to enforce payment of all Bills in full within three days after they fall due."

Next he recommended "that a fixed capital be formed

for the Discount Bank by transferring all such sums as may be received after 1st January, 1824, in part payment of the capital falling due on the long loans, to the Discount Bank instead of re-issuing the same as heretofore, until such transfers shall amount to the total of 300,000 Rds. provided, all the present positive engagements with individuals, shall have been completed prior to that period." He had no hesitation in giving it as his decided opinion that this measure would not only be strictly just, but that the public would derive infinitely more benefit from the increased stability and the enlargement of its discounts than they have done from the system hitherto pursued of lending money for long periods upon fixed property through the Lombard Bank. The Government would likewise receive an adequate compensation for the deficiency of interest which would accrue from a reduction of the capital in the Lombard Bank by an increase of discounts in the Discount Bank. The system of lending money upon fixed property for long periods, be held, was no doubt well adopted during the infancy of the Colony to encourage agriculture and to promote the general improvement of the Colony. But now it was resorted to more as a matter of convenience than necessity. "In the present improved state of the Colony, the administration of its funds are too partial in their operation to produce any general effect, unless it be that of dissatisfaction, whilst a discretionary power remains vested in the Directors which they find extremely difficult to exercise conscientiously."

The next topic that he dealt with was the Long Loans. The capital of the long loans, amounting to 1,300,000 Rds., was lent to individuals upon the security of land and buildings together with two collateral securities in proportion of one-half the value of the property in Cape Town, and two-thirds in the country. The original advance was liquidated by annual instalments, after the expiration of two years from the date of the loan, in the proportion of 10 per cent. of the Capital for Cape Town, and 6 per cent. for the country, together with an interest

at the rate of 6 per cent. which was paid annually from the commencement of the loan. The whole of these in addition to the Short Loans amounting to 100,000 Rds., were distributed among such a large proportion of the community that some arrears became unavoidable, though far from being considerable. This was probably not so great as might be expected when the disastrous effects of the storms of 1822 were taken into consideration. The Directors were frequently obliged to have recourse to legal proceedings, but pursuant to Somerset's intimation that every possible leniency should be shown to the parties indebted to the Bank while under the pressure of the calamity caused by the storms, they had in many cases been restrained from taking such summary measures which they would have taken under other circumstances. To this forbearance on the part of the Bank in conjunction with the operation of the Agricultural Fund, the restoration of prosperity throughout the Colony might perhaps be mainly attributed.

Marshall held that it was very doubtful how far the existing system of lending money for such a large period as two years without repayment of any part of the capital, and then only by annual instalments of 10 and 6 per cent., was really beneficial to the public or even to the individuals themselves. A man who borrowed money for such a long period was apt to have his energies destroyed and to lose sight altogether of the obligation to return it. The frequent consequence was that when the day of payment arrives, not being prepared with the means, his estate became confiscated for the liquidation of his debts. The public advantage of lending for long periods was that it operated against the generally acknowledged benefit of a quick return in all pecuniary transactions and the consequent confinement of the accommodation to a small proportion of the community. "Looking to the present state of the Colony wherein we see a rapidly increasing population scattered over a country extending upwards of 600 miles in length and probably one third of the distance in breadth, it may be questioned how long a

system can with propriety be persevered in which confines a public pecuniary accommodation, except in a trifling degree, to one particular district. "If it should be thought expedient to afford some extended accommodation to the remote districts of the Colony, the question would then be how such a measure was to be effected seeing that according to the present system pursued in the administration of the funds of the Bank, it did not appear to be practicable. Marshall proposed that the only means of providing funds for the purpose was, that the proportion of the capital on the long loans as they were paid into the Lombard Bank after a specified period, should not be re-issued as heretofore but be deposited in the Discount Bank for the purpose of forming a capital with a view to the ultimate consolidation of the Lombard and Discount Banks into one general Bank of Deposits and Discount which was to be conducted upon similar principles to the banks in England; and also with a view to the formation of branch banks under well digested regulations in other districts of the Colony. The funds of the Discount Bank consisted of the fluctuating deposits of individuals, the East India Company and of Government, for the quarterly receipts of the Colonial Revenue could not be applied to any such extraneous purpose as that of supporting other Banks with any degree of safety or without being liable to the charge of a breach of confidence by the depositors. The Discount Bank had at present no fixed capital at command and was not provided with the means of meeting any extraordinary sudden demand upon its funds. This difficulty becomes the more important when it is considered that there was no other Bank and no Treasury which was capable of affording relief in a case of emergency.

The foregoing observations relative to the long loans were equally applicable to the Short Loans. When the latter were first instituted the intention was to afford an accommodation to the public by means of loans for six months, but it had been found impracticable strictly to adhere to those regulations

without occasioning great individual distress. In consequence of the increased amount of discounts in the other Bank the measure had been rendered less necessary. The period of the loans had therefore in most cases been prolonged and the funds had been administered much after the manner of the long loans with this difference that, whereas the latter were secured upon landed property, the former were granted upon the security of movable effects.

The Agricultural Fund was established with the benevolent intention of affording relief to the sufferers by the failure of the crops in the year 1822, but how far that object had been realised to the extent anticipated was more than doubtful. That in particular cases it had had the desired effect could not be questioned but Marshall could not believe that it would ultimately prove beneficial to the generality of the borrowers. Most of the parties were already in debt to a larger amount than they had the means of discharging, and although a considerable sum of ready money might have the effect of increasing their expenditure and consequently the quantum of their immediate comforts, the additional weight of debt together with a proportional interest thereon of 6 per cent. per annum must ultimately increase the difficulties, whereas had the accommodation been withheld, whatever temporary inconvenience they might have been liable to, necessity would have taught them the means of struggling through them and the subsequent favourable seasons would have placed them again on their feet. The proof of this is partly to be found in the refusal of some of the sufferers to avail themselves of the accommodation offered upon the declared ground of preferring to submit to a temporary inconvenience, to entailing on themselves a perpetual incumbrance. This fund had been lent to individuals on similar terms as those of the long loans and stood in all respects on the same footing. Marshall suggested that it might therefore be deemed advisable to add it as it becomes payable to the consolidation and branch bank capital.

The 500,000 Rds. Fund was created for the purpose of contributing to the architectural improvements of the Colony and was directed to be destroyed as it returned to the Bank. Rds. 15,000 had been destroyed accordingly, but it appeared to Marshall that under the existing state of the finances of the Colony to be impracticable to carry the measure of destroying the remainder into effect without incurring an equal amount of debt to Great Britain. Marshall therefore thought it advisable to prevail on the British Government to revoke the order in question and to sanction the measure of adding all such part of this fund as might in future be repaid to the Bank to the before-mentioned consolidation and branch bank capital.

Somerset's Response: - Somerset, however, was of opinion[42] that the failure of the Bank's customers to meet their obligations at maturity could only be remedied by being more choice in accepting security. The Bank had always the power of enforcing payment by adopting legal measures if the security was valid. He agreed that it was most desirable that the Discount Bank should have a capital. But this he felt could only be done by applying to this purpose £100,000 of the £125,000 which he was permitted to draw on the British Treasury in the previous year. The measure of transferring funds from the Lombard Bank, be considered questionable. The only stable capital would be the £100,000 from the British Treasury for which they should pay 5 per cent. and should give the Land Revenue as security for the principal and interest or any other branch of the Revenue which the Government at home might desire. For the rest, Somerset does not appear to have carried the question any further and accordingly nothing came of this suggestion.

Loan from East India Company: - On 18th December, 1823, the agent for the affairs of the English East India Company,

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42) Vide annotations to Marshall's letter.
Arndt: Op. Cit., p. 189.

Mr. Hawkins, proposed[43] to give a loan of 300,000 Rds. for one year at 5 per cent. per annum to the Bank, which was only a portion of the funds of the Company deposited in the Discount Bank. This would enable the Bank to bring into use a large paper currency for a determinate period and thereby contributeto a large extent to the accommodation of the commercial section of the Colony. This proposal, however, was not accepted. Subsequently[44] the agent proposed to grant a loan of 300,000 Rds to the Discount Bank at the rate of 5 per cent. for a term not exceeding six months, with an intimation that, in the event of this loan being rejected, the large balance due to the East India Company, which amounted to 400,000 Rds., would be withdrawn.

The serious inconvenience with which the execution of this measure contemplated by Hawkins would be attended, rendered it incumbent[45] upon the Bank officials to communicate with the Governor "to submit our opinion for His Excellency's consideration upon the expediency of endeavouring to meet the views of Mr. Hawkins so far as may be deemed consistent with the general interest of this Bank jointly with those of Government and of the public at large." They pointed out that for the last nine years the East India Company had kept a balance in the Discount Bank which had progressively increased from the sum of 150,000Rds. to its present large amount, without receiving any interest whatever thereon. The greater degree of confidence which had been placed by the Directors for so many years in the permanency of this large deposit over every other part of the funds of the Discount Bank, had enabled them to avail themselves of nearly the full amount of all the other deposits in the discount of bills etc. at an interest rate of 6 per cent. Consequently a much larger accommodation was afforded to the public than would otherwise have been in their power, while the profit accruing to Government therefrom had proportionally increased.

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43) C.O. 197 No. 4, 18th December, 1823.
44) L.B. 26, pp. 18-20; C.O. 206, No. 13.
45) C.O. 206, No. 13, 17th July, 1824; L.B. 26, pp. 18-20.

The Discount Bank had no fixed capital and it was therefore necessary always to retain a considerable cash balance on hand in order to meet any sudden and unexpected demand upon its funds. This balance had hitherto been supported chiefly by the amount of the East India Company's deposit. If this deposit was to be withdrawn a very considerable sum must be forthwith called in and kept from circulation in order to take its place. Not only would such a measure cause considerable inconvenience to the public but the profits of the Bank would be diminished in the same degree. The president of the Bank accordingly proposed that the rate of interest should be reduced from 5 to 4 per cent. on the loan which was to be for 200,000 Rds. instead of 300,000 Rds. In addition, the Bank regarded six months as too short a period and they suggested it should be not less than twelve months and that at the expiration of that period the agent should be restricted from drawing out a larger sum than 50,000 Rds. in the course of one day at intervals of fourteen days.

Eventually Mr. Hawkins granted a loan of 200,000 Rds. to the Discount Bank at the rate of 4 per cent. for a term of six months.[46]

Application for Loans to be made by Letter: - Pursuant to the 17th Article of the Regulations of 1st June, 1808, all applications for loans had to be made by letter to the president and directors of the Bank. This regulation, however, was never rigidly adhered to or enforced. When loans were solicited by the inhabitants of Cape Town, personal applications were usually made, but when they came from the country they were necessarily in writing.[47]

It might happen that a party applying from the

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46) Ibid., p. 27, 27th July, 1824; L.B. 12 No. 41, 31st July, 1824; C.O.206 No.15; Rec.27, p. 468.

47) Rec.19, pp. 425-427, 31st Dec., 1824 : Marshall to Commissioners of Inquiry;
Ibid., pp. 427-433, 4th Jan., 1825; Rec. 20 pp. 32-37. 12th Feb., 1825.

country districts attached a superior value to his property that he offered as security for a loan, which gave occasion to correspondence and to demand for the certificate of the landdrost. The information after all might be still imperfect, as the personal securities might not be known to the directors, and much time was consumed in references which were avoided by the opportunities of personal communication and inquiry. There was no reason to suppose, however, that the securities on which loans had been granted in the country districts had not generally been adequate.[48]

On 14th May, 1825, it was announced[49] by the Bank that all applications for loans or discounts, were to be made to the directors by letter. The applications for loans should contain the amount required, the value of the security offered, the names of the personal sureties, and the object for which the loan was actually required. In the applications for discounts the following should be included: the amount and particulars of the bonds, bills or notes, the dates when they became payable, the names of the personal securities or by whom accepted.

The applications for loans from the Lombard Bank upon mortgages of landed property as outlined above, would be registered to be attended to in due course as the funds of the Bank would permit.[50] Whenever this should be the case the party would be required to forward in the first instance a certificate signed by the board of landdrost and heemraden of the value of the landed property offered to mortgage and of the sufficiency of the collateral personal security to be joined thereto. This document was to be further accompanied by the title or transfer deeds and by a certificate from the Colonial Registry Office of the amount for which such landed property might be already mortgaged. If there was no prior mortgage on the landed property the fact had to be verified by a certificate to such

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48) Rec.19, pp. 427-433, 4th January, 1825 : Marshall to Commissioners of Inquiry.
49) Govt. Gazette, 14th May, 1825.
50) L.B. 26, p. 84, August, 1825.

effect from the same office. On these documents being found satisfactory, the required loan would be granted provided the sum did not exceed one-third of the amount at which the property was valued. An agent, legally empowered, could also act on behalf of the party should the latter not be able to attend in person to pass his bond to the Bank and receive the amount of the loan.

Position of the Lombard Bank after 1825: - The year 1825 marked the introduction of sterling into the Cape Colony. After 1825 it had become evident that the Lombard and Discount Bank was entirely inadequate in financing the business and cope with the requirements of an expanding Colony. Accordingly, in this year also the active movement commenced for the establishment of joint-stock banks which was to culminate in ultimate success in 1836. This movement was enthusiastically supported by several prominent men in the Colony, such as Ebden and Fairbairn, the editor of the "Commercial Advertiser".

In an issue of the "Commercial Advertiser" of 28th December, 1825, the editor[51] criticised the Banking institution in the following way: "It is founded on the worst principle - that of lending inconvertible paper upon inconvertible security. It is unchecked in its issues, and has been the tool of Governments in overloading the circulation, and thereby reducing the value of the Rixdollar _." Some believed that it had been guided in its operations by partiality and favouritism, and that its effects had been not to encourage agriculture and commerce but to create wild and ruinous speculations and extravagant expenditure. "We are not prepared to say so much; but at present it is certainly of little benefit to the public. Public officers and individuals acquainted with the real Directors, are said (long ago, of course) to have reaped a more decided advantage from this Paper Mill than the public. According to the

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51) S.A.C.A. 28th December, 1825.

present loose system of business at the Cape, a person's signature is looked upon merely as the acknowledgement of a debt - the payment of which, although due, he considers may be made when most convenient for himself. The discount Bank should show a rigid example in enforcing payments, and introduce a more direct plan of transacting business, instead of the present careless system adopted in this Colony." The editor expressed a belief that if a Joint-Stock Banking Company were established in the Colony, with a capital of about one million rixdollars, it would produce an immence advantage to agriculturists and traders.

The Lombard Bank continued to be the sole banking institution in the Colony until 1831, when the Cape of Good Hope Savings Bank was established at Cape Town, and remained the only discount bank until 1836, when the Cape of Good Hope Bank, the first private commercial bank on the joint-stock principle, was opened in Cape Town.[52] "Thus, in view of the growing needs of the Colony and the lack of enterprise on the part of the Lombard and Discount Bank, there came a reaction to the State monopoly of banking and a rapid multiplication of local banking institutions, based upon deeds of agreement and not charters, as the Government refused to grant any bank charters."[53]

Capital of the Banks: - The note circulation in 1825 was made up as follows :-[54]

Capital of Loan and Discount Bank secured by Mortgages and Pledges of various kinds	Rds.	1,345,000	
Public Debt		1,757,204	5 8
Total	Rds.	3,102,204	5 8

At the rate of 1/6 per rixdollar this total was equivalent to £232,665 - 7s.

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52) Arndt: Banking and Currency Development in South Africa, pp. 197-219.
53) De Kock: Economic History of South Africa, p. 365.
54) C.O. 4457; Rec.19. pp. 184-186.

The capital of the Bank was made up as follows :-

1. Received for Long Loans :

1793	19 April to 25 November		Rds.	525,000
1794	14 January to 15 December			155,000
				680,000
	Repaid to Government :			
1795	24 June	Rds.15,244-36		
	1 July	5,000		
1796	8 August to Secretary Ross by order of Gen. Craig	14,000		34,744-36
		Remainder		645,255-12
1802	9 February received from Govt.			165,000
				810,255-12
1810	26 June received from Govt.			500,000
	Total amount of Long Loans		Rds.	1,310,255-12

2. Received on Account of Short Loan Fund :

1808	13 June	Rds.	150,000
	3 October		25,000
			175,000
1812	31 December Repaid by Govt.		100,000
	Total amount of the Short Loans	Rds.	75,000

3. Received from Government for carrying on Public Works :

1812	23 January		100,000
	9 November		100,000
1813	3 February		100,000
	6 September		100,000
1814	4 May		100,000
			500,000
	Destroyed on 4 March, 1814		15,000
		Rds.	485,000

4. Received for Relief of the Agriculturists :

1822	22 June	Rds.	200,000

The Capital thus Consisted of the following :-

Long Loans	Rds.	1,310,255-12
Short Loans		75,000
Rds. 500,000 Fund		485,000
Fund for the Relief of the Agriculturists		200,000
Total	Rds.	2,070,255-12

CHAPTER VI.

OPERATION OF THE BANKS.

Duties of the Directors.— The duties of the president in the Lombard Bank were to issue the capital in loans to individual applicants in conjunction with the directors.They had to see that the interest was duly paid and the instalments of capital reimbursed.Thus,considerable responsibility devolved upon then in ascertaining the salidity of the securities upon which the capital was lent.In the Discount Bank the duties and responsibility were even greater.They had to ascertain the validity of bills,etc.,that were presented for discount, and had to guard against the transactions of the Bank being carried to an extent that would not be justified by its circumstances being without capital of its own.The president was besides in constant personal communication with the Governor on the subjects of the interests and transactions of the Bank.[1]

How Loans were granted.— The directors always referred to the general competency and previous engagements of persons who had undertaken to discharge the obligations.The directors were in addition frequently guided by considerations of the characters of individuals,and of their judgement in the engagements into which they might have entered previously. This was especially to the cases which occurred and in which the names of certain individuals appeared so frequently as securities to parties who received loans.There were also many cases in which the directors had been generally decided by considerations of the superior value of the property mortgaged as well as by the credit of the personal sureties.[2]

I) Rec.I9,pp.4I0-425.
2) B.P.P.406,p.23 28th.Dec.,I824.Evidence by Marshall.

Functioning of the Discount Bank.[3] The funds of the Discount Bank consisted of sundry deposits belonging to Government and to those individuals who had opened accounts with this department.A proportion of these deposits was employed in the discount of approved bills,which were generally drawn payable three months after date,or which were payable within three months from the time of application to the Bank.

The Board of Directors met on two days of the week, viz.,Mondays and Thursdays,for the purpose of deciding on such applications for discount as might,in the intermediate periods, be transmitted to the Bank.

All applications for discount were required to be made by letter,with the bill referred to enclosed therein.No applications for discount could be entered into the minute-book after IO o'clock in the morning of each respective board-meeting-day.The application for discount was granted or rejected by a minute of the Board,and if rejected,no cause was assigned,unless there be circumstances attending it which appeared to the board to require explanation.

The reasons were sufficiently obvious why the board thought it necessary to adopt this apparently harsh course of proceeding.On the other hand,the principles by which the board was guided in its decisions were such as appeared to meet with general approbation.The first consideration was whether the funds in hand admitted the discount required;secondly,whether the bill was good,and in other respects unobjectionable;and thirdly,whether the acceptor,or drawer had already received that degree of credit with the Bank which it was customary to extend.

Every bill was required to be made payable in Cape

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3) S.A.C.A. 3 rd.April I830.

Some Capitalists did not Deposit Money.[4] — There was a very limited circulation of paper currency in the country districts. The circulation of the paper currency was chiefly confined to the Cape district, which was sufficiently proved by the fact that the deposits in the Discount Bank, in themselves, amounted to more than half the amount of paper issued.

There were besides a great many persons who possessed capital in Cape Town, who kept no accounts whatever with the Discount Bank. Very few Dutch capitalists, except those connected with the Government, had opened any accounts with this Bank. They kept very considerable sums in deposit for themselves which inevitably absorbed a large proportion of the paper currency.

Ratio of Discounts to Deposits. — Prior to I8II there was no regulation in force for the proportion of the deposits allowed to be issued in discounts. The president was permitted to exercise his discretion and judgement with regard to it.[5] By the instructions of 4th May, I8II, discounts were to be restricted to one-third of the deposits, yet, at the time, of the total of I,500,000 rds, there were only 400,000 rds in the Bank.[6] On reference to the books at the commencement of the Discount Bank, it would appear that the discounts had never been less than two-thirds the amount in deposit. The directors considered, that the original intention of the Government had been to sanction this proportion of two-thirds instead of one-third issued. The balance had generally been nearly equal on an average to one-third of the whole deposits.

Loans advanced.[7] — According to the Colonial Secretary's letter of Ist June, I808, no sums were to be issued

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4) B.P.P. 406, p.2I.
5) Rec.20, pp.32-37 I2th Feb.,I825 Evidence by Dashwood.
6) B.P.P.406,p.24 28th Dec.,I824 Evidence by Marshall.
7) B.P.P.406, p.22 28th Dec.,I824 Evidence by Marshall.

from the Bank without the special approbation of Government. However,it had not been the practice since the period that Marshall was appointed president of the Bank,except in special cases when they might have doubted themselves of the expediency of making the advances.Marshall often had personal communication with the Governor without any official correspondence having taken place.

According to the restrictions imposed by the Colonial Secretary's letter of I4th. June,I8I0;directing the issue of 500,000 rds.,no larger sum than I0,000 rds. were to be advanced to one person or firm.The president of the Bank,however,considered that this instruction applied only to the sum that was specifically issued,viz.,500,000 rds.No such limitation was enjoyed by the old instructions for the original fund,which amounted to 8I0,255 rds. independently of that issue,and the re-issues of capital from this fund had not been made to conform to the restriction,although in fact the whole fund had been amalgamated.The great majority of loans had beem under I0,000 rds.In many cases where a large debt appeared to have been contracted by an individual,it was the aggregate of loans that might from time to time have been made to him and some of which have been discharged.

Accommodation afforded by Discount Bank.[8] — It was impracticable from the nature of the transactions of the Discount Bank,to afford that accommodation to persons resident, for instance at Grahams Town or Graaff-Reinet.Neither would it have been safe or expedient to discount the short periods at such a distance.There were occasional instances in which the permission of Government had been given for the acceptance of securities in the distant provinces,but these had been deviations from the ordinary regulations of the Bank,and repayment had been made by instalments upon such loans to the

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8) B.P.P.406,p.20 28th.Dec.,I824 Evidence by Marshall.

Loan Bank.There accommodations had been afforded in a very few instances and only when the funds of the Lombard Bank had not admitted their being made from the source. The loans had sometimes been transferred to the Loan Bank.

Loans of this description had not been invariably made from the Discount Bank upon authority received from Government. In many instances accommodation was afforded from the Discount Bank when the directors had been satisfied as to the nature of the security required by the Loan Bank,and the advance had been repaid to the Discount Bank from the Loan bank.By this arrangement the directors were enabled to anticipate the credits of the Loan Bank.Many instances of this accommodation had occurred especially during the time that distresses from failure had arisen.

A decided preference was given to the acceptances or promissory notes of merchants and others actually engaged in business,particularly such as appeared to have been passed in the course of a bona fide transaction.[9]

Repayment of Loans. — There was so little punctuality in the discharge of such obligations between individuals,that there had been a proportionate degree of difficulty in obtaining punctual payments to the Bank.The want of punctuality did not arise from delays,difficulties and expenses of resorting to judicial process,but it had to be attributed to the circumstances of the Colony in its existing stage of advancement.The Bank had frequent occasion to resort to judicial process for recovering its claims and had experienced no difficulty arising from this process,except from the delays in the Insolvent Chamber,which must be attributed more to the nature of the institution than to any neglect or remissness in its offices.[10]

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9) S.A.C.A. 3rd. April,1830.
10) E.P.P. 406,p.20 28th.Dec.,1824 Evidence by Marshall.

Frequently advances had been made by the Bank to persons who were generally in arrear in payment of the instalments of principal and interest upon outstanding loans. In doing so the Bank had consulted its own interest, as parties who were in difficulties have needed such assistance to save them from a great sacrifice of property to which they might be liable, and it had been done in some instances out of personal consideration to the parties who would have suffered.[11]

The Bank had in various instances abstained from resorting to legal proceedings, knowing it to be the sentiments of the Governor that in the circumstances of the Colony, it would be inadvisable to press the parties where the ultimate recovery was not risked by the securities becoming inadequate. But during the year 1824 the Bank had succeeded in introducing a greater degree of punctuality in the discharge of engagements. This had been effected in a great many instances by summoning the parties, and by pointing out to them, that in the event of any irregularity or failure in the fulfilment of the engagement they would forfeit all claim to future participation in the accommodation of the Bank.[12]

Discretionary powers exercised by the Directors. — There were no distinct rule or principle whatever in regard to priority of applications for loans. It was a matter of discretion devolving on the officers of the Bank to exercise. The rule for "giving preference to the issues to such as have not received prior aid from the Bank", had been generally preserved. But there were other circumstances taken into consideration which regulated decisions in regard to priority of claims. Many applications for loans were made to Government, and referred to the Bank.[13]

The president of the Bank had exercised this discretion

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11) Rec. 19, pp. 427-433 4th. Jan., 1825 Evidence by Marshall.
12) B.P.P. 406, p. 28 4th. Jan., 1825 Evidence by Marshall.
13) B.P.P. 406, p. 26 31st. Dec., 1824 Evidence by Marshall.

with the directors of the Bank.There were a few cases when they received the orders of Government to afford accommodation to individuals and in which the Government had exercised that authority without consulting the directors of the Bank. Again, there were others on which the directors had stated their objection to Government,and leaving it to Government to decide whether to admit these objections or not.There were,however, numerous instances in which applications have been referred through Government and have been eventually rejected I4).

The several loans that were granted upon orders of Government without reference to the discretion of the directors of the Bank,were advances made from the Discount Bank upon sufficient security.These advances were generally made with a view to their being taken over by the Loan Bank when it should be in funds,and in that case the adequate security required by the regulations were taken. I5)

There had not been any interference whatever in the discretion exercised by the president and directors in the administration of the Bank,which had tended to abstruct them in the pursuit of the strictest impartiality in deciding on claims on accommodation.The discretion of the directors had been duly exercised in all instances in which the orders of Government have not superseded the application of it.At the same time,in the case of applications for loans from persons in official station (many of whom stood much in need of such accommodation),there was a natural desire on the part of those who administered the establishment,to accede to their wishes to the extent of a fair participation in the accommodation afforded by the Bank to the public,when the interests of the establishment were sufficiently preserved.

The object of the loan was generally adverted to and

I4) B.P.P. 406,p.27 4th.Jan.,I825 Evidence by Marshall.
I5) Ibid.

considered in the determination to accede to or reject it. the objects of official persons,not being capitalists,was generally to enable them to purchase permanent residences,which being mortgaged to the Bank in the advances,enabled the proprietors to transfer the estates when they had occasion to do so to other persons similarly circumstanced with themselves.The mortgages to the Bank were gradually liquidated,possibly from the savings of official salary or other sources,and the private mortgages might be prolonged.When Bank loans had been thus reduced,advances upon the applications of the parties had occasionally been done,both in the instance of official persons and of others.[16)]

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16) B.P.P. 406,p.28 4th.Jan.,1825 Evidence by Marshall.

CHAPTER VII.

REPORT OF THE COMMISSIONERS OF INQUIRY.

The Commissioners of Inquiry, sent out by the British Government to investigate the affairs of the Cape Government, found that no material change had been made in the system of management of the Bank subsequent to the year 1814.[1] The system of renewing loans was continued to a late period, and the regulations for their repayment by instalments were but imperfectly observed.

They found that by 1814 the aggregate deposits in the Discount Bank amounted to 1,268,543 Rds., and of this sum only 223,746 Rds. were in the chest; the remainder having been issued in discounts upon the security of bills and bonds. It also appeared that, though the discounts had been restricted by the regulations to one-third of the amount of deposits, the president had been allowed to exercise his discretion in extending the discounts to such a large proportion as three-quarters of the amount.[2]

The transactions of the discount bank having been extended in subsequent years, and the loans of the Lombard Bank having been unrestricted, the revenue derived from these establishments had been very considerable. The interest upon loans had increased to 93,730 Rixdollars in the year 1824, and the profits upon discounts in the same year to 47,251 Rixdollars, making the revenue derivable from these sources, 140,000 Rixdollars per annum. On the otherhand the depreciation in the colonial currency, of which the capital of the bank had wholly consisted, had diminished the value of this as well as of other branches of revenue.[3]

"The transactions of the discount bank have been much

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1) Rec.27, p. 467 - 6th Sept., 1826.
2) Ibid.
3) Ibid.

extended, although the deposits have been more casual and uncertain than when an interest was allowed. In the years 1823, 1824 and 1825, the average annual amount of private bills and vendue acceptances discounted by the bank was 3,299,182 Rix-dollars."[4]

It was admitted by the president of the Bank that the instruction for restricting the discounts to one-third of the amount deposited had never been observed, and that they had at no time been less in amount than two-thirds of the deposits.[5] One of the directors of the Bank had stated that since the year 1817 the discounts had been in the proportion of four to one with the sums held in deposit. As the Governor was aware of this fact, from the monthly statements furnished to him, the president had always concluded that the practice was not considered as objectionable. He had added that his personal communications with the Governor and the Colonial Secretary had been constant, although he had not considered that any verbal instructions superseded the necessity of obtaining an official sanction for departing from the regulations of the establishment. However, no authority was on record for various transactions which appear to be deviations from the regulations of the Bank. A system of accommodation had been practised in advancing on loan from the deposits in the Discount Bank, in anticipation of the receipts of the Loan Bank.

The discretion of the directors had been exercised in accepting sufficient securities and they have allowed the same individual to afford personal security in numerous instances to an amount far beyond his means. Individuals have afforded counter security to each other. "Much laxity has prevailed in enforcing the punctual discharge of the instalments of principal and arrears of interest. Parties have even obtained further loans while in arrear for former advances, and loans have been granted to a larger amount than was authorised by the

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4) Ibid., p. 468
5) Ibid., pp. 468-9.

regulations.[6] It was alleged in extenuation of these irregularities, that the distresses of individuals had been great and that the delays in recovering by judicial process had been attributable to the tardy proceedings of the sequestrator's department, and that although the arrears due to the Bank have been considerable, its losses had been trifling and that the securities taken by the Bank had been ample.

In the year 1822 a measure was resorted to of inviting subscriptions to debentures which it was proposed to issue, bearing an interest of 4 per cent. per annum.[7] They were not, however, taken up to any considerable extent, a circumstance that had been attributed to the principal and interest not being made payable in currency at the Treasury, and which prevented them from being accepted at the Bank. However, the state of the Colonial paper currency in which alone these debentures were payable, and the reduced rate of interest allowed upon them, might also account for the reluctance of the public to accept them. "Considering the extent to which the capitals of individuals have been invested in private mortgages, the want of punctuality in the discharge of arrears, and the delays and expenses attendant on recoveries by judicial process, we cannot doubt the inclination of annuitants to accept the security of the public for their funds."[8]

Previous to the late injurious fluctuations in the exchangeable value of the currency, the annual deposits in the Discount Bank were very considerable. They maintained that it would, therefore, be desirable that a Public Fund should be created, not only to afford the means of secure investment to the colonists, but also to facilitate the redemption of the funds of the Orphan Chamber, and the several churches and charitable institutions from the numerous private mortgages in which they were absorbed. The loans of the Orphan Chamber

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6) Ibid., p. 469
7) Ibid.
8) Ibid., p. 470.

were liable to be called in after a notice of six months but under the existing circumstances of the Colony these recoveries would be tardily effected when considerable sums were required to meet the demands of claimants. The officers of the Orphan Chamber had also been admitted to hold an interest in the loans both as principals and securities under very objectionable circumstances.[9]

The extreme avidity with which the disposable funds of any institution were absorbed in loans, was attributable to the same causes that were formerly in operation, and which have from time to time induced the Colonial Government to resort to the questionable expedient of adding to the capital of the Bank by augmenting the amount of Colonial paper money without rendering it convertible or regulating its value by any known standard. The nominal value of the rixdollar at four shillings sterling was adhered to, while in exchange on England it had depreciated to 1/6d sterling. The issues had been increased to 3,000,000 rixdollars, on a general impression of the necessity of satisfying the demands of the community for available funds; it had been maintained that the sum was not in excess with reference to the extent of the transactions of which this currency was alone the medium. On the otherhand, it was apparent that the demands for remittance and the competition for the purchase of bills of exchange, had operated to depreciate the paper in proportion to the premium that was paid by the merchants who redeemed it in the price of their goods. Although the depreciation was less apparent in the internal transactions of the Colony, there could be no real distinction in the relative value of the currency in the internal and external transactions of the Colony as the products of the country were themselves disposable in the same markets with the goods imported, and at nominal prices, fluctuating with the value of the currency as determined by the premium upon bills of exchange.[10]

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9) Ibid.
10) Ibid., p. 471.

It was admitted that the transactions of the Banks and the circulation of the paper currency had not extended much beyond the neighbourhood of the Cape District, and the deposits in the Discount Bank have alone amounted to half the amount of paper currency that had been issued. It would also appear that very few of the Dutch capitalists have opened accounts with the Discount Bank, however extensively they might have participated in the accommodation afforded by it and by the Loan Bank.[11] The transactions of the Colonists in the remoter districts, which chiefly furnished supplies of cattle and other stock, were regulated either by barter or by means of the bills which were passed by the licensed butchers in Cape Town in payment of these supplies. These bills which had been made recoverable by "parata executio," had even been accepted at the district treasuries as a medium for the remittance of the revenue to Cape Town. In the retail trade of the country carried on by hawkers, and in the payment of the wages of Hottentot servants, barter had been chiefly resorted to.

The demands for loans in the year 1822 did not extend beyond the districts in the immediate neighbourhood of Cape Town, and the damages sustained by the inhabitants from the storms even in the district of Tulbagh, were repaired from their own resources. These resources had been occasionally available in the execution of public works in the district. The contribution of labour and materials was formerly a mode by which some of the public works were executed; and although in later times some considerable advances had been made to the districts from the fund created in 1812 for the erection of public works,[12] these works had in some instances been executed from local resources.[13]

The accommodation afforded by the Bank to individuals, and the loans of paper currency from the Treasury, having been for the most part limited to Cape Town and its neighbourhood,

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11) Ibid.
12) Vide Appendix F.
13) Rec.27, pp. 471-2.

any attempt to compensate the losses which had resulted from the extent of these issues would have been severely felt by the Colonists in those parts of the Colony which had been in a great degree excluded from participating in these accommodations and in which very little commercial capital existed. The merchants of Cape Town would have acquired an increase of value upon their deposits of paper currency even in cases where a commercial profit had already been derived and had amply compensated themselves for any losses from the depreciation. The funds deposited in the Discount Bank by the East India Company's agent might be adduced as a prominent illustration of this last remark, as a sum of 400,000 Rds. had thus been accumulated from the profits of a trade in tea, retailed to the Colonists at exorbitant monopoly prices.

According to the principles upon which the Banks had been established and the transactions in which they had been so extensively concerned, "we are by no means of opinion that it would be expedient, or even safe, for His Majesty's Government to sanction the continuance of them upon their present footing."[14] At the same time they reflected that although the regulations, which were framed with a view to diminish the hazard of such transactions in the hands of a department of the Government, had been frequently neglected, no material loss was likely to be sustained by the Government, except from the repayment of the loans in a medium that had so much depreciated since the time at which they were issued. This loss Government would sustain in common with individual capitalists and more particularly mortgagees and annuitants who were entitled to the first consideration in any arrangement that might be adopted "for the depreciation in the value of real property must be attributed to other causes." The extent to which the Government had been involved by these concerns precluded the expectation that it could now withdraw from all participation in the banking transactions which it had hitherto exclusively conducted. "But

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14) Ibid., p. 473.

independently of this consideration, the transactions which properly appertained to the government bear so large a proportion to the general transactions of the Colony, that any bank established upon private resources alone, and acting independently, would be subjected to the influence of those transactions, which would unavoidably tend to embarrass its operations, unless conducted through the medium of such an establishment." The perpetual dependence of the Dutch colonists upon the Government of the East India Company in the various relations of agriculture and trade, had been partially relieved by the encouragement of private speculations, but the extent to which the accommodations of the Bank had been carried, and the system of renewing and perpetuating loans, had tended to foster that dependence which it would be impracticable abruptly to supersede. "The accommodations that have been afforded by the discount banks have augmented in late years the dependence of the public upon the credit of the government; and it is observable, that whilst the colonial government has engaged so extensively in transactions of this nature, it has not so generally availed itself of the assistance that such establishment might have afforded in the management of large funds entrusted to separate boards, for which it has been directly or collaterally responsible. To some extent, however, the banks have afforded a means of secure deposit for monies appertaining to the public, and have been intrusted with the management of the accounts of certain funds; and it would have tended to simplify the various transactions of the government if this practice had been more generally adopted."[15]

Considering that it would be impracticable and inexpedient wholly to suspend the operations of the Loan and Discount Banks, the attention of the Commissioners had been directed to the measures that might be desirable to adopt, "in order to preserve to the public the benefits which they are calculated to afford, without compromising the interests of the

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15) Ibid., pp. 473-4.

government, or hazarding the security of the establishment." In the consideration of this subject they had been led to advert to the principles upon which a bank was established in Bengal in 1806 under the protection of the Government and in the advantages of which it participated to a certain extent in common with the public.[16] The success that had attended that institution, under the regulations that were framed and incorporated in a charter, and the subsequent enlargement of its transactions, were at once a proof of the benefits that the Government and the public had derived from it. The plan of this bank appears to have comprehended the objects that were contemplated by the Cape Government in establishing the Loan and Discount Banks, namely, granted loans for short periods on good security, and discounting bills of exchange. The general regulations that were proposed, and subsequently adopted, were of a nature to afford to the public the guarantee of that security which the Government of the Cape had hitherto afforded, and at the same time to engage the interest and the co-operation of the public in the support of an establishment in the advantages of which they were invited to participate.

With a view to afford to annuitants a means of security investing their funds in a manner that would be acceptable to them, the Commissioners proposed that debentures should be issued by the Colonial Government to the extent of £50,000 sterling.[17] As these securities would be acceptable to mortgagees and annuitants rather than to capitalists engaged in trade, the accommodation would be held out to those who had suffered from the depreciation of the currency and who were exposed to the inconvenience attendant on the uncertain payment of the interest on private mortgages. They were of opinion that, as the Colonial Government had hitherto enjoyed a revenue from the creation and issue in private loans of inconvertible paper currency and as from the terms of these loans they were repayable by instalments in twelve

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16) Ibid., p. 474.
17) Ibid., p. 475.

and nineteen years, it would be equally expedient and just to issue debentures, bearing interest to an amount equivalent to the paper currency absorbed in private loans, and to apply the interest received upon the loans to the payment of the interest on the debentures. They, therefore, recommended the issue of £100,000 debentures at 6 per cent. per annum, payable in the Colony, for sums not less than £100 sterling to be exchanged for paper currency at 1/6 per rixdollar or Rds. 13 - 2 - 4 per pound sterling. In order to render these debentures more extensively negotiable an interest of 4 per cent. per annum might be payable on them in England at the option of the holder.

In order to promote the objects connected with the establishment of a bank, and upon the principles to which the Commissioners had adverted, they recommended that a charter of incorporation be granted for a bank to be established in Cape Town for a term of ten years, and upon a capital to be subscribed of £100,000 sterling to be divided into 500 shares of £200 each.[18] The Government should take 200 of the 500 shares and the remaining 300 shares should be subscribed by individuals. One-half of the Government shares should be subscribed in debentures and the other half in British silver and copper money. The shares of individuals might be receivable in Colonial paper currency which was to be immediately exchangeable at the Treasury for British silver and copper money, and for debentures, in the proportions abovementioned of one-half in each. By this means the capital of the bank would consist of Government securities, bearing interest and negotiable to the amount of £50,000, and of British silver and copper currency to the same amount. Further, the bank should be empowered to issue on loans and discounts its own notes, payable on demand to the extent of two-thirds of its capital. These notes were not to be less than £1 sterling. The loans of the bank should be repayable in six months, and an interest of 6 per cent. per

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18) Ibid., pp. 475-476.

annum chargeable upon them. The bank should not be allowed to grant any new loans when the cash in hand does not amount to one-third of the amount of notes and other claims outstanding and payable on demand. Loans should not be renewable, but should be punctually repaid when due.

The bank should not charge at a higher rate of interest than 6 per cent per annum, and should not advance on loan to Government at any one time more than £10,000, nor to an individual more than £2,000. The bank might be allowed to sell to Government securities subscribed, and might purchase Government securities at any time, provided that the debentures in their possession (exclusive of any paper that may be deposited) never exceed at any one time the proportion of £50,000 originally subscribed in debentures. The bank should be restricted from contracting debts by bond, bill, note or otherwise, to an amount exceeding £100,000, the original stock. Bullion and jewels may be received in deposit at the bank, but as being attended with trouble and risk, and tending to involve the bank in litigation, they should not be accepted as security for loans. The bank should receive deposits of cash and keep running accounts with individuals, but it should make no advances on such accounts without security (such as Government debentures) to an amount at least equal to the loan. The bank should be entirely restricted from engaging in trade directly or indirectly and the directors and officers should be subject to the same restriction and prohibited from acting as agents or brokers. The bank should be charged with the recovery of the long and short loans of the Lombard Bank on mortgage on individuals, and should require the punctual discharge of the interest and the instalments of the principal, according to the conditions of the loans. All loans that have been negotiated to individuals through the district boards should be also recoverable by the bank, with whom the mortgages and securities should be lodged and the whole incorporated in one general account of the outstanding claims

of the Colonial Government. The punctual repayment of such loans should be strictly enforced in the instance of all persons who have themselves lent out capitals on securities and who are receiving interest on such loans. A monthly account should be furnished by the bank to the Colonial Government of all sums received in repayment of loans, and a quarterly report should be made to the Secretary of State of the state of the account, specifying the amount repaid and the amount still outstanding.

The bank should apply the interest of outstanding loans to the payment of interest on Government debentures, whether payable in the Colony or in England. To facilitate these transactions an interest of 4 per cent. was to be paid by the Colonial agent in England and the bank should open an account with him and give him credit for the amount of all dividends so paid. Further, the bank should keep a public account in which the interest of all outstanding loans and the profits arising on the Government shares in the bank, should be credited. The interest on Government debentures and upon the advances of the British Treasury should be debited to this account.

In order to facilitate the circulation of British silver money in the Colony, the bank was in the first instance to make over to the Treasury in exchange, to be cancelled, all notes of 50 Rds. and those of smaller denominations which it might receive either in subscriptions or deposits. In order to promote the circulation of bank notes of £1 sterling and upwards, these notes should be receivable at the treasuries of both provinces and by all public accounts in payment of the Colonial revenues. "The mode that has been adopted and pursued of preparing and issuing the government paper currency, is liable to such serious objections, that we think that it will be extremely desirable that no delay should take place in providing for the redemption of the smaller notes, and for the substitution of others under more efficient checks and precautions against frauds, for such part of the debt as may remain

for any time unredeemed."[19] The returns of the paper currency that the Commissioners were to transmit, had been prepared from the records of the Receiver-General's Office. The numbers of the notes were, however, not registered and as they were reissued by the Bank and by the public offices in a state so defaced and mutilated that it was difficult at times to recognise the nominal value, and as they were only exchanged for new notes when in such a condition that it was no longer practicable to circulate them, considerable loss must have been sustained by the holders of small notes. On the other hand forgeries had been practised to some extent by counterfeiting the notes and it had been found practicable by fraudulent persons to pass the notes of inferior for those of higher nominal value. Such frauds, however, had been sometimes detected, and as the notes were formed of cartoon, it often happened that they circulated in separate payments or were united in a manner to obliterate the signatures and numbers.[20] The plan they proposed was to provide for the progressive destruction of the notes, beginning with some of the inferior denominations. The notes above 50 Rds., until finally withdrawn from circulation, should cease to be re-issued either by the Treasury, by the bank, or by the Commissariat Department, but should be immediately exchanged at the Treasury for new notes, prepared upon thin paper, and should be duly entered in a register specifying their numbers, dates and the signatures of the officers of Government severally attached to them. These new notes should also be declared to be exchangeable for Government debentures bearing interest at 6 per cent. per annum, and to be redeemable at 1/6 sterling per rix-dollar, which condition was to be specified in the margin.

They further recommended that the bank should be made the depository of the credits of the Orphan Chamber and that it should receive the interest upon the outstanding loans of the

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19) Ibid., p. 478
20) Ibid.

establishment according to such instructions as might be given by the Board of Orphan Masters.[21] A part of the capital of the Orphan Chamber constituted what was called the "Private Fund" which amounted to £33,511 - 6 - 6, arising from the principal and interest accumulated upon the estates of unknown heirs and from other sources. The Commissioners recommended that it should be allowed in future to constitute a fund for the execution of some works of public utility which would be acceptable to the Colonists. They pointed out that advances amounting to £6,127 - 10 - 0 had already been made from this fund at different times upon the orders of the Colonial Government in aid of various public buildings for religious, charitable and literary purposes.

The bank should further be entrusted with the recovery of loans on mortgage that have been advanced from the funds of the Bible and School Commission. These funds, which had been raised for the establishment of schools and the dissemination of religious instruction, amounted to £3,586 - 5 - 0, and when recovered should be applied by the Commissioners appointed by Government for the objects for which they were intended. The loans on mortgage and bonds that have been advanced from the church funds in Cape Town, and in the country districts which were under the administration of the several consistories, should be redeemdd through the bank. The loans from the funds of the Reformed Church in Cape Town amounted to £16,387 - 10 - 0. In the country districts the debts of the s everal churches amounted to £1,383 - 19 - 11.

The bank in Cape Town should open an account current with the Colonial agent in England and his pecuniary transactions with the Colony should be conducted through this medium. The payment of interest upon all advances from His Majesty's Treasury should be effected through the same medium.[22]

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21) Ibid., p. 479
22) Ibid., p. 480.

"In aid of the objects that we have had the honour to propose to the consideration of your Lordship, in which the redemption of the paper currency will be comprehended, we recommend that British silver and copper currency be sent from England and placed at the disposal of £65,000 sterling; of which £13,000 should be in gold, £50,000 in silver, and £2,000 in copper, chiefly in halfpence and farthings, which are much required in the Colony; and that the Colonial Government should be empowered to draw upon His Majesty's Treasury from time to time to the extent of a further sum of £35,000 sterling, to aid the redemption of the paper currency."[23] The claim of the British Treasury upon the Colony for the repayment of the sum of £35,097 - 10 - 7 advanced for the relief of the inhabitants who had suffered from the storm in 1822, should be cancelled, and it should be considered as a further payment by His Majesty's Government towards the redemption of the paper currency. Finally, the whole of the sums enumerated, which amounted to £135,095, should be paid or credited by the British Treasury, without any charge of interest to the Colony. As the bank would continue to be the depository of all monies collected on account of the revenues of the Colony and would receive the instalments paid in on account of the various loans, with the collection of which it may be entrusted, the gradual redemption of the paper currency through the medium of this establishment would tend to facilitate its own transactions, in the success of which the Government and the public would be interested. It would, therefore, be necessary to provide that in the quarterly reports to be made to the Secretary of State, should be specified the number and the nature of all currency notes successively paid over by the bank and cancelled at the Treasury. After the issue from the Colonial Treasury of the sum proposed to be sent out in specie, it might be left to the bank to regulate its further importations of metallic currency by the extent of its own engagements. As the Commissioners have proposed that a portion of the sum

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23) Ibid.

afforded for the redemption of the paper currency, amounting to £40,000, should be subscribed by the Colonial Government towards formation of a capital for the bank, this sum, or 533,333 Rds. of Colonial currency, would thus remain in circulation.

The Government shares in the bank should be considered as pledged to the redemption of it at the expiration of the charter (ten years). If it should be found expedient to withdraw this remaining portion from circulation at an earlier period, the Commissioners proposed a further issue of debentures to the amount of 40,000 for the term of the bank charter that may be then unexpired, and the interest to be defrayed from the dividends on the Government shares in the bank.[24]

Having detailed the functions of the proposed bank in its relations to the Government and to the community, it only remained to explain the nature of the establishment by which it would be conducted.[25] The Commissioners proposed that the bank, established on the principles proposed, should be superintended by the body of proprietors at large, and immediately entrusted to a court of nine directors, three of whom to be nominated by the Government and six by the other proprietors. The directors should be sworn before the Governor to a faithful discharge of their duties and of the trust reposed in them. The six directors appointed by the proprietors were to be elected by ballot at a general meeting and no person was to be eligible to a seat in the direction who does not possess at least one bank share. The directors appointed by the Government were to be an exception to this rule. All naturalised subjects of His Majesty resident in the Colony or holding landed property, should be eligible as directors. Two of the directors elected by the proprietors should retire annually; each of the six directors so elected being thus allowed to remain in office during three years. A director was to be re-eligible at the expiration of one year

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24) Ibid., p. 481
25) Ibid., pp. 481-482.

from the date of his retirement. A director may be dismissed by a majority of votes of proprietors; but the directors nominated by Government should be removable by Government only. The Government should be responsible for its own directors.

The directors to be nominated by Government should be elected from amongst the principal officers of the civil departments at Cape Town. The directors should elect their own president and appoint a secretary, treasurer and the other officers of the bank. The expense of the establishment should be limited to £1,500 per annum, unless increased with the consent of the proprietors. Two-fifths of this charge, or £600, would be defrayed from the dividends upon the Government shares. The number of votes were to be regulated in proportion to the number of shares held by each proprietor.

"When the general principles upon which the bank may be constituted are confirmed by charter, we recommend that the Colonial Government should not interfere in the superintendence or management of the institution, further than by the exercise of a general control in maintaining an adherence to the principles of the establishment." The directors should be empowered, with the concurrence of the proprietors, to make such bye-laws as might not be repugnant to those principles.

"As it will be an object of great importance to extend the benefits derivable from such an institution to the eastern province of the Colony, the inhabitants of which have participated to so small an extent in the accommodations of the existing banks, we recommend ..... that the charter should contain a provision for the establishment of a branch bank at the seat of Government for that

province."[26] This measure they thought might be accomplished most conveniently by an augmentation of the capital of the bank of Cape Town. The chief officers of the civil departments in the Eastern Province should be similarly appointed to be directors, with others to be elected by proprietors and the local Government of the Western Province in the regulations it may propose. "The operations of this bank will afford the same facilities to the Government in the Eastern Province that the other will be calculated to afford in the Western Province, and it will tend to relieve the inhabitants in the remote parts of the Colony from the inconvenience to whom they are now exposed by the limited circulation of any currency, and by the substitution of the bills of licensed butchers in Cape Town, or the notes of traders or shopkeepers in the frontier districts to which they have had recourse in the adjustment of various transactions of barter."[27] The circulation of British silver and copper currency by the Eastern bank would be of great importance in facilitating the traffic with the kaffirs and other tribes at the fairs to be established on the frontier.

Response by President of the Bank: - In a letter to the Lieutenant Governor Bourke in September, 1827, Mr. Marshall commented[28] on the above report of the Commissioners of Inquiry. Marshall maintained that he had apprised the Commissioners in

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26) Ibid., p. 482.
Vide B.P.P. 406 p. 21. On 28th December, 1824, Marshall, president of the Lombard Bank gave evidence before the Commissioners of Inquiry and he declared that the convenience offered by the Bank might be readily extended to the inhabitants in the remoter districts by means of the establishment of B ranch Banks in the districts. This measure, he pointed out, could only be safely adopted if the Bank possessed a capital of its own. According to him the only means of forming such establishments would be through the Landdrost and Heemraden of the districts, who had already so far acted as bankers in negotiating part of the loans that have been made by Government for the relief of the agriculturists.

27) Rec.27, p. 483.

28) C.O.310, No. 52, 21st Sept., 1827. - Marshall to Lieutenant Governor Bourke.

the course of his communications with them that the instructions upon which all the deviations and irregularities referred to by them appear to have been grounded, were for the most part framed at the earliest period of the Lombard Bank under the Dutch Government in 1793. At that time the capital and consequently the issues of the Bank were upon a much lesser scale and conducted upon quite a different principle from that subsequently adopted. Further, upon the formation of the Discount Bank in 1808, to which branch of the Lombard Bank by far the greater part of the deviations in question had reference, no instructions whatever were furnished for its management. Those which were subsequently given relative to the Discount Bank were comprised in various letters to meet the particular circumstances and were not infrequently at variance with each other and thus necessarily imposed on the president and directors the exercise of a considerable degree of discretion.

He had also observed to the Commissioners that he could only account for the old instructions never having been cancelled and a complete new code substituted for the administration of both banks, from the difficulty of framing such a code as would effectually supersede the necessity of entrusting the president and directors with any discretion in the management of this complicated institution. Further, the Government probably felt satisfied that not only no inconvenience had hitherto been sustained from the exercise of such discretion, but that moreover none could arise out of it as long as it remained under the complete control of Government, to whom monthly, quarterly, and annual statements of all the transactions of the Bank were submitted. This was independent of the periodical examination of its books by the Auditor-General, the Fiscal and a member of the Court of Justice. Although it is admitted that deviations from the strict letter of the existing instructions might have taken place, Marshall held that these deviations had not been frequent, considering the nature and extent of the

transactions relative to the peculiar distress of the Colony. Where deviations had existed they related to matters of some minor import of which the Government was duly apprised, while in weighty cases the Bank had invariably acted under the immediate written directions of Government. Moreover, the Commissioners themselves have admitted that notwithstanding all these deviations and irregularities, the loss sustained by the public had been trifling while the revenue had been considerably increased. In this connection Marshall referred to a letter of 10th June, 1827, from the Bank to the Government in which they observed: "It is with feelings of considerable satisfaction, that we are enabled to state for His Honour's information that whilst the Discount Bank has regularly yielded a considerable annual revenue to Government we are not aware of more than two cases of overdrawn accounts, nor more than one among the numerous Bills, Bonds, Promissory Notes etc., which have been discounted in the course of nineteen years whereby any loss whatever has been sustained." The total amount of these losses was Rds. 2,224 - 4 - 0 upon a gross amount of bills discounted within the same period equal to 36,000,000 Rds. upon which the net profit to Government had been Rds. 589,644 - 7 - 2. This profit did not include the revenue actually paid into the Treasury from the Lombard Bank which amounted to 1,500,000 Rds. The net profit from both Banks formed a total equal to two-thirds of the whole amount of the currency in circulation, while throughout the whole administration of the capital of the latter bank, not one fraction of the loss had hitherto been sustained. This unparalleled result will appear the more extraordinary when it is considered that the business of the former Bank had been conducted under the serious disadvantage of discounting with fluctuating deposits without the employment of any fixed capital whatever.

These very important facts were totally overlooked or at least left unnoticed by the Commissioners. They had likewise

omitted to note an incident which certainly was a proof of the regularity of the Bank's transactions. On 8th January, 1825, a Commission was appointed by Government with such secrecy that those who composed it were directed to open their instructions only in the Bank itself with closed doors. The object proved to be to require the president and directors to lay open all their accounts and the amount of their cash and other effects for the inspection of the Commission. Yet, although thus taken bysurprise, the result of several days labour, the whole of Sunday included, was that not one item in their accounts nor one fraction in the amount of the cash was found to be deficient.

Marshall went on to comment on certain paragraphs in the Report of the Commissioners :

No. 1. Commissioners: The aggregate deposits in the Discount Bank at this period (17th June, 1814) amounted to 1,268,543 Rds. and of this sum 223,746 Rds. were in the chest; the remainder having been issued in Discounts upon the security of Bills and Bonds.

Marshall: the proportion of Discounts to the amount of cash in hand being nearly as 6 to 1.

No. 2. Commissioners: It also appears that though the Discounts had been restricted by the regulations to one-third of the amount of the deposits, the president had been allowed to exercise his descretion in extending the discounts to so large a proportion as three quarters of the amount.

Marshall: There is an old instruction in the Dutch language, without a date, but evidently written many years before the Discount Bank was instituted, whereby the loans of the Lombard Bank were restricted to two-thirds of the value of the property mortgaged. Confounding the two Banks might have given rise to this mistake.

No. 3. Commissioners: The transactions of the Discount Bank having been extended in subsequent years, and the loans of the Lombard Bank having been unrestricted, the revenue derived from these establishments had been very considerable. The interest upon loans had increased to 93,730 Rds. in the year 1824 and the profits upon Discounts in the same year to 47,251 Rds., making the revenue derivable from these sources 140,000 Rds. per annum. On the other hand the depreciation in the Colonial currency, of which the capital of the Bank has wholly consisted, has diminished the value of this as well as of other branches of revenue.

Marshall: As to the first part of this remark it will appear by comparing No. 1 with the latter part of No. 7 and with No. 8, that although the general transactions of the Discount Bank had increased in subsequent years, the proportion of Discounts, as compared with the amount of cash in hand, had decreased. As to the second part, the loans of the Lombard Bank were restricted by the instructions to 10,000 Rds. to any one individual, and the documents laid before the Commissioners show that there were only four deviations therefrom, for each of which, the authority of Government had been obtained.

No. 4. Commissioners: It does not appear that any material change was made in the management of the Banks subsequent to the year 1814. The system of renewing loans was contained to a late period and the regulations for their repayment by instalments were imperfectly observed.

Marshall: The system here spoken of in reference to the Lombard Bank, was not one introduced by the president and directors, but strictly what is contained in their instructions and continued to the present day to be acted upon. As to the repayment of the instalments on the loans having been imperfectly absorbed, it was a natural and unavoidable consequence of the distressed state of the country, which rendered it imperative on the president and directors to exercise their

discretion, and wherein the Government, with whose knowledge such discretion was exercised, fully concurred. To have adhered to the strict letter of these instructions in this particular would have involved nearly the whole community in ruin, for not merely the immediate debtors to the Bank were responsible, but there were two collateral sureties to each Bond who were equally liable for the debt.

No. 5. Commissioners: The transactions of the Discount Bank have been extended although the deposits have been more casual and uncertain than when an interest was allowed.

Marshall: This observation is correct in itself, but in referring to No. 1 it will be found that at the period there alluded to (1814) the proportion of the Discounts to the cash in hand was 6 to 1, whereas subsequently that proportion had been reduced to 3 and 4 to 1 and consequently the risk so far diminished.

No. 6. Commissioners: The president of the Bank had been conscious of the precarious nature of the resources from which those discounts had been afforded, and he had estimated the amount of private deposits in 1824 at 1,500,000 Rds. and the aggregate amount of sums received at the Discount Bank within the year at 15,000,000 Rds.

Marshall: The president and directors were so conscious and thence they diminished the proportion of discounts as shown in the preceding number.

No. 7. Commissioners: The agent of the East India Company, having in that year (1824) intimated an intention of withdrawing a considerable balance of the Company derived from the profits of its tea trade, it was proposed by the president and acceded to by the Government to allow an interest of 4 per cent. per annum on a sum of 200,000 Rds. being about the half of the amount then held in deposits for six months certain. It is admitted that if this sum had been withdrawn the Bank would

have been exposed to considerable inconvenience. It is also admitted by the president that the instructions for restricting the discounts to one-third of the amount deposited, had never been observed, and that they have at no time been less in amount than two-thirds of the deposits.

Marshall: With respect to the first part of this remark the Discount Bank, having no fixed capital of its own, the withdrawal at a moment's notice of more than one quarter of the whole amount of its deposits might certainly have been attended with inconvenience. As to the second part, see No. 2.

No. 8. Commissioners: One of the directors of the Bank had stated that since the year 1817, the discounts have been in the proportion of 4 to 1 with the sums held in deposits. As the Governor was aware of this fact from the monthly statements furnished to him, the president had always concluded, that the practice was not considered as objectionable; he had added that his personal communications with the Governor and the Colonial Secretary had been constant although he had not considered that any verbal instructions superseded the necessity of an official sanction for departing from the regulations of the establishment.

Marshall: Vide No. 2 and No. 3.

No. 9. Commissioners: No authority is on record for various transactions which appear to be deviations from the regulations of the Bank.

Marshall: The president and directors have received written authorities from Government for every essential deviation.

No. 10. Commissioners: A system of accommodation had been practised, on advancing on loan from the deposits in the Discount Bank in anticipation of the receipts of the Loan Bank.

Marshall: There was no system as here implied, but occasional instances of this practice have existed, which

however, were perfectly consistent with the instructions and justified by experience, and no inconvenience has ever resulted from it.

No. 11. Commissioners: The discretion of the directors has been exercised on accepting securities where they have considered the real securities sufficient, while they have allowed the same individual to afford personal security in numerous instances, and to an amount far beyond his means.

Marshall: The bearing of the first part of this observation was not understood. As to the second, no other explanation is thought necessary than that every bill, save one, discounted in the course of nineteen years, had been paid in full.

No. 12. Commissioners: Individuals have afforded counter security to each other.

Marshall: It is admitted that this may occasionally have occurred, owing to the difficulty of distinguishing between a bona fide bill transaction, and one of mere accommodation, and as above shown the bills having been paid, neither inconvenience nor loss has accrued from it.

No. 13. Commissioners: Much laxity has prevailed in enforcing the punctual discharge of the instalments of principal and arrears of interest. Parties have even obtained further loans while in arrears for former advances, and loans have been granted to a larger amount than was authorised by the regulations.

Marshall: The instances here referred to were not inconsistent with the instructions, and were justified by the circumstances alluded to under No. 4.

CHAPTER VIII.

ALLEGED MISMANAGEMENT OF THE BANKS.

During the course of their investigations into the affairs of the Banks the Commissioners of Inquiry had come across seven "deviations" from the established regulations of management.[1] Somerset had referred these alleged deviations to the Bank directors for explanation.[2]

No.I. By the 6th Article of the regulations of the Batavian Government in 1804, and the 17th Article of the Additional Regulations of 1808, it was ordered that no loan should be granted but with the previous knowledge of and unanimous consent of the Commissioners. Further, all applications for loans were to be made to the president and members of the Bank by letter, specifying the sum and the term of the required accommodation as well as the nature of the security offered." It has been been stated to us, that applications for loans and advances have been made verbally by parties at the Bank or to the Colonial Government, and that they have been them referred to the Bank, and in some instances with orders that the parties should receive the accommodation they had solicited." By the same regulation a preference was directed to be given to such as had not received prior aid from the Bank, which rule had also been departed from, and the general discretion of the president and directors substituted without any specific authority for such a latitude being allowed to them.

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1) C.O.228 no.4; C.O.250 no.3; Rec 19 pp.438-9.
2) B.P.P. 406 p.62; C.O.228 no.4 8th January, 1825; C.O.250 no.3; 10th January, 1825; Rec.19 pp.404-405; L.B.26 pp.59-60.

The Bank[3] replied that they were not aware that any loan had ever been made from the Lombard Bank without the previous knowledge of the president and directors, except in such cases wherein any of the members might have been absent from Cape Town or confined by indisposition. They pointed out that in general applications for loans had been made by letter, particularly from the country. But in Cape Town and its vicinity, a rigid adherence to this regulation would have given rise to such a mass of correspondence as to occasion the most serious inconvenience by the continued interruption of the other necessary business of the Bank. After all, in a vast number of cases a personal interview would have proved more satisfactory to all parties concerned." We therefore plead our opinion of the inexpediency of a rigid adherence to this regulation, and the established usage against it, which has subsisted long antecedent to Mr.Marshall's appointment to the bank".[4]

With respect to verbal applications to Government referred to the Bank with orders that the parties should receive the accommodation solicited, they were not aware of the cases to which this exception applied, unless it be to those instances in which the Colonial Government have deemed it expedient to direct advances to be made without any reference to the Bank for their opinion. These instances have, however, been very few, "and we have no doubt that the nature of those applications, whether verbal or by letter, was such as to render any reference to the bank unnecessary".

In reply to the exception made to the deviation from the regulation which required a preference to be given to such parties as had not received prior aid from the Bank, they plead the established usage of the Bank, which had subsisted long before Marshall's arrival in the Colony, whereby a discretionary power had been exercised by the president and directors in

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3) John Marshall(President)and G.H.Maasdorp.
4) Rec I9,pp.4I0-425;Mr.Marshall held the office of president since 5th November,I8I5,when he succeeded Mr.Dashwood.

selecting such cases for approval as to them appeared most consistent with the interests of the Bank and the public at large." We at the same time give it as over opinion, that had this rule been rigidly carried into execution, the safety of the establishment would have been greatly endangered, whilst a number of undeserving individuals would have received a public accommodation upon the sale ground of a priority of application." Finally, they pointed out that all these proceedings had been annually reported on by the Auditor-General.

No.2. The monthly comparison of the books of the Banks with the existing cash balances by the 30th Article of the same regulations ordered to be made by the president and Commissioners, had never taken place, at least since the appointment of Mr.Marshall to that office.

In reply to this exception the Bank stated that the rule was made prior to the institution of the Discount Bank and therefore was not applicable to it. The Discount Bank was totally distinct from the Lombard Bank and conducted upon totally different principles. "If therefore such a regulation had been considered necessary, as the rule may be supposed to apply to the Discount Bank, we conclude that an order to that effect would have been issued upon the commencement of its institution; but so far are we from thinking that such a regulation is expedient, that we are of opinion it would be attended with the most serious inconveniences, as it would be necessary to set apart three or four days in every month to the exclusion of all other business for this purpose....." With respect to the rule as it applied to the Lombard Bank they maintained that it had never been departed from, but on the contrary, that not a week had ever passed without the comparison inquestion having been made.

No.3. The 29th Regulation by which the custody of the cash (with the exception of what was required for daily

issues) was confided to the president and directors, had been altogether neglected, and the custody transferred to the cashier.

This rule, the Bank submitted, was also solely applicable to the Lombard Bank, the Discount Bank not having been established at the time of its formation. When this rule was made, Government were making large advances to the Lombard Bank, which were issued daily to individuals on loan. Such a rule, therefore, appeared to have been necessary as check upon the issues of the cashier until the whole amount of such advances was lent out. But since that period had gone by, the balance on hand belonging to the Lombard Bank, had been deposited in the Discount Bank except a small sum which the cashier retained in his iron chest.

The balance altogether for re-issue seldom exceeded 10,000 rds; generally it was much less and frequently nothing at all. The regulation was therefore at present altogether nugatory as it applies to the Lombard Bank. " If it were even intended to be made applicable to the Discount Bank, it would in our opinion be impracticable to carry such a regulation into effect with any degree of safety, that bank not having any fixed capital of its own, and it being impossible to calculate with any degree of accuracy what the amount of issues may be from day to day". The cashier had been in charge of all the cash belonging to the Discount Bank long before Mr. Marshall's appointment as president, but certainly not under any specific authority.

" We at the same time beg leave to observe, that had we not received the most convincing proofs of the honour, integrity and regularity of all the proceedings of Mr. Crozier, who has acted as cashier of the Discount Bank from its original formation to the present time, we should for own sakes as well as for that of government and the public have thought it necessary to have withdrawn from him that degree of confidence which for the interest of all parties has hitherto been placed

in him."

No.4. The rule prescribed by the 8th Article of the Additional Regulations of I808,requiring the directors to call in IO per cent per annum of all debts that have been outstanding above two years,due by the inhabitants of Cape Town and its vicinity,had been at various times suspended under the direction and sanction of the Governor in the course of personal communications with the president.

It is true that the president had on various occasions received the personal wish of the Governor,that under the existing circumstances of distress experienced by individuals throughout the Colony,they should not be pressed for the payment of their arrears to the Bank beyond what the necessity for each case in point of security might render necessary. "Being therefore fully acquainted with his Excellencys sentiments thereon,and being also ourselves equally sensible of the absolute necessity of extending such indulgence in numerous instances,not only with a view to preserve the individuals themselves from utter ruin,but also to guard the interests of government,which must have been compromised by an indiscriminate recourse to legal proceedings for the recovery of arrears,we freely acknowledge that we have taken upon ourselves the responsibility of exercising a discretionary power,which the letter of the regulation referred to may not appear to warrant; but we submit that the infringement of this regulation is not of recent date,but of a standing long antecedent to Mr.Marshall's arrival in the colony,and we presume originated in the impracticability of its being rigidly enforced."

No.5. According to the Colonial Secretary's letter of Ist June,I808,no sums were to be issued from the Bank without the special approbation of the Government. This

rule,however,was observed in special cases only when doubts were entertained by the president and directors of the expediency of making the advances,and that the approbation or dissent to the advances had in some instances been signified in the course of personal communication between the Governor and the president.

The Bank replied that "this rule.....could only be intended to remain in force whilst the capital issued to the bank,on its first establishment,was in course of re-issue to individuals,as we believe it never has been acted upon since that time;and we are quite sure never for a moment expected to be acted upon by government since Mr.Marshall's arrival in the colony." On the contrary,the Government have always expressed their dislike to interference with the granting of loans at all and never have done so but in special cases. Mr. Marshall certainly had occasionally thought it to be his duty to have personal communication with the Governor upon the affairs of the Bank,and in some few instances of little moment he might have acted upon such communication without requiring the official authority of the Governor for doing so.

No.6. According to the instructions of 4th May,I8II, the issues of the Discount Bank were restricted to one-third of the sums deposited in the Bank. Since that period they have been much increased and amounted nearly to three quarters of the whole amount of the deposits,"but without any other authority than that which might be implied from submitting a monthly statement of the discounts of the bank to the colonial government,and without any objection being made to such a charge."

The Bank could not say when the infringement of this regulation first commenced,but it was definitely long before Mr.Marshall's appointment as president. " But we feel

perfectly assured of the impossibility of adhering strictly to such a regulation at any time, as the deposits in the Discount Bank are in a state of continued fluctuation." [5] The directors had therefore been compelled to exercise their judgement and discretion in the amount of discounts, which had always been influenced by the considerations of profit on the one hand and of safety to the establishment on the other. They pointed out that if this regulation was at present to be enforced, they should have I,000,000 rds locked up in their chests, excluded altogether from circulation.

With reference to that part of the exception which stated that in this deviation from the rule laid down, the Bank have received no other authority than what was implied from submitting a monthly statement of the discounts of the Bank to the Colonial Government, without any objection made to such a charge, the Bank observed that, in addition to the monthly statement, they have also rendered a quarterly and an annual statement and have also been subject to an annual audit with the report of the Auditor-General on their proceedings to Government. "We can only account for the government not noticing this deviation from the rule in question, which has crept in with the gradual accumulation of business, and the increasing prosperity of the establishment, from the circumstance of its being evident that no fixed rule in such a matter could be strictly adhered to, or that if it could, the consequences of so adhering to it would have been ruinous both to the establishment and the public."

No.7 Mr.Marshall declared his ignorance of the reasons or

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5) Vide C.O.3I0, no.52 2Ist Sept., I827. Marshall to Lt.Governor Bourke.
Commenting on the Report of the Commissioners of Inquiry Marshall said that there was an old instruction in the Dutch language evidently written many years before the Discount Bank was established, whereby the loans of the Lombard Bank were restricted to two-thirds of the value of the property mortgaged. Confounding the two banks might have given rise to this mistake.

circumstances that might have prevented the destruc - tion of the paper money, created for the erection of the public buildings in pursuance of the instructions of His Majesty's Government and communicated to the Bank by Government letter of 8th November, 1816; nor was he ever informed of the reasons that might have existed for such an early departure from those instructions of the first instalment repaid to the Bank, of 15,000 rds.

Mr. Marshall, however, stated that he was totally ignorant of the specific reasons why the original instructions regarding the destruction of 500,000 rds fund were departed from after the first instalment of 15,000 rds was repaid to the Bank. But he inferred from the subsequent approbation of this fund, that the necessities of the Colony required such a departure from the original intentions of Government with respect to this fund.

The Bank also declared[6] that the Governor, lord Charles Somerset, had most scrupulously declined every interfe - rence with the Bank, except upon public grounds in special cases. Ever since Marshall's appointment as president of the Banks, the Governor had shown considerable reluctance to attend at all to the applications which have occasionally been made to him without first being presented to the Bank. "We further beg to add that, admitting the instances brought forward by the Commissioners of Inquiry to have been literal deviations from a code of instructions, issued at sundry periods, which in some cases are at variance with each other, we cannot admit that any evil has arisen therefrom; but on the contrary, that much benefit has accrued both to the establishment and to the public at large from the president and directors being left in the free exercise of a considerable discretionary power, whereby the profit to

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6) C.O.250 no.3 10th January, 1825 Marshall and Maasdorp to Assist.Col.Sect.P.G.Brink.

government and the accommodation to the public has been more than doubled since Marshall's appointment as president, whilst not a single loss to government, that we are aware of, has hitherto been actually sustained. At the same time, we beg leave to assure his Excellency, that so far from our wishing to retain the exercise of this power for any benefit or gratification of our own, we are most desirous of being freed from it whenever the government devise any other means of administering the funds of the establishment with more advantage to its own interests and those of the public; the duties which are imposed upon us by the exercise thereof being of a most invidious nature, and a rigid discharge of which requiring a combination of qualities which are rarely to be met with."

They further declared[7] that "His Excellency has had under his eye the conduct of the president and directors for many years past, without having had occasion in any instance, that we are aware of, to reflect upon them in the discharge of their duties in this department; and His Excellency has witnessed the growing prosperity of the establishment under serious difficulties with which it has had to contend. The president and directors do not presume to think that the government is indebted to their individual exertions for this degree of prosperity, but they do contend for having giving their aid towards it conscientiously and according to the best of their abilities."

Upon the subject of being guided by any interference on his part, Somerset most distinctly denied[8] ever having authorised a deviation from the regulations, except in cases especially brought before him and recommended by the president and directors. " It is true I have had frequent communications with Mr. Marshall upon matters of general policy concerning the bank,

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7) C.O.228, no.4 10th January, 1825. Marshall and Maasdorp to Assist.Col.Sect. P.G.Brink.

8) B.P.P.406, p.62 14th January, 1825 Somerset to Commissioners of Inquiry.

when I have freely given him my opinion, particularly upon the inexpediency of pressing debtors to ruin, by enforcing the repayment of capital when the interest could be regularly received, particularly towards individuals who had suffered by the various calamities with which this settlement has been visited during the last five years. I have not committed these opinions to writing that they might not have the appearance of mandate, it having always been a principle with me that the Governor should on no account assume an authority over the transactions of loans." On perusing the replies made by the president and one of the directors[9], Somerset was ready to acknowledge the soundness of their reasoning on the application of many of the regulations to the present times," but it has not failed to occur to me that in such case it would have been more becoming to have brought to my notice the expediency of a revision of their instructions, rather than to have persevered in a silent non-observance of them. Of this Mr.Marshall is fully sensible, and I feel pursuaded that he is entirely disposed to adhere to any instructions which can tend to secure the public interests, and that he has on all occassions acted with the best intentions and the most rigid integrity."

It must be borne in mind, however, that the instructions for the guidance of the president and directors of the Banks, to which the above exceptions referred, were issued at a time when the Lombard Bank was in its infancy, and when the Discount Bank (by far the more important establishment of the two) was not in existence, and also when the former was but little better than a pawnbroker's shop, having been the depository for pledges of silver spoons, watches, sheep skins, etc., etc. In the present improved state of the Colony, and of the Banks in particular, deviations from instructions issued under such circumstances, should therefore not be viewed with too scrutinising an eye.[10]

9) The other being absent from sickness.
10) C.O.228, no.4 10th January, 1825, Marshall to Assist.Col.Sect. P.G.Brink.

PART III.

DEPRECIATION AND CONTEMPORARY CONTROVERSIES.

CHAPTER 1.

THEORIES OF W.W. BIRD AND H.T. COLEBROOKE.

On 20th January, 1810, the Earl of Caledon informed the Secretary of State, Viscount Castlereagh, that he had appointed William Wilberforce Bird to act as Comptroller of Customs at the port of Table Bay.[1] His appointment was made public by means of a Government Advertisement dated 25th January 1810.[2] He held this office for about fourteen years.[3] In February, 1823, Lord Charles Somerset wrote to Lord Bathurst as follows:[4] "the value I set upon his (Bird) public services, qualified as he is by the possession of a highly cultivated mind and a rigid integrity, thorough knowledge of the laws combined with unwearied diligence, can only be equalled by the esteem, respect and regard I entertain for his very many excellent qualities in private life." Giving evidence before the Commissioners of Inquiry in April, 1825, Lieutenant Colonel C. Bird, a former Colonial Secretary, stated that William Wilberforce Bird appears to have been one of the "only sort of persons worthy of the confidence and friendship of Lord Charles Somerset."[5] The Comptroller of Customs also acted as confidential adviser to Governor Somerset.[6]

It was the duty of the Secretary to Government to frame the several proclamations when called upon to do so, but many proclamations were not drawn up by the secretaries and some not even with their knowledge. They only received them for the purpose of attesting them and giving them publicity.

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1) Rec.7, p. 246, 20th January, 1810: Earl of Caledon to Secretary of State Viscount Castlereagh; Rec.13, p. 425.
2) Rec.7, p. 252: Government Advertisement of 25th Jan., 1810.
3) Rec.19, p. 20.
4) Rec.15, pp. 279-280, 16th Feb., 1823: Lord Charles Somerset to Secretary of State Lord Bathurst.
5) Rec.21, p. 168, 21st April, 1825: Evidence by Lt. Col. C. Bird.
6) Rec.22, p. 440, 31st July, 1825: Evidence by Lt. Col. C.Bird

The celebrated Game Proclamations, for instance, were the joint production of Lord Charles Somerset and his two Criminal Assessors, Judge Kekewich and Mr. W.W. Bird.[7]

In the year 1823 a work was published in London by John Murray, Albermarle Street. It was called "The State of the Cape of Good Hope in 1822" and signed by "a Civil Servant". This "Civil Servant" was no one else than W.W. Bird, Comptroller of Customs and Assessor of the Court of Appeals.[8] This "experienced work"[9] was also published in the Cape Colony in 1824. The editor of this work, H.T. Colebrooke, wrote as follows in the preface:[10] "the work, which is here presented to the public, was entrusted to me for that purpose by a gentleman resident in South Africa, and well qualified by the opportunities of observation which he has enjoyed, during a long abode at the Cape, to describe minutely and correctly its actual state; its public establishments; its commercial relations; and the condition of its inhabitants." It is therefore necessary that we should pay attention to his ideas with regard to the paper currency of the Colony.

His Views on Currency: - He traced the history of the

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7) Rec.21, p. 163. For further particulars concerning the activities of W.W. Bird see the following: Requests a proportion of the proceeds of Sales of gunpowder seized, Vide Rec.12, pp. 164, 174, 236, 1819; Rec.13, pp. 417, 450, 463, 1821; Requests permission to carry the case of East India ships into the Vice Admiralty Court, Vide Rec.13, p. 435, 1821; Is said to withhold prize money from seamen, and to refuse to attend the Court - is ordered to explain. Vide Rec.15, p. 14, 1822; He was a member of the Committee for the relief of distressed settlers. Vide Rec.16, pp. 264, 269. Elected, 11th Sept., 1823; Rec.18, pp. 364, 366, 368, 369, 385; Rec.22, pp. 261, 262, 271, 339; Gave advice to Dr. Phillip, Vide Rec.18, p. 357, 1824; Explains his action concerning the French merchant ship "La Seine", Vide Rec.19, p. 128, 12th Nov., 1824; Action in the assignment of prize negroes for his own advantage, Vide Rec.22, pp. 300, 304, 307, 314, 316, 317, 1825; Rec.23, p. 445; For further mention, see Rec.17, pp. 183, 189, 190, 234, 383, 389, 392; Rec.18, pp. 56, 350, 352; Rec.19, pp. 273, 279; Rec.23, pp. 57, 440, 442; Rec.24, pp. 126, 247, 254; Rec.25, pp. 207, 208, 300, 302.

8) Rec.17, p. 295.

9) Ibid.

10) December, 1822.

currency before 1806. In the latter year the British became masters of the Cape and the Civil Servant came to the conclusion that although "the honour of the nation was pledged, and afforded full confidence to the inviolability of the capitulation, yet everything remained in a lifeless and doubtful state. The currency was withheld by the timorous in the apprehension of loss, and by the usurious, in the hope in the practice of high interest, and great difficulties occurred."[11] It was in order to relieve the public wants that Lord Caledon established a Bank of Discount in 1808.

He pointed out that the currency consisted of about 3,000,000 paper rixdollars, originally issued at 4/- sterling, a part of which was secured on the Government farms and buildings. But, as the paper rixdollar, issued under security, were never particularised by special numbers or marks, and as all were called in or recoined in 1804, there no longer appeared any distinct approbation.[12] It would also be difficult to realise the value of public buildings, Government houses, and farms if such security did really exist; "for in a case of general ruin, and of the annihilation of the rixdollar, where would the purchaser be found, if the government would allow such a sale? And in case of capture, where is the conqueror who would permit it? It would probably be his interest, that the paper rixdollars should be buried in the tomb of assignats and mandats."[13]

The mortgages lodged in the Loan Bank for sums advanced by that Bank, were the only available securities, which, being sold and realised, might produce a dividend for the whole mass. "Such a condition of currency is deplorable; but combined as it is with the pressing circumstances of the day, it become out of all hope that it can recover from depreciation, except by the concurrence of very favourable events."[14]

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11) State of the Cape of Good Hope in 1822, p. 34.
12) Ibid., p. 35.
13) Ibid., pp. 35-36.
14) Ibid., p. 36.

The amount of rixdollars which had been issued by the Colonial Government, was still due from that Government to the public. It received value for the issue and was bound to return it. The guarantee of the British Government, for that proportion which was in circulation at the capture, was not to be considered a guarantee in words, but a guarantee of effect. Common honesty required that this should be held sacred. It was mere justice to the public, and to its own character, that the English Government should keep its faith, and redeem its pledges.[15]

He further stated that the credit at the Cape was so desperate that confidence in individuals was gone. "There is a host of borrowers, and no lenders; and those who are unable to get that accommodation which their affairs require, impute it to an insufficiency in the circulation, of which there is an over abundance; and not to the depressed state of their own credit, and that of others, added to the natural effects of excessive over-trading, which have acted upon England and America in the same manner."[16] He pointed out that Adam Smith considered one-fifth, one-tenth and even one-twentieth of the circulating medium to be sufficient, under different circumstances, to circulate the whole value of the annual produce of a country. If this rule is applied to the Cape it would be found that there was a currency of more than three millions while the whole of the annual sales did not amount to nine millions eixdollars.

The enormous height of exchange on England had reduced the value of the currency in exchange on England to 1/6 sterling per rixdollar, and caused the merchant "who wanted to remit, to possess himself for the time of a large quantity of rix-dollars, for the purchase of bills on England, upon the day of tender."[17] This might absorb, for a short time, a portion of the currency, but this occasional circumstance was insufficient singly to give rise to constant distress as the rixdollars so paid for bills

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15) Ibid.
16) Ibid.
17) Ibid., p. 37.

finance, it would very soon experience that a forced attempt to counteract natural consequences must inevitably increase the evil, and finally force the colony into total ruin."[24] He pointed out that there was no metallic currency in the Colony, except English penny-pieces, "for it must be obvious to every one, that at the present rate of exchange gold and silver coin must have left the Cape." Further he said a time might come in which the creation of a Colonial metallic currency would produce favourable effects united with convenience, but it appeared to be impracticable until the paper rixdollar rose nearer to par or acquired something like a fixed value.[25]

Balance of Payments and Rate of Exchange: - In discussing the commerce of the Colony the Civil Servant stated that in the days of Napoleon Buonaparte's detention at the island of St. Helena from 1815 to 1821, the greatest possible impulse was given to the agricultural produce. The immediate and continued necessity of supplying that island with flour, cattle, wine, and other articles for the use of the navy, the army and of the captive with his train of followers, operated with immense power on the Cape.[26] The Cape lost much of the supply to St. Helena after the death of Buonaparte in 1821. A judgement might be formed of the importance of the detention of Buonaparte to the Cape interest, by inspecting the custom-house valuation of the Colonial and other exports to St. Helena, exclusive of presents, ships' stores, stock for the passage, stock really for sale at St. Helena, shipped as stores, all of which would be underestimated at one-eighth more. The total exports to St. Helena would thus amount to the value of 556,703 Rds.[27] The whole of this payment was made to the Cape in Spanish dollars or in bills on England.

The salubrity and healing powers of the Cape climate

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24) Ibid., pp. 38-39.
25) Ibid., p. 39.
26) Ibid., pp. 3, 106, 122.
27) Ibid., p. 123.

attracted invalids from India, whose expenses in the Colony were paid by bills drawn on India and England. In the year 1821, these bills were of the value of 700,000 Rds. These were expended chiefly in the personal expenses of the individuals, in travelling, in the purchase of horses, in meat, drink, lodging, etc. and were clear profit to the Colony.[28]

The Commissariat bills on England for the ordinaries and extraordinaries of the army, formed another valuable article of export. Bills in sterling on England producing 1,932,855 Rds (including Spanish dollars at 20 skillings), had been issued from the commissariat and purchased by the merchants for remittance. "A standing army, so frightful to the friends of freedom, is most welcome here, provided it be paid by Great Britain, and there is no colony where a large force would be hailed with such rapture as at the Cape of Good Hope."[29]

The exports from the Cape Colony to all parts of the world appeared by the accounts of 1821, to be as follows:-[30]

		Rds.
Colonial produce		1,741,035
Not Colonial produce		271,090
		2,012,125
Add 10 per cent. profit on sale beyond expenses		201,212
		2,213,337
Bills from Indians		700,000
from commissary		1,932,855
from the missionaries		75,000
Total exports	Rds.	4,921,192

The following is the value of the general imports during the year 1821 :-[31]

	Rixdollars.
Total custom-house valuation of British goods, being the prime cost exclusive of all barges	3,778,440
Carried Forward/....	3,778,440

28) Ibid., p. 124.
29) Ibid.
30) Ibid., pp. 124-125
31) Ibid., pp. 125, 323-324.

The total exports, according to the custom-house account for the half-year from 1st January to 30th June, 1822, amounted to 2,737,096 Rds.

Total imports, from 1st January to 30th June, 1822, amounted to	4,127,310	
There is therefore a surplus import of	1,390,214	
To be added to the surplus of 1821	1,745,052	
Which makes a total arrear of remittance due to England amounting to	3,135,266	Rds.
The total value of corn and rice imported within 12 months amounted to	1,029,785	Rds.

The acts of parliament of 12th July and 13th December, 1813,[33] opened a trade from the Cape to the East Indies, and included it within the limits of the charter of the East India Company, yet preserved the relative situation with Europe as to general commerce.[34] The Order-in-Council of 12th July, 1820, permitted foreign friendly nations to import into the Colony their manufactures or produce, except iron, cotton, steel and woollens, on equal duties with England, and to export Cape produce and any manufactures or articles landed there. Further, the act of parliament of 2nd July, 1821,[35] legalised the Indian as well as other trade, from the Cape to any part or place belonging princes, states and countries in amity with His Majesty. This was a most important concession which opened the Cape trade in Colonial or British vessels for India goods, direct to the dominions in Europe, America, the West Indies and the Mediterranean, belonging to foreign potentates - a trade, which, till this time, (except in the case of Malta and Gibraltar), had been jealously monopolised by Great Britain. The acts of the legislative in the years 1813, 1820 and 1821, were therefore considerable boons for the liberty of trade and for the importance of the Colony. "In whatever way they may operate as to the future,

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33) Ibid., p. 3.
34) Ibid., p. 4.
35) Ibid.

they have, in truth, greatly added to its present embarrassments. The spices, the silks, the muslins and manufactures of the east, have been in all ages and by all nations sought after with avidity. They gratify the palate and adorn the person, and to a South African they are irresistible."[36] Unfortunately, however, the Cape Colony produced nothing acceptable in exchange for them and they could be purchased only by the bills which the Cape received from the visiting Indians and by bills of exchange on England.

Computing the East India goods imported, exclusive of Mauritius, at one million rixdollars per annum, there would be, beyond the Indian bills, an addition required of 300,000 Rds., for remittance and prompt payment, which had to be taken from the bills of the commissary on England. If eastern imports were to the Cape materials for manufacture, or to be re-exported in an improved and more finished state, affording profit from labour, it would benefit by the employment given. However, the whole of these imports consisted of articles to be consumed or to decorate the person. The passion of the Colony for dress and for all the enjoyments of luxury, surpassed its means,"and it is too true that these indulgences are now really purchased at the expense of withholding the payment of the large and increasing debt due to England."[37]

The Civil Servant pointed out that in the years 1818 and 1819, when the price of wine for export at the Cape was nearly 200 Rds. per pipe, including the cash, and the amount exported in the two years exceeded, in custom-house valuation, 3,500,000 Rds., exclusive of the expenses and profit on sale, it was not to be presumed that there accrued much unsatisfied debt in England.[38] There was little reason to doubt, however, that the short payment of 1820 equaled those of 1821. This left, provided all former debts were discharged, about 3,500,000 Rds.

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36) Ibid., pp. 125-126.
37) Ibid., p. 126.
38) Ibid.

due from the Colony to England. "The whole of this arrear has not vanished into air. The merchandize on hand is in considerable quantity. The aggregate of plate, linen, furniture, and other moveables, now collected in every house in the Colony, is of great value."[39] Further, he said that the evil appeared to be that the Colony was in unusual and harrassing distress for remittance while it was in unbounded enjoyment of all that contributes to the personal comfort of man in society.

Speaking about the East India Company, the Civil Servant said that, though they were generous and liberal masters elsewhere, their dealings at the Cape have been of a different nature.[40] Their paltry retail sales by vendue, were not guided by demand and supply; the agent fixed the minimum and beyond that price the buyer had to advance. The value of tea, which had become an article of first necessity to the Colonist, was guided by the moderation of the agent. Furthermore, since the death of Buonaparte, the amount of the East India Company's sales had now eventually to be remitted in bills on England, while during his life it was expended in the supplies to St. Helena. "It now comes forward again to aggravate the course of exchange, by the biddings against the merchants."[41] These evils might be compensated if the Company were disposed to urge the sale of Cape wines in her India establishments, in the hospitals, or in the army. The Company's monopoly was highly detrimental to the Colony and swallowed up the commissariat bills on England "in exchange for a breakfast of dear and ordinary tea, for silks, calico, muslins, and nankeen."[42]

According to the Civil Servant the rate of exchange on England appeared to have advanced gradually or suddenly according as it was affected by the "circumstances of the day." The great export of wine in 1817, assisted by that of 1818 and 1819, and by the export of wheat and wine in 1820, operated on external

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39) Ibid.
40) Ibid., p. 127.
41) Ibid.
42) Ibid.

remittance, but its effect was destroyed by the large importation of wheat in 1821-1822. "The import of rice, wheat, and flour, this year, absolutely required to prevent famine, will create such an excess, to be paid by bills on England, that it sets at a distance all rational hope for a favourable abatement in the rate of exchange."[43] The rate of exchange was then at a premium of 195 per cent. He maintained that as long as the existing amount of Cape paper currency remained in circulation and the balance of external payments was so heavy against the Colony, any amelioration appeared to be hopeless from common causes. "If some measure, powerful enough to deliver the colony annually from its growth of wine, be not brought to bear at an early moment, by the British government, the mother-country must lay her account in the loss of a great part of three and a half million of rixdollars remaining due. No means will be found, but from an application of the currend and future investments for the payment of the past; leaving the new arrivals to take the situation of the old debt. The gradual progress of the Cape in population, both from natural causes and from settlers still arriving, ... requires a continued importation of articles of first necessity and of general consumption fully equal to the means of remittance; and there is no hope from the savings of the days that are past. The Cape, pampered by British capital conveyed to her in merchandize, has, during these last five years, exceeded the fruits of her labour and industry, in the expense of horses, equipage, dress, high living, and the enjoyment of foreign luxuries, and, like other spendthrifts, deplores, in a more advanced stage, the disquietude and distress brought on by these earlier follies."[44]

Further he said that in view of remitting something to keep up and create fresh credit in England, "the merchants eagerly contend at the biddings, by tender, for the commissariat bills. The quantity of rixdollars in circulation, and the

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43) Ibid., pp. 128, 324.
44) Ibid., p. 128.

abundance received for a sale of goods, enables a merchant to vie with his competitor, in the number of them offered for each bill of one hundred pounds or more. When the rixdollar paper, cannot be converted, at sight or at date, into money, at the place of its issue, and acts as the medium to purchase bills, which can be so converted in England, there can be no surprize at its depreciation, where so much remains to be remitted; without looking for other causes, acting so powerfully at the same moment."[45] It must not be concluded, he said, that the exchange operated in the same excessive manner on all colonial expenses.[46] The counteraction of an over-supply and the necessity os selling at some price, had reduced European articles below their actual value. Bread was dear from the effect of blight, and the imprudence of the exportation of corn. All other articles of food were at a cheap rate. Cape wine was less than half its former value, but wine had increased in quantity within the Colony, as fast as the debt to England which it was expected to pay. The distress of trade had lowered the purchase price of land and of houses. Those people with fixed certain incomes have found rather an improvement than reduction in their means of living, but their number was small compared to the real sufferers.

The Civil Servant is Criticised: - The Civil Servant was severely criticised by a correspondent to the South African Chronicle and Mercantile Advertiser, who signed himself as "W - n."[47] The correspondent pointed out that some glaring fallacies, blunders and contradictions were contained in the book of the Civil Servant in ascribing the high premium on the exchange sometimes to heavy balances due to England and at other times to a redundant currency. By stating that "the imports have created such an excess to be paid by bills on England that it sets at a distance, all rational hope of a favourable abatement in the rate of exchange," the Civil Servant was intimating that the unfavourable exchange was caused by the scarcity of bills. By saying

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45) Ibid., pp. 128-129.
46) Ibid.
47) S.A.C.M.A. 19th January and 2nd February, 1825.

that "as long as the present amount of Cape paper currency remains in circulation, and the balance of payments is so pressing against the Colony, any amelioration appears hopeless from common causes", the Civil Servant was really contradicting his former assertions and pointed out two causes which operate to raise the exchange.

It was said that "the quantity of rixdollars in circulation, and the abundance from sale of goods, enables a merchant to vie with his competitor, in the number of those offered for each bill of £100 or more. When the rixdollar paper cannot be converted at sight, or at date, into money, at the place of its issue, and acts as the medium to purchase bills, which can be so converted in England, there can be no surprise at its depreciation where so much remains to be remitted." The author here again contradicted himself in confounding depreciation with a premium on the exchange and broached the doctrine that the value of a medium of circulation was determined by the state of the foreign trade, i.e., by the comparative scarcity or abundance of bills. However, the value of the circulating medium is regulated entirely by the business of internal circulation, while the abundance or scarcity of bills has no influence, whatever, in diminishing the business of circulation, and, consequently cannot diminish the exchangeable value of the material which performs that office.

"The condition of the currency", says the Civil Servant, "is deplorable; but combined as it is with the pressing circumstances of the day, it becomes, out of all hope, that it can recover from depreciation," thus clearly intimating that the depreciation of the currency arose from the inability of the Government to redeem it. Further, "those who are unable to obtain loans, impute it to an insufficiency of the circulation, of which, there is an over-abundance." Here the author again admitted over-abundance. Again, "an increase of rixdollars must

lessen, even their present value. Paper currency, like every other article, becomes cheaper by over-abundance, the creation of more rixdollars must increase the rate of exchange against the Colony." The contradictions involved in these statements are sufficiently palbable.

The Civil Servant had ascribed the existing high premium on the exchange to 1) the heavy balance due to England, 2) excessive importation or over-trading, 3) a redundancy of the circulating medium, 4) the high prices received for goods, and 5) the pressing circumstances of the day, i.e., the inability of Government to redeem any portion of the currency: to which inability, the excessive amount of sterling salaries which were paid in Colonial currency, contributed in a most powerful degree, being a deadweight on the resources of the Government. The Civil Servant too asserted that an increase of rixdollars would proportionately increase the rate of exchange against the Colony. He committed a blunder, however, if he meant to say that it would permanently increase the real course of exchange, for, whether the rixdollar be equivalent to 1/- or 4/-, the real course of exchange might still be highly favourable or unfavourable.

With respect to the salaries of those civil servants who were paid according to the rate of exchange with England, the capital objection to this system was this: the revenue, that is, the real value of the public income, diminished with every increase of depreciation, while the real value of the sterling salaries, payable out of the diminished revenue, increased. With every increase of depreciation, therefore, the sterling salaries bore a greater and greater proportion to the whole revenue. In 1810 the revenue averaged 700,000 Rds. and since that period the population had increased 40 per cent. and the paper was depreciated 140. The revenue therefore, ought to have increased (because there had been no reduction of taxes)

180 per cent., or to nearly 2,000,000 Rds; instead of which it amounted to only 1,400,000 Rds. for 1824, while the sterling salaries, which in 1810 did not exceed £20,000 or 120,000 Rds. now exceeded 360,000 Rds. It is evident then that the sterling salaries formed a most important, if not disproportionate, item of public expenditure. It must, therefore, effectually cripple the exertions of Government in any attempt at saving from revenue to reduce the "redundant currency" within proper limits. But, if the paper rixdollar had not diminished in value from excess, and it could not fall in value from any other existing cause, then a civil servant who drew for £1,000 or 14,000 Rds. must, in reality, receive a value equivalent to between £2,000 and £3,000. If the paper rixdollar was really depreciated from excess, and if the premium on the exchange was a correct exponent of the extent of depreciation then the civil servant received perhaps no more than an equivalent. It is therefore inconsistent for the "Civil Servant" to contend that the premium on the exchange arose from over-trading and not from depreciation originating from a redundant currency, for he is entitled to receive his salary of £1,000 in Colonial currency only when the nominal premium is the true index of the diminished value, below that of 1806, when the tariff was fixed at 6 Rds. per pound. There is no principle more indisputable than that of limitation in quantity being the chief, and in the Cape Colony, the only regulator of the value of a circulating medium. To maintain the contrary would betray an incapacity for correct reasoning and accurate induction which was but too frequently characteristic of the "Civil Servant".

One of the following propositions must be true :

1. either the currency was insufficient and ought to be augmented;

or 2. the quantity in circulation was sufficient and ought to be increased or diminished;

or 3. the currency "over-bounded" and ought to be diminished.

With reference to the first the "Civil Servant" censured those persons who imputed "a want of accommodation, to an insufficiency in the circulation, of which, there is an overabundance," and that "any addition to the number and amount of the present rixdollars, recommended by some projectors, unless grounded on solid security, would be a fraud on the public, and increasing the distress; and even if grounded on security, would instantly cause a further depreciation", and "one evil would be an advance in the price of all merchandise". The Civil Servant was clearly of opinion that a portion of the redundant currency should be withdrawn and replaced by "government debentures", which would remove the evils attendant on a depreciated currency." Moreover, it is quite certain, that if the currency was not depreciated from excess, there could have been no just grounds for replacing any portion of it by "debentures". If the currency was not depreciated from excess, where was the necessity or utility of "destroying" any portion of it. If the public was no loser by the excessive issues of paper currency, why should the Civil Servant insist on the expediency of the "English Government keeping its faith, and redeeming its pledges?" But, how are we to reconcile this assertion and admission with the avowal that "a reduction of the paper currency", that is, the extinction of any portion of it, by "Government fulfilling its promises" would be feeble in plan and impotent in effect?

Theory of Mr. H.T. Colebrooke: - Mr. H.T. Colebrooke was editor of the book "State of the Cape of Good Hope in 1822", written by the "Civil Servant". In the preface of this book he wrote as follows: "In more than one visit to the Cape of Good Hope, I have had occasion to see much of the colony, as enables me to testify the author's accuracy as to facts, and the invariable truth of his premises; though the conclusions from them are not always precisely what I might be disposed to

deduce from the same grounds."[48]

"The depreciation of the paper currency of the Cape, at the inordinate pitch of degradation to which it has sunk, is an evil of the utmost magnitude, pregnant with ruin of domestic traffic and of foreign commerce of the colony. It unhinges all dealing that look beyond the passing day; for no man, who enters into prospective engagements, can, with any semblance of probability, foresee what value he may have to receive or to pay on their fulfilment."[49] Debtors were, by such enormous reduction of the currency, enabled to liquidate their debts with less than half the real amount which they borrowed, and in the uncertainty attending a fluctuating value, apprehensions were entertained of the contrary result. Persons contracting engagements to be performed at a distant term, might fear, and actually did so, that they should have to account at a future day for more than twice the value received by them. "Long credit, or loan at a distant term, upon real securities or substantial sureties, has been an ordinary mode of dealing at the Cape; it is yet clung to, amidst the distress of the colony, but the condition of the colonial currency has seriously shaken it."

Colebrooke pointed out that the degradation of the paper money had been progressive since the unhappy measure of augmenting its quantity. Already the currency "overabounded, as was evinced by the price of bullion, and ordinary rate of foreign exchange, which demonstrated depreciation, varying from 20 to 30 per cent, when, in an ill moment, the local government was induced, on very mistaken grounds, to resolve on its augmentation, while its diminution should on the contrary, have been determined."[50] This measure, injudiciously begun by one administration and unwisely completed by another, remained yet unamended

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48) He, therefore, inserted brief notes at the foot of the pages and subjoined a few annotations on topics of interest. "It is hardly necessary to add, that I am not to be understood as implicitly adopting every sentiment in the text, from which I have not expressly dissented."

by their successors. From that time the local currency had proceeded in an unvaried course of rapid depreciation and the paper money now exchanged for no more than 35 per cent. of the value for which it was issued.

There was nothing in prospect to check the further degradation of the currency "until it shall have sunk to the condition of decried paper." Those who suffered by its deplorable condition had no say for the application of a suitable remedy to this "galling evil", while those from whom the remedy had to come, were no sufferers by the continuance of it. Expedient measures for alleviation of an acknowledged evil, have doubtless been subjects of deliberation; but sympathy, and a consequent keen sense of inconvenience, would be prompt to find and apply a remedy for its relief."[51]

According to Colebrooke the first step requisite was to ascertain the causes and from this point a question would arise as to whether the proximate cause was one that could be remedied by measures proper to be adopted by authority or whether the grounds of the evil were to be sought further and the remedies deeper. He maintained that the proximate cause of depreciation of the local currency was, no doubt, excess of importation. The goods imported exceeded the means of payment. The Cape Colony, like any other country, could purchase no more than it could pay for, or only so much more as its credit covered. "It does receive, or has received, more than the value of exports which it can furnish in return. The importing merchant has been content to allow credit to a limited extent. His merchandise has been vended for his account, at a seeming profit, and apparent payment has been received in currency: but, he has found, that he has an ineffective payment in paper-money, not adequately convertible into competent returns of goods for export, or bills of exchange for remittance. Paper-money, accumulated in the

hands of such persons eager to effect remittances, is depreciated by their competition. Much remains with disappointed competitors; and lying unproductive in their hands, occasions deeper degradation of the currency, from their quickened eagerness to accomplish a remittance of their funds. Yet the traffic of importation proceeds, under the illusion of seeming gain: for fresh imports are sold at advanced prices, affording a nominal profit, according to the present rate of exchange; and further degradation is naturally the result, before returns may be effected, since the same course can but be followed by like consequences."[52] If it were therefore proposed to discourage importation and fetter commerce, or to promote trade and encourage the growth of exportable produce, the answer would be that the latter was highly expedient, but tardy, while the former was impracticable or unadvisable. Attention should therefore be directed to a primary cause susceptible of some prompt remedial application.

As already intimated, Colebrooke admitted that the currency "overabounds". It was issued in excess under a mistaken view of the interests of the Colony. Although the population of the Colony had since increased and plantations had been widely extended, the paper money then issued still continued to be "greatly in excess above the wants of circulation."[53] This truth, he maintained, is proved by two very decisive facts, independently of the presumption arising from the price of bullion and rate of exchange. These facts show conclusively that the greatest part of the paper money was actually not in circulation, but set apart, and laid by in public or private coffers. The deposits in the Bank commonly amounted to more than one-third of the whole quantity of paper money; they were the deposits of individuals, withdrawn from circulation. "Much more than that proportion - more than two-thirds of the total amount, consist of

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52) Ibid.

notes of a large denomination - larger than are suited to the purpose of a circulating medium, and larger than are ever actually seen in currency; the paper money is chiefly in notes of 500 Rds."[54] Much currency was not needed at the Cape. Most transactions of magnitude in the town were liquidated by bank drafts, while supplies from the country to the town (e.g. cattle) were generally paid for by drafts. Moreover, country dealings very usually consisted in barter. It is therefore not suprising, said Colebrooke, that such a great sum as 3,000,000 Rds. should have been an over-issue of paper and should continue to be excessive. "The surplus is a dead burden upon capital; else not superabundant, and very ill able to comport with the unproductiveness of so considerable portion of it."

The effect of an over-issue of paper money, in rendering too great a portion of capital, thus unprofitable, had weighed the heavier in consequence of a measure that was adopted shortly afterwards, namely, the discontinuance of an accommodation which previously was afforded of allowing interest on deposits at the Bank. A prudent consideration for the safety of the Bank and of the Government, which was answerable for its transactions, dictated that measure. Colebrooke was of opinion that the business of the Bank, in employing deposits, was, perhaps, not conducted upon right banking principles. "The bank, in using that money, has been said to have been managed rather as a charitable institution than as a money-dealing fund. What was a better title to early attention than opulence. The needy applicant more readily obtained relief by loan, than the wealthy applicant accommodation. If human feelings are to be chiefly consulted in money-lending, this was right, but not so, if the security of a great public establishment was to be a paramount consideration. A better mode of management might, perhaps, have been introduced; but a short course was taken, and the whole system was discontinued."[55]

Colebrooke said that for the want of means by which capital, awaiting permanent investment, or reserved for a special destination, could be made temporarily profitable, none accumulated in the Colony. Facility of rendering any sum of money productive always operate as an incentive to frugality. In the Colony, however, there was no public fund nor institution which afforded such means, with the result that no saving of capital took place. "Owing to the same want of public securities, is that extreme urgency for mercantile remittances, with the consequent perpetual pressure upon exchange, which has been noticed. If capital, awaiting remittance, may meantime be securely and advantageously employed, without foregoing the prompt command of it, remitters may be content to expect a favourable turn in the rate of exchange. But if money is to lie idle while it remains unremitted, a present definite loss is submitted to, sooner than keep it unemployed, watching for doubtful contingencies."[56]

Everyone who received a fixed income whether from public salary or from individual resources, was a sufferer by the degradation of the currency. The Government itself was a loser since its revenue became less efficient to defray the public charges. Prices of all things were enhanced, while salaries had become inadequate and had to be increased, every expense was augmented. "The government draws some direct benefit from the paper-currency, through the Lombard bank, but this profit, arising from interest upon so much of the paper-money as has been issued by way of loan through the bank, falls very short of the loss sustained. The aggregate of the revenues received in a degraded currency does not go nearly as far as it would, divested of that profit, and levied wholly in a currency of reinstated value."[57]

"Interest, derived on paper-money created for loans on mortgage, might be an unexceptionable source of benefit to the government, while paper so issued bore no discount or very little.

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56) Ibid., p. 344

But it is not a fit advantage to be retained, while attended with so serious an evil as a decried currency: for such is paper-money, which has sunk to a discount of 65 per cent."[58] The same might be said of that portion which was issued for disbursements of the British Government on account of the public service. Colebrooke maintained that the advantage of raising money by contracting a debt free of interest, to defray marks of general utility or of Colonial service, was unobjectionable so long as it entailed no inconvenience. But whenever the paper issued for such occasions fell to discount, inconvenience had then arisen, and the longer continuance of the debt became seriously objectionable. The creation of paper money by a government is a mode of borrowing without consent of lenders. "Certainly that should not be persisted in against consent; and great depreciation surely is a very strongly pronounced dissent. The amount ought to have been withdrawn, and other means fallen upon to provide for the exigence."[59]

For so much of the paper money as was a debt of the Dutch Government, Colebrooke maintained, the British Government should be considered to have succeeded to its engagements. Great Britain, it might be said was not answerable for that debt as bearing on other funds and resources, more expecially since the state had already paid once what was created and issued for the public service of the British Government, previous to the restoration of the Cape to the Dutch. Yet the debt should be acknowledged as a burden on the territorial revenue of the Cape, and Great Britain, possessing the Colony, was responsible to see its debt made good. "In any view it is an incumbrance upon the colony, and having become sorely inconvenient in one form, not so say utterly incompatible with prosperity, it might be put at least into some other shape less detrimental, and the change of effecting so beneficial a change may be very properly defrayed out of colonial resources."[60]

Colebrooke therefore suggested that so much of the paper money outstanding as exceeded the wants of circulation ought to be withdrawn, and for this purpose debentures, bearing the legal interest of the Colony, might be issued in exchange for it, upon application and surrender of an equal amount of paper money to be cancelled. The fund for paying the interest of debentures would, in the first instance, be that which was received through the Lombard Bank, for loans of paper money, issued on real securities. That fund would nearly suffice. "A reduction of the excessive quantity of paper-money is the appropriate remedy of its depreciation; but there is no positive necessity to call in the whole of it."[61] He held that paper currency, kept within due bounds, was expedient and perhaps requisite in a small colony, where importation inevitably equalled, often surpassed and always manifested a tendency to exceed the means of making returns by exports. There could be no doubt, he said, that debentures would be taken for a great part of the outstanding paper, and not unlikely for the precise amount, which was surplus to the wants of circulation and which was laid up in the coffers of the Bank and of private persons. "No apprehension need be entertained, that the whole amount of paper-money will be exchanged for debentures; and that an incommodious want of medium of circulation will, in consequence, be experienced. Were the case to happen, of the whole paper money being brought in to be cancelled, the operation could not be so suddenly performed, but that the paper would be seasonably replaced by, a metallic currency of Spanish dollars and other coins, passing in countries which have dealings with the Cape."[62]

Colebrooke also proposed that the plan of issuing debentures should include a provision for the re-issue of paper money in exchange for debentures upon application for that purpose and surrender of the equivalent amount. In short, therefore, the scheme suggested, was to make paper money and debentures

interchangeable at the option of the holders of either. The effect would be that whenever currency superabounded, the surplus, above the wants of circulation, would be brought to the treasury to be exchanged for debentures; and, whenever currency was needed and the quantity in circulation was deficient, debentures would come in to be exchanged for paper money. Matters would thus regulate themselves; no more of it would remain in circulation than was wanted, while no more would be withdrawn than could be spared.

Conclusion: - Both the Civil Servant and Colebrooke admitted that the paper currency was depreciated and that it was issued to excess, but they ascribed the proximate cause of the depreciation of the currency to the demand for bills and the excess of imports. They thought that the value of the currency was regulated by the state of foreign trade and confounded depreciation with a real premium on bills. This doctrine, however, was later to be opposed by Mr. P.W. Grant who maintained that until 1820 the balance of payments was generally in favour of the Colony and that the apparent depression of the exchange arose from the excess of Colonial currency and its consequent depreciation. As long as paper money was not depreciated, bullion would be obtained to meet an adverse balance of trade in exchange for paper at a premium in favour of bullion not greatly exceeding the cost of transit, but when it was depreciated, there were no limits to the premiums. The depreciation of the currency was due to excessive issues.

CHAPTER.11

ANALYSIS OF JOHN TROTTER.

A Committee was nominated by the "Mercantile body of the Cape of Good Hope" to draw up a report on the state of commerce, finance and agriculture of the Colony for the consideration of His Majesty's Commissioners of Inquiry. This Committee had also consulted Mr. John Trotter of the Bengal Civil Service. Trotter accordingly addressed a Memoir[1] to the President and Committee of the Commercial Exchange Mr. P.W. Grant[2] of the Bengal Revenue Survey Department who had perused this Memoir, said the following about Trotter: "The acknowledged abilities of Mr. Trotter, his zeal for the public good, and his judgement and experience in commercial affairs, justly entitle his opinion to all the weight which such important qualifications for research can confer....." Grant called him a "formidable.....antagonist."

Causes of the existing Depressed Exchanges.

"Is it not obvious of itself, that as your adverse balance increases, so must the premium on bills, and all exportable produce?"[3] The local prices of both must naturally increase with the local debt and to the exporter the exchangeable value is lessened by the enhanced original price. But this evidence was by no means conclusive of excessive currency and amidst all the complaints regarding depreciation of currency and depressed exchanges the commerce for some years past had been in a state of unexampled prosperity,

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1) Trotter: Memoir, published and dated 15 April, 1825.

2) Grant: Considerations on the State of the Colonial Currency etc. p.ii, published and dated 1 Feb., 1825

3) Trotter: op. cit., p.25.

and, in both imports and exports, a large augmentation had taken place.

For the sake of argument Trotter allowed that the increase in the former had not exceeded the demand. But it might be asked whether these augmentations had not been very disproportionate, whether the imports have not very materially exceeded the extended exports, and, supposing this to be the case, whether the same bills were not now required to discharge an additional duty, viz:, of effecting a remittance of the difference. When it is considered that the bulk of the consignment to Colonies were composed of articles which became, through age of fashion, unadapted to the markets of the mother country, the inference is that such a trade is likely to be forced, and so long as a better price could be realised here than in the home market, the commerce might be said to be prosperous. But in no other way could it, at present, claim the title Trotter held that it was therefore not at all surprising to find that the absence of eligible opportunities for effecting a pecuniary investment induced a farmer (boor) to invest his gains in the purchase of household decorations, which, for want of more portable stocks, also supplied the medium of an inheritance for his children, But if so, he asked whether any stranger inducement could be urged for the conversion of the paper into such a security as would supersede the creation of such unproductive stock.

With the existing disproportion between imports and exports and the quickened eagerness amongst merchants

to obtain bills, the whole commercial and financial systems were much too irregular in their motion to admit the balance of payments on trade as any criterion for determining the condition of the commerce on the same principles as between two independent countries.[4] Without either a diminished import or an extended export it is morally impossible to prove the colonial commerce to be in that prosperous state which implied a balance of payments in favour of the Colony. "Until you can show that, and, that your exchanges carry a nominal premium, I shall be precluded from admitting either the prosperity of your trade, or that your exchanges are affected by currency. Before, too, the charge can be laid to the door of an excessive issue of paper, the clearest understanding of the doctrine of supply and demand is absolutely necessary, to explain the meaning, and to enable you to comprehend the grand distinction between the wants of the circulation in order to maintain it on a level with bullion or the currencies of surrounding countries, the wants of private merchants, and of the Government for the purposes of business and political expenditure".[5]

The Edinburgh Review, Trotter pointed out, represented two causes to operate on the course of exchange independently of the adulteration of the coin, and though distinct in their origin, were nearly similar in their effects.[6] The first and most ordinary was the varying demand for different sorts of produce arising from the varying desires and necessities of the nations concerned

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4) Ibid;

5) Ibid., pp.25-26.

6) Ibid., p.26.

with each other by commerce. The second was a comparative redundancy or deficiency of currency in whatever way it might be occasioned. And, to these causes, in a country possessing no specie or bullion, a third must be allowed to emanate from a limited power of discahrging its foreign obligations by bills which Trotter held analogous to the deficiency of a metallic and exportable currency. "Precisely then, on the same principle, with the effect of its exportation, do I contend that premium is the effect of a balance of trade, creating a demand for bills which cannot be supplied except at an increase of price." In the case of the Cape Colony the causes were attributed to the first and the third: under the first to the natural tendency of the colonial imports to exceed the colonial exports, and under the third, possessing no bullion, to the abridged power to pay by bills since the reduction of the garrison, thereby increasing the colonial debt to England. "But, with a metallic currency, or any other unexceptionable standard of comparison.....your respective currencies might continue in a state of the most perfect equality of value."

An Inquiry as to whether the alleged excess of the Currency was Imaginary of Real._____ Lord Caledon declared in his proclamation of 1810 that the interests of the colony required the creation of the million then added to the currency. Trotter believed this was done not because two millions were before incapable of being economised as to be made adequate for every purpose, but because the constitution of the colonial system was defective and circulation could not sufficiently be accelerated to discharge the additional duties. Supposing, however, the currency in 1806, when it amounted to about two million,

to have been in due proportion to perform the function of sales to the extent of six, surely the augmentation of another million to transact a business of nine, could never have lowered the original standard. "And, this is all I contend for in defending currency against the charge of depreciation. Such an augmentation, also, has been the consequence and not the cause of increase of prices."[7] The latter too have been induced by causes purely natural, but for the want of that economy the Rds 2,083,376-3-0 included in the 9th and 10th articles of the capitulation, never found that active employment which they must have done, had not the currency been augmented - had the temporary creations been withdrawn and destroyed conformably to promise on the accomplishment of the objects for which they were severally issued. Still there was no debasement. The objects created also a fresh collateral security for this million. The above pledge had been repeatedly given by succeeding Governments and particularly recognised in the proclamation of the 4th March, 1814.[8]

Trotter said that from this proclomation another important conclusion might be drawn. The 9th article of the treaty of 1806, not improbably suggested by the 8th article of the capitulation of 1795, which required [illegible]

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7) Ibid., p.28.

8) Whereby Lord Howden, upon discovering that the cancellations of certain temporary issues by General Janssens (30 Sept., 1804) amounting to 75,000 rds, had accidentally been omitted, ordered that "to fulfil the resolutions of former Government, and to observe with the most scrupulous faith all provisions respecting the paper currency, all instalments hitherto accrued, to the amount of 24,000 rds should be publicly destroyed, and that the same should continue annually till the whole sum of 75,000 be expunged from circulation."

that "His Britannic Majesty, in order to prevent the total sum of the inhabitants, should establish the value of the paper currency," contained a stipulation to a similar effect. Upon the former occasion (in 1795) the captors undertook "to represent to His Majesty's Government, the infinite importance of this subject, for the future welfare of this colony, and to request that it may be taken into consideration in order that such arrangements may be made as will tend to its future security, if necessary, or if possible entirely to liquidate it." Seeing then how frequently succeeding Governments have expressed their determination to maintain the currency in an unimpaired state, Trotter held that the tenor of the proclomation in question might also be taken aspproof of the decision of the Home Government upon this important subject.

In 1795 the paper money amounted to Nos. 611,276-42 exclusive of the 680,000 rds which formed the capital of the Loan Bank and since 1806 it had been increased to the enormous amount of 1,995,000 rds.[9] Here, then, the Lombard Bank had actually acquired a capital nearly equal to two-thirds of the existing, and within a trifle of the entire original currency. When a bank bursts, as it had done, so every fetter that once restrained it against the possibility of improvident issues and the depreciation of currency. What security, it may be asked, have the public

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9) Trotter: Op. Cit., p.30.

In 1795 the capital was rds.....	680,000
Added between 1803 and 1806.....	165,000
" in June, 1808.....	150,000
" in June, 1810.....	500,000
" between January, 1812 and August, 1813.	400,000
" in March, 1814.	100,000
	1,995,000

that the circulating medium might not, by further over-issue, sink so enormously in value as in a few months to deprive individuals of half their fortune though all the time it appeared to be unchangeable. For these reasons, Trotter maintained, the public should be permitted to see that no alteration takes place in the mode of conducting business and that no money is lent on long loans (except on certain conditions) or on any security, inducing to the issue of accommodation money.[10]

"However much the original currency of Rds 2,083,376-3= may suffer, in the way just described, I repeat, the circumstance does not induce me to admit that, hitherto, it has necessarily fallen below the value it possessed at the surrender in 1806, compared with other commodities, and.... I am convinced that a depressed exchange has arisen from causes not connected with any alteration in the value of currency....."[11] Trotter was decidedly of opinion that in whatever degree currency might have fallen it had contracted the fall wholly anterior to the re-occupation of the colony by the British in 1806, "and it is to be regretted that all contemporary documents should apparently be silent on a point of so much importance." Had the intrinsic value of the currency been noted in the capitulation, the information might not only have facilitated the adjustment of public claims, but also have conveyed some evidence as to the competency of the tangible and convertible assignments (in the form of collateral securities) to cover their undertakings. "For, now to assert, and, indeed to claim

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10) Ibid.

11) Ibid.

indemnity for subsequent depreciation....on account of a subsequently depressed exchange, without even ascertaining, or at least noticing the extent of your foreign debt, is quite a gratuitous assumption."[12]

But on the other hand Trotter did not mean to deny a fall anterior to 1806. On the contrary, he thought it probable and to a considerable extent "because the issues so much exceeded the amount of the metallic vacancy which the paper was intended to supply, that on the very principle upon which the price of gold and silver declared on discovering the American mines, so can I conceive that the creations onterior to 1806, found their way into circulation at a less value than former currency had borne, and consequently, that this paper was depreciated from the first moment of its emission." At the same time, had there before been any tension in the metallic currency, the productive powers of the colony might, nevertheless, have been so stimulated by this relaxation as completely to counteract any fall in value to the agriculturists. From the extent of the issues which took place between 1789 and 1795, this inference is unavoidable. In the former year the currency was described to have been reduced to the small sum of 99,315 rds. and in the latter it was increased to 1,291,276 rds. But still he pointed out, no positive evidence could be discovered of a demand wholly to justify so enormous an augmentation within such a short period, and therefore some depreciation, in such a case, aggravated by the nature of the paper, would seem an inevitable result.

It was true that the statement of items which

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12) Ibid., p.31.

comprised the capital of the Lombard Bank exhibited a million, or one moiety of the amount, to have been created since the year 1806, but during the intermediate period evidence would be found to prove that commerce, merchants, the candidates for currency, the general business of the colony and all domestic transactions, have increased with rents, taxes, the public expenditure and labour, on a scale amply adequate to the employment of this additional sum. If so, then there must be other causes than this creation on which to establish and to which to assign the existence of real depreciation since 1806.

The "Mercantile Body" alleged that reviewing the effects produced from such an "excess of currency" by a comparison of the existing and former prices and the relative value of the two staple and most valuable production (corn and wine) the cultivator must have been a serious sufferer by its operation. The prices were as follows:

	Wheat	Wine	Premium on Bills.
	Rds.	Rds.	Per Cent.
1806	80	40	25
1824	110	50	160
Increase Rds.	30	Rds. 10	135 per cent.

But Trotter held that the "Mercantile Body" deduced what appears to be a most erroneous conclusion, namely, because in 1824, although the local price of each article had risen one could not purchase a foreign bill within 135 per cent of its market price in 1806, and in consequence, that the grower had lost the difference and that the cause wholly proceeded from excess of currency.[13] This was placing

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13) Ibid., p.32.

the saddle on the wrong horse. In this cause of reasoning they seemed to forget that all the industrious classes and all those who sold as well as bought made usual profits during the progressive rise of prices, and even when this progression stopped, were left with the command of a greater portion of the annual produce than they possessed previous to the new issues. This effect, too, was not only ascribable to the additional quantity of the circulating medium, but to the different distribution. On every fresh issue a larger proportion fell into the hands of those who consumed and produced and a smaller proportion into thehands of those who only consumed, "an effect occasioned by the competition of the new notes inducing to rise prices." The price of a foreign bill constituted no positive criterion for determining the question. If the growers of wine should become also exporters then it might be expected that, unless in the moments of overdone speculation or a varying foreign demand, they would reap as large a price or portion of exchangeable value in gold and silver as the same quality of the Cape wines realised in the earlier years of the manufacture.[14] The high price of bills had not been occasioned by excess of currency and neither the cause nor the effect of such an unexampled premium as the existing one deteriorated the produce of the soil, in exchangeable value, to the cultivator or grower.

The "Mercantile Body" stated that it had been intimated by advocates for an opposite theory that the currency was not depreciated but that sterling bills have risen in value from the increased demand for that particular

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14) Ibid., p.33.

commodity; and, in answer they observed that under all the circumstances connected with currency this appeared to be the effect and not the cause and to have originated in the depreciation of currency. This they exhibited as follows: amount of currency in circulation in 1806 amounted to 2,000,000 rds which was £320,000 at 25 per cent, while in 1824 it amounted to 3,000,000 rds which was £214,285 at 180 per cent thus showing a decrease in the value of £105,715 instead of an increase to meet the demands of increased population and a proportionally extended trade, "whilst the very circumstance of the diminution in value appears to demonstrate its superabundancy, and, but for the excessive quantity and occasional interposition, would, from time to time, have relieved itself." Further, "in proportion as the currency declined in value, so sterling bills advanced in exchangeable value, in the like proportion as sterling bills attained a higher exchangeable value by the declension of the currency, so their amount became diminished, and the demand for them (as a consequence) became increased in a corresponding ratio. For instance, a ship touched at the Cape for refreshments in the year 1812 when the premium was at 50 per cent and her expences amounted to 750 rds; these were discharged by a bill for £100. Suppose a similar circumstance in 1824, the premium at 180 per cent, 750 rds would be defrayed by a bill for £53-11-5, whence, in course, our remittable assets have been progressively diminished in curtailment of the very means that would otherwise have been available towards the reduction of the balance of trade, which, on the contrary, has been accumulating in consequence, and in this state of things, the demand for bills has been existed. Here

Adam Smith's remarks are applicable. The more the exchange was against any country, the more the balance of trade became necessarily against it; the money of that country becoming of so much less value in comparison to that of the country to which the balance was due."[15] Trotter however, could not admit this and he said that Adam Smith expressly stated that the assertion was sophistical.

Trotter held that in order to make the exchange serve as an index of the value of currency the extent of the balance due on foreign commerce should be known.[16] But if both currency and exchange were in motion, and that motion irregular, it becomes in vain to seek to determine the state of one by reference to the other. But to approximate as nearly as possible to the truth, it is found by referring to the book called the "State of the Cape of Good Hope in 1822" where the Colony was represented "debtor to commerce" in a positive balance of 3,135,266 rds, and, therefore, in a condition of such positive insolvency that reason and experience would seem to upset any charge impugning currency to be the cause of the existing adverse exchange.

Taking this view, and subsequent to a minute examination of a statement which most clearly established the rise of bills to have gone hand in hand with the extended import and the decreasing supply of bills since 1814 when the war had ceased, Trotter accordingly submitted the following.[17]

1. The large foreign expenditure, indicated in

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15) Ibid., p.35.

16) Ibid., p.36.

17) Ibid., pp.36-38.

the foregoing case, might exist and create an advance exchange, while a currency, not convertible into coin, might remain perfect and in due proportion to the commodities to be circulated by it, and while internal demand might augment the prices of consumable produce.

2. In Colonies importing more than they export and consequently raising the value of bills to supply the deficit, it is doubly probable that exchanges would experience this effect without in any way being affected by the currency Increase of prices in any particular places does not necessarily imply that the intrinsic value of its currency is lessened. It is often necessary to give premium on a bill payable where it will purchase less of the commodities of life than it would have where it bears a premium. Moreover, it was not the expectation of profit which induced, for instance, a Cape merchant to pay a premium in remitting the proceeds of imports to London, but the necessity he was under of making the payment to his creditor or principal. Large balances being due from the Cape Colony to England, partly owing to accumulated debt of late years and mainly because the imports continued so great, it increased the competition amongst the debtor merchants and excited the enormous premium

on bills which the colony now witnessed.

3. Foreign bills actually advanced 10 per cent in the London market when accounts were received that Bonaparte had escaped from Elba in 1814. Trotter held that the advance in this case was induced by the probability of war and a consequently large foreign expenditure being likely to create a demand for foreign bills, "but surely it can never be said that currency could have had the remotest connection in producing the variation."

4. The case, too, of the American Colonies about the middle of the 18th century, when their paper system manifested every similar symptom of supposed depreciation, provided equally conclusive evidence in support. On that occasion their historian, Dr. Franklin, being desired by the Board of Trade to submit his opinion on the subject, expressly said, that if the rising of the value of any particular commodity wanted for exportation was to be considered as a depreciation of the value of whatever remained in the country, then the rising of silver above paper, to that height of additional value which its capability of exportation only gave, might be called a depreciation. But the fact, be said, was really this; on the emission of the first paper money, a difference soon arose between

effect of this additional issue would show itself in a rise in the price of gold and silver, both in bullion and coin, and a simultaneous rise in the exchange with England. If the additional issue of 1,000,000 Rds. was absolutely necessary to meet an increased trade, increased circulation and increased number of exchanges, the measure would have been perfectly justifiable and proper. But it was evident that it had been issued to meet the urgent necessities of the Government. The paper was thus exchanged for commodities or employed in the payment of wages and thus formed an addition to the mass of currency which had no need for it." The currency previously in circulation must have accommodated itself to the business it had to perform, or, if the demand for an augmentation of the circulating medium had increased, the value of the quantity in circulation would have increased in the same proportion. "That the annual produce of the colony since 1800 has been greatly augmented none will dispute, but, on the other hand, it is equally certain that the rapidity of circulation has been greatly augmented, consequently the same increase in the quantity of the currency is not necessary to perform the business of circulation."[7] By the issue of an additional million to meet the necessities of the Government it is obvious that more notes must go to perform the same business that was done by the currency before its augmentation. On the former supposition two millions of paper currency was perfectly adequate for all the business of circulation for a produce valued at ten millions or five times the value of the circulating medium. The amount of circulating products remaining the same, the currency is increased from 2 to 3 millions, with the result that the same quantity of produce that was formerly valued at five times the value of the circulating medium would now be worth 15 millions or three times the value of the circulating medium. In other words, prices would rise, and the produce formerly obtained for 10 rixdollars could not be obtained now for less than 15 rixdollars. "There is no room for doubt

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7) Ibid., p. 10.

that in 1806 the paper currency in circulation was more than adequate to the business it had to perform and the subsequent increase of trade and business resulting from the connexion of the colony with Great Britain, would only have restored the currency to its former value."[8]

Most of the commercial business of the Colony was transacted in the metropolis and the greater portion of the purchases by persons in the interior, being in wholesale and in exchange for the produce which they carried to the market (and we may say in the majority of instances the sales and purchases were made by the same individuals) there was obviously less necessity for a circulating medium. "It must be evident then, that, notwithstanding the increase in the trade and commerce of the Colony, it was not of such a nature as to furnish any additional business for an augmented currency. And from the way in which the purchases have generally been made, as well as from the improvements in the arts of exchange and transfer by cash accounts between buyer and seller, thereby economizing the use of the paper currency, there is little reason to doubt that the currency as it stood in 1806, would have been more than adequate for all the purposes of internal circulation."[9] In all events there was no necessity for any increase proportionate to the increase in the annual produce. Moreover, in proportion to the increased traffic and increased number of exchanges, there was an increased rapidity of circulation.

From 1810 to 1820 the progressive advance in wealth and population was so obvious that no individual of respectability had difficulty in making extensive purchases on credit and thus "confidence and credit became substituted for currency." This naturally contributed in a considerable degree to lessen the demand for a circulating medium. Book and circulating credit conspired directly towards the same result. "This facility of obtaining credit without the intermediate agent of a circulating

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8) Ibid., pp. 11-12.
9) Ibid., p. 13.

Colony in the form of exports, either of capital or remittances. When a paper currency, not convertible at the will of the holder into specie, is forced into circulation it is necessarily confined to the country where it is issued and cannot, when too abundant, diffuse itself generally among other countries. "Hence under a paper currency balances may for a time accrue, because it cannot be remitted in payment and when in an excess beyond the wants of circulation, it becomes the means of forcing an enhanced premium on bills, inasmuch as it adds to the funds for purchasing, without increasing the number of bills in the market."[16]

The assertion that the currency in circulation in 1810 was insufficient for the purpose is disproved by the fact already noticed that the Lombard Bank engrossed at least half of it. If it had been inadequate to the wants and demands of commerce its consequent rise of value would have liberated some portion of it. The Bank would then have derived a profit from issuing such quantities of it as might have been demanded, either for the wants of the circulation or to be employed as capital in the productive departments of commerce and agriculture.

Grant contended that "the whole paper money issued was in effect a value abstracted from the pockets of the people. The labour and property of the community was given in exchange for it, without any equivalent whatever. It was not an absolute loss to the Colony, it operated like a tax on property, and it put into the pockets of a few what belonged to other. If such an issue really added to the wealth of the Colony as is insinuated by the opponents of depreciation, or even if it did not injure some individuals then there is no reason why the experiment might not again be repeated."[17]

When the balance of payments is against a country the specie will be exported and when the quantity of paper issued is no more than sufficient to supply the place of the coin it will

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16) Ibid., p. 24.
17) Ibid.

medium, must probably, have superseded its use to such an extent, that a million and a half instead of three millions would have been perfectly sufficient for all the purposes of circulation."[10]

Grant states that there were people who thought that the value of a currency was regulated by the state of foreign trade and who confounded depreciation with a real premium on bills of exchange. He maintained, however, that the value of the circulating medium was regulated entirely by the business of internal circulation and that the abundance or scarcity of bills had no influence whatever in diminishing the business of circulation and consequently could not diminish the value of the material which performs that office.[11]

If the circulating medium in 1810 was inadequate to the purpose of circulating the exchangeable portion of the annual produce, it would have risen in value and performed with the same facility an increased number of exchanges. That an addition had not become necessary to facilitate the internal commerce and exchanges is sufficiently evident from the fact that between 1806 and 1810 the prices of all commodities continued at universal averages.[12] The issues of paper money were made for the purpose of supplying the necessities of the Government and not the remotest allusion was made to the wants and demands of trade, by the issuers. It was not till 1810 that Lord Caledon ventured to hint that "the growing commerce and augmented population of the Colony required an addition to the circulation to assist the industry of the inhabitants."[13] Yet this governor's successors declared that "on the most mature consideration it was imperatively necessary to withdraw the additional creations from the circulation" and they further declared that "the paper added to the circulation ought to be

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10) Ibid., pp. 14-15.
11) Ibid., p. 20.
12) Ibid., p. 22.
13) Vide supra p. 93.

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withdrawn from circulation as soon as possible, and that to fulfil the intentions and resolutions of the former Governments who issued the money, and to observe with the most scrupulous faith all provisions and respecting the paper currency all instalments should be destroyed until the whole was expunged from circulation."[14] It is therefore clear that the "demands of trade" could have formed none of the real grounds originally assigned for adding to the currency. But so far from its being supposed necessary to supply a deficient circulating medium, the Government constantly evinced the utmost anxiety to withdraw it, a measure from which it is presumed necessity only, and not choice, precluded them. If there was any depreciation in 1806 we should naturally conclude that the increased demand for a circulating medium, originating from increased population and increased production, would have restored the currency then in circulation to its original value. In this case the increased demand for currency would have been indicated by a fall of prices or by a rise in the value of the paper rixdollar. Grant pointed out that there were no circumstances indicative of an increased demand for a circulating medium and that this assertion was sufficiently disproved by the fact that of the 2,000,000 Rds. then employed in the Colony, nearly one-half was engrossed by the Bank.[15] At the time there was no increase of internal commerce to any considerable extent, and the increase of effective population did not come till 1816 and therefore circumstances did not warrant an addition of 50 per cent. to the circulating medium of the country.

Had the paper money been inadequate to the purposes of circulation it would have risen in value so much as not only to perform an increased number of exchanges but perhaps to encourage the influx of precious metals. But being to an extent beyond the wants of the Colony, and being then about half the value of the circulating produce of the Colony, it necessarily drove the little metallic currency there was out of the

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14) Ibid. p. 100-102.
15) Ibid., p. 23

pass at the full issue value. If it exceeds this quantity it will fall in value and continue to depreciate according to its excess. So long as paper continues to pass in circulation for the same value at which it was issued it will be of the same value as the coin or bullion in circulation. Therefore, when the balance of payments turns against a country and consequently bills of exchange become in demand and increase in value, then bullion would be obtained in exchange for "paper at a premium in favour of bullion, not greatly exceeding the cost of transit." But when it was depreciated from over-issue there were no limits to the premiums.[18] The depreciation due to the issue of 1,000,000 Rds. was shown incontrovertibly by the rise in prices of all Colonial and foreign commodities, exceeding 100 per cent., while the prices of the latter, in terms of sterling money, or with reference to the original sterling value which the rix-dollar represented, had fallen generally about 40 per cent.[19]

The price of a bill was no criterion of the depreciation. But if prices of nearly all commodities rose in nearly the same proportion as the average price of bills, then the exchange was at par and the nominal premium represented the exact amount of the depreciation.[20] If labour and other commodities had not risen above the prices of 1806 and 1810, and yet bills had risen 80 per cent., the exchange would then have borne a real premium arising from unfavourable balances and the paper would not have been depreciated. If the rixdollar in exchange for commodities still passed at 4/- and if bills for sterling money bore a premium of 170 per cent. on the current value of the rixdollar (4/-) then it might be concluded with certainty that the real exchange was in favour of the foreign country to this amount. But it was known that the rixdollar did not pass in exchange for the mass of commodities at its original value of 4/- or $1\frac{1}{4}$ to the Spanish dollar.[21]

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18) Ibid., p. 26.
19) Ibid., p. 30.
20) Ibid., p. 35.
21) Ibid., pp. 45-46.

The rate of exchange could never by really against the Colony unless the balance of payments be against it. But the balance of payments could never be permanently, or even for several years, against a country otherwise this country would soon cease to import. Grant contended, however, that "the assumption of a large balamce of payment against the Colony, commencing with 1806 is preposterous, even were it not disproved by indubitable facts and were not the fact of depreciation not already sufficiently substantiated."[22] The assumption therefore of a constant balance of payments accumulating in a compound ratio, from year to year, was not only groundless but perfectly absurd.

According to Grant, they who contend that the paper was not depreciated but that the high premium in favour of sterling and bills was owing to a heavy balance of payments, appear entirely to have misunderstood the nature of a real premium on the exchange.[23] If the rixdollar note was equivalent in circulation to 4/- sterlings it would not be depreciated and if 500 of these notes purchased a bill in England for £100 sterling, the exchange would be at par. But if the rixdollar passed at 4/- sterling and a £100 bill could not be obtained for less than 625 Rds. the course of the exchange would be precisely 25 per cent. against the Colony. On the otherhand, if the rixdollar was so depreciated in circulation as to pass for only 3/- there would be a depreciation of 25 per cent. In this case, if a bill for £100 cost no more than 625 dollars the exchange would be at par because the 625 Rds. would be no more than an equivalent to 500 Rds. at their full value in circulation.

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22) Ibid., pp. 46-47. "No man will continue to lend money from year to year to an individual, to whom every additional sum that is lent only renders payment more impractical. No merchant in England, will, for a series of years export goods to this Colony at an annual loss, and no merchant here will, for a series of years, continue to sell goods at a less price than they cost him, and thus pay the balance out of his own capital. Unforseen circumstances may compel him for a year or two to sell at a loss, or at least without an adequate profit, but he will rather relinquish the business than encroach on his own capital, in order to accommodate his customers with commodities at a lower price than he paid for them."

23) Ibid., pp. 49-50.

CHAPTER IV.

DEPRECIATION AND THE FOREIGN INDEBTEDNESS.

"Many errors prevail, from the assumption of a large debt due by the Colony to the Mother Country; and the apponents of depreciation attribute the present premium on the exchange, almost entirely to this circumstance; but no assumption can be more illusory and illfounded. I have ascertained from the most intelligent merchants in the Colony, who have large transactions with England, that the debt,if any, is by no means so large as is represented by the Author of the 'State of the Cape of Good Hope', and that there is not the least foundation for concluding, as has been done, in a vague and indefinite manner, (by individuals who cannot point out a single instance in proof of these assertions) that the Merchants at the Cape are deeply involved in debt to their constituents in England"[1]. Grant pointed out that when such an important fact as the depreciation or non-depreciation of the currency was involved, the assumption of a constantly accumulating debt against the Colony ought to have rested on something more than a vague and gratuitous assumption of the fact to be proved. It was asserted that there had been great over-trading in the Colony because the revenue from the imports in the years subsequent to 1814 exceeded that of the previous years. However, without reference whatever to the different rate of duties levied at the two periods, it was erroneously contended that the imports had far exceeded both what they formerly were, and also the amount of exports in bills and produce.

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1. Grant: Op. Cit., p.69.

The principle on which the import trade with England was conducted, must have precluded any increase or accumulation of debt. One-half of the goods, were sent out on commission, at the risk of the Merchant in England who exported them. The consignees received from 5 to 10per cent and sometimes a fixed salary proportioned to the proceeds. The balance was remitted to England. It is obvious, therefore, that whether there be a profit or a loss, the gain accrued to the Merchant in England and if there was a loss, it was a loss to him and not a debt against the Colony. "As we observe, for a series of nine years, that the goods imported continue at nearly their former average amount, we have good grounds for concluding, that had the goods sold at a loss, or if on the average of one year with another, an actual loss to any extent had resulted, the importation would have ceased till the supply was so limited as to command prices sufficient to cover the prime cost and charges. We do not, however, perceive any falling off in this respect, and hence it is perfectly reasonable to conclude, that on the whole, the remittances were such as to yield the ordinary profits of trade - at all events, whatever losses might have accrued, must necessarily have fallen on the home exporters, and not become a debt against the Colony."[2]

Whatever might have been the result, it is clear that no debt could have accumulated against the Colony, and, as we shall presently see, the means of remittance had at all times been fully adequate to effect the payments. This is indeed a necessary corollary of the preceding fact because if the real depression of the exchange had been so unfavourable as was indicated by the depreciation of the currency, the merchants in England must have been annual losers, a fact which is incompatible with a continued importation. No merchant will continue year after year to sell his goods

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2. Ibid., p.70.

for a less price than what he paid for it.

Although the foregoing facts relate to the argument as connected with goods not imported on commission, it also holds good for commodities commissioned by the merchants in the Colony on their own account and risk. Many of the merchants had acquired fortunes during the period in which it was asserted so much debt had accrued in England against the merchants of the Cape.[3] These facts appear to be quite irreconcilable with one another.

There prevailed a still more important error. It was said that the absolute amount of debt against the Colony would determine the degree of depression to which the exchange should in general be liable. In other words, the greater the debt, the greater the premium in favour of sterling money. It is not the absolute debt of one country to another that determines the rate of exchange. The rate of exchange between two countries depends upon the price of bills of exchange which constitute the principal means of paying their mutual indebtedness; and the price of such bills is ordinarily determined by the actual average demand for bills at the time, compared with the actual or existing average supply. By demand is meant the power as well as the will to purchase bills. The debt may be very great for a length of time, but unless there exists the means of paying that debt by purchasing bills on the creditor country, it is

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3. Ibid. "All have not made fortunes, it is true; but it is notorious that many of those who imported goods on their own account, have made considerable fortunes, which could not have been the case if they had been in debt to England, or if English goods sold below their prime cost, or if there had not been the means of remittance to the full extent required. Others again, who did not apparently realize fortunes, continue still to import and obtain credit, which would not be the case if debt had annually been accumulated against them."

obvious that the rate of exchange cannot be materially or permanently affected. Let us assume that a large balance is due by the Colony to England and foreign countries. Unless the debtors have the means of paying these debts as well as the desire to dispose of the funds accumulated and unemployed in their hands, the exchange cannot be affected in any degree by such a balance. But the supposition of their having these means at command is incompatible with the fact of an annually accumulating debt and an annually accumulating rate of exchange against the Colony. On the principles already expounded the exchange would rise only from having the means of making remittances in excess of the annual debits. Upon this principle, as the exchange had always been rising we must suppose the debt due by the Colony to have existed from 1806, and to be constantly decreasing, in consequence of the demand for remittances to be made in excess of that due for the annual imports, which is a contradiction[4] in terms.

A great, if not the principal, source of the errors into which practical merchants and the majority of writers

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4. Ibid., p.72. "I have never heard any well-informed person, or any person who could know much in detail on the subject, assent that the Colony has at any time been deeply in debt to England, and they who assert it, on being interrogated closely, can give no satisfactory grounds for advancing such an assertion. These assertions are in general founded on vague and indefinite rumour; and they can scarcely point out one individual, or one mercantile house, deeply involved in debt to English creditors. The mercantile houses, and community in general, are notoriously in circumstances which argue strongly against the existence of a debt on their part to any considerable amount. One or two houses, indeed, who entered too much into speculation, have failed; but their failure would rather cancel than establish a debt against the Colony. People often talk of the debt of the Colony, without attaching any precise or determinate meaning to the term. If there be any debt, it must be on the part of the mercantile community; it must be due by one or more individuals extensively concerned in the import trade; but..... it is.....impossible that such a state of things should exist; and if it does, it must arise from total inability to fulfil engagements, that is, from no funds being in existence sufficient to defray this debt, consequently there can be no increased demand for bills wherewith to discharge it....."

on the subject of exchange had been betrayed, appears to have originated in their confounding together the sum which imported commodities were worth in the home market, with the sum which they cost in the foreign market.[5] It is by the amount of the latter only that the balance of payments, and consequently the real exchange, is influenced. The fact, therefore, that the value of the imports exceeds the value of the exports, does not authorise the conclusion that the balance of payments is unfavourable. A favourable or unfavourable balance depends on the fact whether the sum due to foreigners for commodities imported from abroad, is less or more than the sum due by them for commodities they have purchased; it has nothing to do with the prices which may eventually be obtained for the imported or exported commodities.

The object of the Mercantile System of commercial policy, a system which still continued to preserve the ascendency in the Colony as well as in countries of Europe, was to create a favourable balance of payments and consequently a favourable real exchange, by facilitating exportation and restricting importation. Grant maintained, however, in opposition to the commonly received opinions on the subject, "that in every country carrying on an advantageous commerce, the value of the imports must always exceed the value of the exports; and that this excess of importation has not, in ordinary cases, the least tendency to render the real exchange unfavourable."[6]

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5. A cargo of iron which had been bought in Germany for £1,000 might be worth £1,400 when imported into Englnad; but the foreign merchant would not be entitled to draw a bill on London for more than its original cost,or £1,000.
6. Grant : Op. Cit., p.73.

There could be no motive to export any commodity unless the commodity which it was designed to import in its stead, was of greater value.[7] So far from an excess of exports over imports being any criterion of an advantageous commerce, it is quite the reverse. Were the value of the exports always greater than the value of the imports merchants would lose on every transaction with foreigners and the trade with them would either have no existence at all or would have to be speedily relinquished. The value of an exported commodity is estimated at the moment of its being sent abroad and before its value is increased by the expense incurred in transporting it to the place of its destination; but the value of the imported commodity is estimated after it has arrived at its destination and consequently after its value has been enhanced by the costs of freight, insurance, importer's profit, etc. It appears therefore, that the excess of exports over imports, instead of being any proof of an advantageous commerce, is distinctly the reverse.

The exchange of the transfer of bullion from one country to another, constitutes the limit within which the rise and fall of the real exchange between them must be confined. Thus, even admitting that the value of the imports exceed the value of the exports, the unfavourable premium could not possibly exceed this limit. European importation could not diminish the value of the currency, nor could it raise the price of bullion greatly above the limits of a real premium.

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7. When an English merchant commissions 100 pipes of wine, he calculates on selling it for so much more than its price in the Cape as will be sufficient to pay the expense of freight, insurance, etc., and to yield, besides, the ordinary rate of profit on the capital employed in making the transfer.

If the real cost of transmitting bullion, including freight, insurance and all other charges, is 10 per cent, then, if the exchange is against the Colony and the nominal premium is 100 per cent, the currency is depreciated 90 per cent. On the other hand, if the exchange is in favour of the Colony and the nominal premium is 100 per cent., then the paper is depreciated 110 per cent. If bullion were in demand and if a real high price was offered for it, it would find its way into the Colony and be used as remittance; but it is impossible that any country should import or export a greater quantity of bullion than would be necessary to preserve the value of bullion in its proper relation to the value of bullion in other countries. In other words, bullion cannot be of more value in the Cape Colony than in other countries and to assert that it had risen in real price 200 per cent is a contradiction in terms.[8]

The revenue derived from the imports since 1814 exceeded that during the preceding years and hence it had been concluded that the imports also must have doubled, and taking this fact to be proved, it was assumed as a consequence that there had been great over-trading, hence the losses and debt.[9] But in advancing "so inconsiderate an assertion", it had been entirely overlooked that the duties in the latter period were just doubled, since 1814.

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8. Grant: Op.Cit., p.75.
9. Ibid., pp.75-76.

The following is a statement of the annual revenue derived from commodities imported into the Colony:-[10]

YEARS.	REVENUE RDS.	PREMIUM ON THE EXCHANGE.	POUNDS STERLING.
1806	137,170	25	21,947
1807	81,447	30	12,530
1808	64,138	25	12,827
1809	39,283	20	6,547
1810	84,937	25	13,590
1811	77,797	45	10,730
1812	92,661	60	11,582
1813	153,719	65	18,632
1814	265,466	80	29,496
1815	277,056	80	30,784
1816		93	27,100
1817	283,365	125	25,630
1818	302,918	130	26,340
1819	263,135	115	24,477
1820	275,070	125	24,451
1821	313198	145	25,507
1822	336,940	175	25,504

The Custom-house returns are altogether unfit to represent the balance of the mercantile payments from one country to another but they are nevertheless good authorities for ascertaining the comparative extent of business from year to year. Yet, it was on such data that the opponents of depreciation had found their strongest arguments for a continued balance of payments. "It is a matter of surprise, that men conversant with commercial details, should have been led away by so erroneous a standard"[11]. Though the above

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10. C.O.6112; C.O.5963; C.O.5964; C.O.5965; C.O.5966; C.O.5967; B.P.P.406 pp.137-178.
    Grant: Op.Cit., p.76.
11. Grant: Op.Cit., p.76.

statement cannot be supposed to afford accurate data on which to ground certain conclusionsm it is sufficiently correct to show that the charge of over-trading since 1814 is groundless. If there had been over-trading since that year, there must have been over-trading every year since the capture of the Colony.

The following statements of the exports and imports for the 18 years ending with 1824, by a writer in the South African Chronicle[12] of 2nd February, 1825, render superfluous all deductions grounded on the above statement. "It would be important to notice further the financial arrangements during this short occupation of the Dutch, but it is desirable to remark, that after the second capture by the English, in January 1806, although the paper currency of 2,166,000 was in comparison with the trade, commerce , and population of the Colony on that day much greater, than 3,166,000 now in circulation, are to the trade, commerce, and population of the present moment; yet such is the paramount and irresistible effect of an equality of export and import acting on exchange, such the inefficiency of all fortuitous circumstances resulting from excess of rixdollars, want of another bank etc., etc., that in the four following years 1807, 8, 9, 10, the exports having nearly equalized the imports. The imports being 1,673,664 and the exports 1,408,412, the exchange fell to 22 and a quarter, being 2 and 3 quarters per cent. less than the ratio of the late Dutch Government.....
In 1811 to 1814 inclusive, by the confluence and rivalry of so many enterprising British subjects, the imports rose to 6,393,018 Rds. and the exports to 3,695,062, making an excess of imports of 2,697,956. The average exchange marching pari passu, rose in favour of England to 80 per cent. In the next quadrennial period 1815 to 1818, the imports amounted to

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12. S.A.C.M.A. 2nd Feb., 1825.

17,065,387 Rds. and the exports to 9,983,070 Rds. leaving an excess of imports of 7,081,417, and the exchange risen to 110 per cent. In the four following years, 1819 to 1822, the imports were 16,457,313 Rds. and exports 9,630,197, being a surplus import of 6,827,116, and the exchange at 140 per cent. The two remaining years, 1823 and 1824, will give an import of 7,986,228 Rds. and export of 5,300,633, leaving a surplus import of 2,685,596, and an exchange of 150 per cent at which rate it may possible remain, for even gold has a value beyond which it becomes unmarketable. Dull, tedious and uninteresting as these details must prove to a lively reader, it is imperative on the writer to explain the data on which he forms his opinions, nor has anything he has heard or read been of force sufficient to shake his belief, that after all the theories about paper circulation, sterling payment etc., etc., have vanished into air, the state of exchange will be found mainly, if not wholly, to be directed by import and export. In stating the exchange in the period in which the year 1814 is included, no reference was had to the issue of 500,000 additional rixdollars by Lord Caledon. That this creation, made with a view to assist a supposed insufficiency of currency for the internal trade of the Colony, was a mistaken method of relief cannot be denied and pro tanto acted unfavourably. A second similar issue in 1814 aggravated the evil, and thus 1,000,000 Rds. were added to the existing currency, but this last 500,000 Rds. were ordered to be destroyed on its repayment and thus gradually reduce the circulation to a sum exceeding only by 500,000 Rds. that considered to be necessary by the Dutch, at a period when Spanish dollars to a large amount, and gold and silver coin, were in general use by a population not exceeding 75,000."

However, the fallacious results deduced from the

above statement will be clear from the following analysis. In the four years ending with 1810, the imports are stated at 1,673,664 Rds. equal (at 6 rds. per pound) to 278,944 or annually to £69,736.[13] But an authority stated the imports in 1806-1809 inclusive to be £880,000 or £220,000 annually. It is therefore difficult to reconcile these two statements and "there is every reason to believe that the import of British and foreign manufacturers, between 1806 and 1811 were as great as between 1811 and 1814."[14] Grant pointed out that he could not come to any other conclusion than that the anonymous writer had either been deceived or had given an estimate founded on partial or garbled documents. "The statement we know to be an official one, but there is reason to believe that there are no records of the imports prior to 1810-1811, since that period they are to be depended upon, as we may trust to the punctuality and accuracy of the Custom-house officers."[15] If, however, the statement given by the anonymous writer is adopted, the result would be still more favourable to the view which he had taken of the subject since the exports above imports would be greater than if grounded on Mr. Milburn's statement. Grant, however, was inclined to adopt the latter because it approved more consistent with facts.

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13. Grant: Op.Cit., p.78. He quotes Mr. Milburne, author of "Oriental Commerce", who obtained his information from the returns made to parliament. Grant pointed out though the document presented to parliament are "necessarily.....inaccurate and defective", yet it seems incredible that the estimate laid before parliament should be so grossly incorrect.
14. Ibid.
15. Ibid.

IMPORTS - ANNUALLY.[16]

1806-1810 in 5 yrs.	Rds.	1,310,844	at 6 per £	218,474..	£1,092,370.
1811-1814 " 4 "	"	1,598,254	" 8 "	199,781..	799,124
1815-1818 " 4 "	"	4,266,346	" 10 "	426,346..	1,705,384
1819-1822 " 4 "	"	4,114,328	" 11 "	374,029..	1,496,116
1823-1824 " 2 "	"	3,993,114	" 12 "	332,759..	665,518
			Total imports in 19 years.		£5,758,512

EXPORTS IN PRODUCE - ANNUALLY.[17]

1806-1810 in 5 yrs.	Rds.	352,103	at 6 per £	58,684..	£ 293,420
1811-1814 " 4 "	"	923,765	" 8 "	115,471..	461,884
1815-1818 " 4 "	"	2,495,992	" 10 "	249,599..	998,396
1819-1822 " 4 "	"	2,407,549	" 11 "	218,868..	875,472
1823-1824 " 2 "	"	2,650,316	" 12 "	220,933..	441,866
			Total exports in 19 years.		£3,071,038

The anonymous writer who furnished us with the above data did not state whether the amount of the imports include freight insurance and all other charges, or only the invoice prices. "We ought not to add, to the debit of the Colony 'profit to be remitted' because if the goods are shipped to order, the profit falls to the Cape Merchant, if they are shipped for sale on commission, the prices put on the goods include the profit to be remitted. To the amount of imports at the debit of the Colony, we have therefore, to add freight, insurance, and all other charges, say, during the war, 15 per cent, and, subsequent to the war, 10 per cent."[18] The

16. Ibid., p.79.
17. Ibid.
18. Ibid., p.79.

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account will then stand as follows:-

Imports in 9 years, ending with 1814.....		1,891,494.
Add 15 per cent. for charges.		283,725.
Total imports at the debit of the Colony between 1806-1815 or 9 years.....		3,175,219.
Imports in 10 years, ending with 1824.....	3,866,018	
Add 10 per cent. for charges.....	386,601.	
Total imports between 1814-1825 or 10 years.		4,252,619.
Total imports at the debit of the Colony from 1806 to 1824 inclusive.		6,427,838.

The writer in the South African Chronicle, who opposed the anonymous writer above quoted, said that "there are grounds for concluding that our author has under-rated the imports of 1807-11 and the exports of 1815-24. The custom-house returns were estimates, and afford no certain critemia of the true value of imports. The export of wine averaged 8,000 pipes annually, and the prices averaged about 251 making a total export of wine, alone, amounting to nearly £200,000 besides other produce amounting to about £80,000. Subsequent to 1814, the commissariat Bills averaged about £120,000; those drawn by Indian residents, by passengers and on account of shipping, insurances etc., could not have falled short of £100,000 making a total remittance by bills of about £250,000 and of produce valuable at the lowest estimate of £250,000 being a total export of £500,000 while the imports did not average more than £400,000. Further it is to be considered, there has been a considerable influx of capital into the Colony, being the private fortunes of individuals who have purchased property in the Colony. This capital must of course have

been realized through the medium of imports, and it is not to be placed to the debit of the Colony. There is reason to conclude, however, that the capital thus accruing to the Colony was counterbalanced by the remittance of the fortunes of individuals, realized in the public service and the mercantile. Their fortunes must of course have been remitted through the exports to England, and probably equal the amount of capital brought into the Colony by individuals. Again, the exports of produce amount annually to £160,000 but as a considerable proportion of the exports goes to the credit of the home co-partners in the trade, this amount must of course go to the debit of the Colony, in other words, it is sent not in payment of the imports, but as the profit of the Colonial trade. Of the whole produce exported, we may perhaps safely allow 25 per cent. to be deducted from the value of the produce thus exported at the credit of the Colony."[19] The account will then stand as follows:-

Exports in produce, 1806-1814.....		755,304.
Deduct 25 per cent. for share of profits of the Colonial trade falling to the home co-partners.....		188,826.
Total exports at the credit of the Colony at the end of 1814, exclusive of bills.		566,478.
Total export in 1815-1824.....	2,315,734.	
Deduct 25 per cent.	578,933.	
Total export at the credit of the Colony 1815-1824 exclusive of bills.		1,736,801.

19. S.A.C.M.A. 2nd February, 1825; Grant: Op. Cit., pp.79-81.

Total export in produce at the credit of the Colony, exclusive of bills, in 1806-1824..	2,303,279.
Balance to be remitted by bills..	4,124,618.
Add prize-money remitted in 1808-11.....	250,000.
Total to be remitted by bills.....	4,374,618.
Ditto ..... ditto ..... Annually.....	£ 230,230.

During the first 11 years, ending with 1816, it appears from the Cape Gazette, that the bills drawn by the Commissariat, Ordinance, Victualling, Naval, Prisoner of War, Transport, and other departments were as follows:-

1806	£ 360,000.
1807	350,000.
1808	435,000.
1809	336,700.
1810	272,500.
1811	228,500.
1812	233,000.
1813	289,000.
1814	323,900.
1815	275,000.
1816	190,000.
Total in 11 years.....	3,287,200.
In the subsequent 8 years the Commissariat bills have averaged about £120,000 per annum.....	960,000.
Total public bills in 19 years.....	4,247,200.

Before 1815, the private bills in the market of every description cannot be estimated at less than £60,000 per annum. Those subsequent to 1814, including bills drawn by the servants of the East India Company on England and India, amounting to about £40,000, also those drawn by the

missionaries, shipping and through other private channels, the exact amount of which cannot be ascertained, but which may be estimated at not less than £60,000, make a total annual export of private bills amounting to £100,000.

Total amount public bills remitted in 19 yrs...	4,247,200.
" " " private 1806-14, 9 yrs....	540,000.
" " " " 1815-24, 10 yrs....	1,000,000.
Total amount remittances by bills.....	£ 5,787,200.

If the statement given by the anonymous writer is adopted, the exchange would amount to £2,360,000.

Amount of remittances by bills.....	5,787,200.
To which may be added the specie imported to pay the troops, and re-exported by the merchant.	350,000.
Amount of exports in bills and specie in 19 years.....	6,037,200.
Excess of imports to be paid by bills.....	4,374,618.
Excess of exports over imports[20].....	1,662,582.

From this statement it appears that there had been an annual excess of export, above what was required to discharge all claims, including 25 per cent. profit on Colonial trade at the credit of Great Britain, amounting to about £87,000 per annum. This also demonstrates a fact that the Colony added to the wealth of Great Britain, that is to the riches of her population, for the whole difference between the gross value of the exports and imports accrued to individuals who carried it out of the Colony with them or remitted it at the credit of others. It must be clear then that the premium on

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20. According to the statement of the anonymous writer referred to, the annual imports in 1807-1810 did not exceed 70,000, being less in 5 years than those given by Mr. Milburn, by about £700,000. Vide Grant: Op.Cit., p.82.

exchange was not caused by over-trading, that is by importation in excess of the means of payment. The following statement[21] would require no explanation:-

	EXCESS OF IMPORTS TO BE REMITTED BY BILLS ANNUALLY.	BILLS IN THE MARKET.	SURPLUS BILLS ANNUALLY.	
1806-1810..	£ 159,790. ...	399,000. ..	239,210.	Fixed premium 25 per cent.
1811-1814..	84,310. ...	327,000. ..	242,690.	Rate of Exchange 80 per cent.
1815-1818..	176,747. ...	279,000. ..	102,253.	do. 110 do.
1819-1822..	155,161. ...	220,000. ..	64,893.	do. 140 do.
1823-1824..	111,826. ...	220,000. ..	108,173.	do. 180 do.

It appears, therefore, that the exchange had been continually rising notwithstanding that the supply of bills had been always in excess of the demand, for the payment of the balance of imports. Grant pointed out that from this fact alone it seems sufficiently certain that the Government could have had no good reason for abandoning the original system of selling public bills at a fixed premium of 25 per cent on the ground of a scarcity of bills, by which the Government bills were re-sold at a profit of from 10 to 20 per cent.[22]

In 1810 the population of the Colony was 81,122. In 1814 it was 84,069, while in the subsequent 8 years ending with 1822, it had increased to 122,000, being an increase of 44 per cent. The garrison during the war might be estimated at 9,000, one year with another, of which 6,000 men were withdrawn; subsequently there was an increase of 38,000. Further, the increase in the value of the imports

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21. Ibid., p.82.
22. Ibid.

does not show the absolute increase in quantity because since the peace there had been a great fall in the sterling prices of all British commodities; in the produce of the soil it was above 70 and in several branches of manufacture above 50 per cent. On an average it was about 30 to 40 per cent. on all payments determined by free competition, or in other words in all articles bought in the open market. "But the quantity of goods imported, was not more than sufficient to supply the increased demand of an augmented population".[23]

Between 1814 and 1821, the slave population had increased from 31,128 to 34,329 souls. The increase of free inhabitants, including Dutch, English and foreigners, all of them consumers of British commodities, exceeded within the same period, 20,000. The Hottentot population had, within the same period, increased from 22 to 28,000. The absolute increase of population, all classes included, was 38,000. As the Hottentot population were not consumers of British goods to any considerable extent, we may exclude them in the following estimate of individual consumption. In 1814 the population was 84,000 souls, and if the 22,000 Hottentots are deducted there remain 62,000 souls consuming annually imports valued at £200,000, giving an average consumption for each individual equal to about £3.4/-.

In 1822-1824 the population was 125,000, and if the 28,000 Hottentots are deducted there remain 97,000 souls, consuming annually imports valued at about £350,000, giving an average consumption for each individual of not more than £3.12/-. But this difference does not indicate the exact increase in quantity of individual consumption, because sterling prices have fallen at least 40 per cent. The real increase of individual consumption is, therefore, (as 72/- to 64/- plus 40 per cent) 52 per cent. in quantity and only

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23. Ibid.

12 per cent. in cost in reference to sterling value. But in reference to paper money, the cost had increased 150 per cent. If the rixdollar had continued to pass in circulation at the same value as in 1806-1810, one and a quarter to a Spanish dollar or five and a quarter to one guinea, the fall in the prices of English and East India would have been distinctly perceptible,[24] but the prices of British goods in Colonial currency had risen about 150 per cent. Goods which cost £500 in pounds sterling, or 3,000 rds. at 20 per cent. premium in 1806, cost #300, or at 180 per cent. 4,200 rds. in 1824. Had the currency retained its original value these goods would have cost only 1,800 rds. Prices should have fallen 40 per cent. instead of which they had risen in the ratio of 18 to 42, or 133 per cent. and if the 20 per cent. depreciation in 1806-1807 is added we have a fall in the value of the rixdollar relative to British commodities, exceeding 150 per cent.

According to Grant the opponents of depreciation, in contending for a constant increase of debt against the Colony, have lost sight of one very important fact.[25] The depreciation of paper in the purchase of bills, of bullion, of Spanish dollars and British commodities, was apparent in 1806-8 before any debt could possibly have been contracted. It is certain that bills were drawn in that year by the Commissariat alone on the English Treasury to a very considerable amount, viz. not less than £360,000. The exports, though trifling, compared to their existing value, were by no means inconsiderable. Therefore, if the debt had been accumulating each year successively, from 1806 to 1811, we should expect to see a gradual rise in the exchange during these years. However, the average exchange continued at 25 per cent. "That the enhanced premium on bills did

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24. Ibid., p.83.
25. Ibid.

not originate with the loss of the Garrison in the end of 1814, and the consequent diminished supply of bills in the market, is evident from the fact, that the enhanced premium originated after the first issue of paper money in 1810, four years before the departure of the Garrison."[26] Yet, in these four latter years, during which period the supply of bills was even greater than in the preceding period and the average imports had not increased, the nominal premium in favour of bills rose from 25 to 70 and 90 per cent. This rise too was nearly simultaneous with the issue of paper money. The order for the issue of 500,000 paper rixdollars was promulgated in May 1810, but the first issues does not appear to have been made until the beginning of May 1811, when the premium rose above 40 per cent.

The following is a statement showing the imports and exports over various periods:-[27]

	IMPORTS.	EXPORTS IN BILLS AND PRODUCE INCLUDING SPECIE.
1806-1811 (according to anonymous writer).....	69,736....	
1806-1811 (Mr. Milburn).....	218,474....	469,524.
1811-1814	199,781....	442,321.
1815-1818	426,346....	475,599.
1819-1822	374,029....	438,868.
1823-1824	332,759....	440,933.

The result appears to be that the exports in produce and bills, during the 19 years ending with 1824, have exceeded the imports within the same period, by a value amounting to the enormous sum of £2,430,341.

According to Milburn, the imports into the Colony[28]

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26. Ibid., p.84.
27. Ibid.
28. Ibid.

in the four years ending with 1802, amounted to 2,747,835 rds. being short of the amount stated by Barrow by 3,229,597 rds.

According to Barrow:[29]

British Goods, on British bottoms..Rds.		2,268,105.
India Goods, " " "		1,062,084.
		3,330,189.
Foreign Goods, on Foreign bottoms.....	448,581 Rds.	
India Goods, on Foreign bottoms.....	192,939	641,520.
European Prize goods.....	700,633.	
India do.	406,185	1,106,818.
Value of Produce, Imports 1799-1802.		5,078,527.
Prize Slaves.....		899,005.
	Rds.	5,977,532.

Barrow then gives a statement of the exports in bills and produce which he estimated at £1,310,185. The expenditure of the army be fixed at £180,000 per annum, which was evidently under-estimated. Even in 1825, with a garrison less by $\frac{2}{3}$ than that of 1,800, the bills drawn by the Commissariat, on account of the army, exceeded £120,000.[30] But Barrow showed that the expenditure on account of the army alone exceeded £250,000. Assuming then £230,000 instead of £180,000 we have the value of the exports to England and other parts between the years 1799 and 1802 amounting to £1,510,185 while the imports are £1,195,486. This leaves a balance in favour of the Colony to the amount of £314,699 or £78,675 annually.

"Mr. Barrow then adverts to a high premium on

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29. Barrow: Travels into the Interior of South Africa, 11, p.338.
30. Grant: Op. Cit., p.85.

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bills - having fallen inadvertently into the error of confounding together premium and depreciation. Under the circumstance of a large balance in favour of the Colony, it is almost impossible there could have been a real premium. Elsewhere, indeed, Mr. Barrow adverts to the depreciation of the currency in reference to specie; and considerating the distinguished abilities of Mr. Barrow, his talents for research, and his intimate acquaintance with the principles of political economy, it cannot be supposed Mr. Barrow spoke of real premium arising from excessive importations, and the consequent deficiency of bills compared with the demand, a fact indeed disproved by his own statements."[32]

An accumulating balance of payments was incompatible with the existence of continued commercial intercourse and even in the absence of any other criterion for determining whether the currency was or was not depreciated. Grant held that the rate of exchange would be a true criterion of its value.[33] There could be no doubt that the nominal premium on the exchange was ascribable in a considerable degree to the depreciated value of the paper currency arising from over-issue. When the commerce of a country was a continued increase of population, wealth and trade, and increased internal consumption and production, the balance of payments must be in favour of that country and this balance was "indicated in the regular state of the currency by a rise in the exchange."[34]

It was undeniable that the Cape had enjoyed unexampled prosperity from 1806 to 1820 when the balance of payments must have been in favour of the Colony. No circumstances could be pointed out which do not clearly prove the rapid advancement of the Colony in wealth and

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32. Ibid.
33. Ibid., p.51.
34. Ibid.

riches, arising from the stimulus given to the productive powers of the soil by the increased foreign demand for its produce together with the extensive consumption occasioned by the garrison and the shipping belonging to and touching at the Cape for supplies. Yet during the whole period the exchange was nominally unfavourable. In 1810, before the first issue of 500,000 rds. the exchange with England averaged 25 per cent., and in 1814, before the second issue of an additional 500,000 rds. it averaged 65 per cent.[35] The six years ending with 1819/1820 was perhaps the most prosperous period the Colony had ever experienced. In these years, the greatest possible impulse was given to production of every description. The demand for supplies to St. Helena during these years, partly compensated for the loss of the garrison. The exports valued at 556,703 rds., and the paying being made in Spanish dollars or in bills on England, must necessarily have gone a great way to render the balance of payments favourable to the Colony. If the balance of payments was against the Colony, it must have been very trifling and could not have exceeded the cost of transmitting bullion, that is, from 4 to 5 per cent. During the years 1810 to 1820, when the balance of payments could not possibly have been against the Colony, the exchange was nominally so unfavourable as to have averaged 120, and so far depressed as to indicate a loss of 120 per cent.

Grant maintained that if there had been no depreciation of the currency the state of the exchange would have indicated accurately the amount of the balance of payments in favour of or against the Colony. On the other hand, if there was no depreciation of the currency, the Colony must have been ruined before the second issue of 500,000 rds. in 1814, for a real premium on the exchange for a series of

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35. Ibid., p.52.

years indicated a constant efflux of the wealth and produce of the Cape without any corresponding return of value, which was utterly impossible and altogether contrary to established facts.[36]

Undoubtedly the period most favourable to production, commerce and agricultural industry was that extending from the peace in 1814 to the death of Napoleon Buonaparte in 1820. Some idea might be formed of the increasing prosperity of the Colony during this period by referring to the tonnage of vessels that arrived in Table Bay and Simon's Bay. During the year 1821, 71,719 tons arrived, exclusive of Men of War, while the tonnage of 1820 exceeded this amount. During the same year the exports of produce, including 10 per cent. for profit on sale, amounted to 2,213,337 rds. and by bills 2,707,855 rds., making a total of 4,921,192 rds. The value of imports exceeded this amount by about a million and a half rixdollars. But this was the first year after the demand for the supply of St. Helena had ceased and when the demand in the Home market for the Colonial wines began to fall off. Accordingly the average exchange rose in 1821 from 114 to 128, 145 in 1822, 160 in 1823 and to 180 in 1824.[37] In some months the exchange was so low as 120, 130 and at other times it exceeded 200. There was no doubt that, till the beginning of 1820, the trade and commerce of the Cape was profitable to individuals and conducive to the general interests of the Colony. Moreover, in the years 1818 and 1819 the Cape wines were sold at such a price in the Home market as must "have reimbursed any balance of payments which may have been due by the Colony to England."[38]

If there was no depreciation then the value of the

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36. Ibid., p.54.
37. Ibid., pp.54-55.
38. Ibid., p.55.

rixdollar was always 4/- and for every 4/- worth of produce received from or due to England, the Colony (when the premium was 150) had to remit produce worth 10/-. This was the real meaning of a constant premium. If the balance of payments was 10 per cent. against England and the currency was not depreciated, then, for every £100 due to a foreign country, the English merchant must pay for it either with produce which cost £110 in England or he must pay £110 sterling for a bill. If he could pay the debt of £100 sterling by produce which would cost him only £105 he would not pay £110 for a bill. If, therefore, the premium was 150 per cent against England, a merchant must pay a debt to a foreign country of £100 sterling by purchasing a bill for which he would have to pay £250 sterling or he must pay it with produce which would cost the same price. If he could pay the debt by buying produce worth £200 and sending it to the foreign country, he would not pay £250 for a bill. But such a state of affairs could not exist and the country would soon be drained of all its wealth and capital. If the adverse balance of payments had been the sole cause of the premium which at times reached 200 per cent. as was asserted, and if the rixdollar was not depreciated, then for every £100 due to England, the Colony would have had to send Colonial produce which cost £300 in the Colony. Such a drain would evidently have long since ruined the Colony.[39]

If the balance of payments had been uniformly so unfavourable during the period specified the commerce of the Colony could not have been very prosperous and instead of an increase of capital arising from a prosperous trade, the Colony would have been many years ago in a most deplorable condition. They who contend that there was no depreciation would readily allow that during a portion of

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39. Ibid., p.56-57.

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the period alluded to, the balance must have been in favour of the Colony. If this was the case, and if the currency was not depreciated, we would naturally seek to find an index in the rate of exchange to point out the particular year or period in which this balance was realised. The real exchange with foreign countries is always a true criterion of the balance of payments when the currency was not depreciated. Now, if the value of the exports, including bills, from the Cape to England exceeded the value of the goods exported from England to the Colony, the course of the exchange must necessarily have been in favour of the Colony and the rate of the exchange would be an accurate index of the balance of payments, when the currency was not depreciated. It is not denied that there had been some period between 1810 and 1820 when this was the case, but on the supposition that, during the period in question, the currency was not depreciated, when or where do we find the exchange nominally at par? From 1815 to 1819, both years included, the commerce and circumstances of the Colony generally were in a state of the highest prosperity and the exports did not fall greatly short of the imports in value. If we admit that the value of the exports in produce, bills and other means of remittance, was just sufficient to pay the imports into the Colony we should naturally find the exchange at par, supposing that the currency was not depreciated. But again, when do we find that this was the case? In fact, ever since the first issue of rixdollars in 1810, but more especially since the second issue in 1814, there had been a rapid fall in the exchange with England. In 1817-18-19 the Colony experienced its greatest prosperity and when every circumstance argued a prosperous commerce and a rapid augmentation of capital originating from the foreign demand for Colonial produce, and the consequent favourable

state of the trade, we find notwithstanding these facts, that the exchange varied from 107 to 128.[40] This then is a proof that the extraordinary but only apparent depression of the exchange was not owing to the balance of trade being against the Colony but solely owing to depreciation originating from a redundant currency.

Grant pointed out that those who contend that there was no depreciation in the currency must prove that ever since 1806 there had been a rapid efflux of wealth and capital from the Colony. "No country in the world, circumstanced as the Cape is, and with such limited resources, could have stood the heavy drain on its capital and produce for a period of 16 years, indicated by an exchange varying from 20 to 200 per cent. against the Colony."[41]

The debts which pressed so severely on the trade and interests of the Colony were contracted chiefly in 1820, 1821.[42] These debts, at the utmost, were estimated at 4 million dollars or about £325,000. If it is assumed that in 1820-21-22 the debt incurred by the Colony, or the balance of payments due to England, amounted to 5,000,000 rds., we would find this debt to be indicated by a further rise in the exchange of about 60 per cent; that is, the exchange in 1820, when the Colony was free from debt, was only 128 above par, while in 1822-23 it rose to 190. We have, therefore, nearly an accurate index to the nature and extent of the rise in the exchange, arising from a balance of payments amounting to 5 millions. It is evident that, as no debt or only a very inconsiderable debt was due by the Colony at the close of 1819, the exchange, though apparently against the Colony to the extent of 130 per cent., was in reality at par and the subsequent increase of 60 per cent. was a correct exponent of the debt incurred in 1820-21-22. If

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40. Ibid., p.59.
41. Ibid., p.60.
42. Ibid.

it had been contended that there was no depreciation of the currency in any of the years preceding 1820, it must be concluded that the depression of the exchange was occasioned by a constantly increasing debt on the part of the Colony, and using the exponent above-mentioned, that is a fall of 60 per cent. to express a balance of 5 million, there must, on this hypothesis, have been a debt due by the Colony at the close of 1819, amounting to nearly 12,000,000 rds.[43] However, it was an ascertained fact confirmed by the testimony of certain authors as well as from the commercial prosperity[44] of the Colony until the end of 1819, that the debt (if any) due at the close of that year was very inconsiderable and it was impossible that the exchange could have been much above par because there were no payments to be made in favour of England to any considerable amount. The exchange at this period, though nominally 130 per cent. below par, must in point of fact have been nearly at par, and in 1816 when it was nominally 95 per cent. against the Colony, it was probably 5 or 10 per cent. in its favour.[45]

When the real exchange was unfavourable the nominal premium was composed of the amount of depreciation and the real cost of transporting specie or bullion. Further, the price of foreign bills of exchange depended entirely on two circumstances: firstly, on the value of the currency at the place where they were made payable compared with the value of the currency at the place where they were drawn; and secondly, on the relation of the demand and supply of bills in the market. With respect to the effects of fluctuations in the nominal exchange on the export and import trade of the country, when the exchange was at par, the operations of the Cape merchant were regulated entirely by the difference between foreign prices and Colonial prices.

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43. Ibid., p.61.
44. Ibid.
45. Ibid.

Suppose for instance the currencies of the Cape and London to be in their due proportions and therefore the nominal exchange at par, cloth which could be bought in London for £50 would sell in the Cape Colony for £100 or 500 rds. The Cape importer would make a profit amounting to the difference between £50 or 250 rds. and the expense attending the importation. He would have bought a £50 foreign bill. If we now suppose the same transaction to have taken place without any alteration in the scarcity or abundance of cloth at the Cape and London but that the currency of the Cape had been so augmented as to depreciate to half its value, the nominal exchange would then be 100 per cent. against the Cape and the importer would not be able to purchase a £50 foreign bill for less than 500 rds. But as the prices of commodities at the Cape would have risen in the same proportion as the money had been depreciated, he would sell his cloth to the Cape customers for £200 or 1,000 rds. and would, as before, derive a profit amounting to the difference between 500 rds. depreciated or 250 rds. estimated in undepreciated money, and the expenses attending the importation. It appears therefore that fluctuations in the nominal exchange have no effect on the export or import trade. A fall in the nominal exchange obliges the country to which it is unfavourable to expend a larger nominal sum in discharging a foreign debt than would otherwise be necessary but it does not oblige it to expend a greater real value. The depression of the nominal exchange could neither exceed nor fall short of the comparative depreciation of the currency; if the depreciation of Cape currency amounted to 100 or 1,000 per cent. the nominal exchange would be 100 or 1,000 per cent.

"I consider it an incontrovertible fact that until 1820 when there was a nominal rise in the exchange from 120 to 130 per cent. above par, the balance of payments was

generally in favour of the Colony; and that the discount or apparent depression of the exchange, rose from the excess of Colonial currency, and its consequent depreciation"[46]. Although Grant considered the real depreciation of the currency at the period in question to have been about 130 per cent., it was not to be inferred that this was always the measure of depreciation. A variety of causes combined to produce extreme fluctuations in the exchange independent of the balance of payments or depreciation of the currency. These fluctuations, however, were chiefly due to the competition for bills being greater at one period of the year than another, to an injudicious system of banking and other causes, especially the unorganised exchange market, exerted an influence on the exchange rates.[47]

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46. Ibid., p.66.
47. Injudicious competition for bills might arise even though the supply should be co-extensive with the demand. Those who had money to send and those who had money to receive, did not know how much the one had to pay or the other had to receive nor did they always know how to find one another. There were no bill-brokers or exchange brokers to perform the function of bringing them together or rather to act as the medium between them. Were the merchants to nominate one member of their own body to act as their general bill-broker and neither to purchase nor cell bills but through his agency, there would have been no fluctuation similar to those witnessed every year; the premium on the exchange would seldom have exceeded the amount of depreciation by above 10 per cent.

CHAPTER V.

PRICES AND THE EFFECT OF DEPRECIATION ON COMMODITIES, FIXED PROPERTY AND CONTRACTS, AND LABOUR.

The rise of nominal prices originating with the issue of 1,000,000 Rds. was universal, except where this effect had been counteracted by other causes.

Before 1806 the best meat was procurable for 2 stivers per lb. Subsequent to the capture of the Colony by the British forces, owing to the increased demand of the numerous garrison, the price of meat rose considerably above its natural level and by 1825 good meat could not be sold for less than 6 stivers per lb. In 1806 there were about 2,100,000 rds. or £340,000 in circulation and at this time the depreciation could be estimated at 20 per cent - 25 being the maximum premium on bills of exchange, and 15 on the purchase of specie or bullion.[1] Up to 1811 the rixdollar remained at nearly its original value.

During the same period the price of wheat, except in periods of failure or scarcity, averaged from 40 to 45 rixdollars per load of ten muids. In the early part of 1806, in consequence of the influx of a numerous garrison and the consequent scarcity of grain, the price of wheat increased to 80 rds. per load or 8 rds. per muid; but after the harvest of that year it fell to its ordinary price. By the end of 1806 the farmers represented[2] to Government that the lowest price at which they could afford to supply the Colony was 40 rds. At this price they were able to supply grain in such quantities as would in all probability preclude a scarcity and prevent the necessity of having recourse to foreign markets for any portion of the supplies

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1. Grant: Op. Cit., p.87.
2. Rec.6, pp.55-58, 15th Nov., 1806: procl. by Sir. D. Baird.

for the use of the colonists and the troops. Accordingly, a Colonial Granary was established and it was enacted that when the market price of corn should fall below 40 rds, the Grain Committee should purchase the excess at that price which should be resold when the market price exceeded a certain limit. The profits were to be applied to defray the annual expences of the Grain Committee and to the redemption of the paper money originally advanced to the Colonial Granary.

This fact is important because it decisively proves, that when the rixdollar compared to silver and gold or to the value when it was originally issued, was depreciated 20 per cent, corn could be sold for 4 rds. per muid or 13/4 sterling. But in 1825 it was found difficult to grow corn at less than 100 rds. per load or 10 rds. per muid or 15/- taking the pound sterling at about 13½. The actual fall in the value of the currency, or rise in the paper price of corn in the standard unit which the paper currency was issued to represent, was no more than 12 per cent. or the difference between the sterling price at the two periods. This nominal rise had occurred at a time when the real prices of food, clothing and all the implements of production imported into the Colony, had fallen at least 40 per cent. in sterling valuation since the termination of the war.[3] "On this supposition, therefore, if since 1814 recourse had not been had to inferior soils, and the real wages of labour had not been greatly enhanced, it is clear that as sterling money has risen in value in relation to all home commodities, the price of wheat instead of rising 13 per cent, or from 13¼ to 15, ought to have fallen very considerably. We find, however, that it is 15 shillings, being an actual and

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3. Grant: Op. Cit., p.88.

real rise in the price of corn since 1807, of 52 per cent. in sterling money, while the apparent rise (10 rixdollars being the lowest price at which wheat can now be sold) is 150 per cent. Making the depreciation of the paper since that period, 98 per cent., to which, add 20 per cent. depreciation in these years, gives at the present period, a depreciation of 118 per cent."[4]

This result could be more clearly stated as follows: the rise in the price of corn in paper currency since 1807, was 150 per cent. or as 100 to 40; in sterling money, the rise was only 13 per cent. or as 13/4 to 15/- per muid; but sterling had risen in value in relation to all other commodities about 40 per cent; the real rise of price, therefore, in relation to sterling money is 53 per cent. while the rise in paper currency was 150; hence the difference, 98 per cent., was the depreciation since 1807, which, added to 20 per cent. makes the depreciation in 1825, 118 per cent.

Grant pointed out however, that he might be in error in assuming so great a rise in the value of money or fall in prices as 40 per cent.[5] The war had produced half its effects in prices towards the year 1806 and the rise in prices was in that year approximately 30 per cent. above the prices in 1792. From 1806 to 1813, the rise was very rapid, partly from the effect of an inconvertible paper currency and by 1813, 1814 the enhancement was not short of 30 per cent. on the prices of 1806. In 1825 prices were considered to be 40 per cent. below those of 1813. This is to be understood of prices collectively. However, British commodities did not constitute all the elements of the cost of producing corn in the Colony. Also, the prices of these commodities directly affected the cost of producing corn only in so far as they entered into the materials of

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4. Ibid., p.88.
5. Ibid., p.89.

production and the expenditure of the agricultural classes. We may therefore limit the influence of this fall of prices to 30 per cent. on the amount of cost in 1807, in which case there would be a real rise in the price of corn of only 43 per cent. in sterling money or in reference to gold and silver. The rise of prices in paper currency being 150 per cent., we thus find the depreciation since 1807 to be 150 minus 43, equal to 107 per cent., which, added to 20 per cent., makes the absolute depreciation in 1822, 1823 and 1824 of 127 per cent. "This result seems decisive of the fact of depreciation; it may perhaps be more, or it may be less, according to the extent to which British commodities enter into the capital and expenditure of the Agriculturist; and if it be supposed, that a permanent fall in the price of British commodities, which enter into the capital and expenditure of the Agriculturist to the extent of 40 per cent., would not affect the cost of production in this Colony, more than 20 per cent. the depreciation will then be 138 per cent."[6] But the facts remain unaltered that the rixdollar was depreciated, that it would not purchase the same quantity of corn it did in 1806 and 1807, while at the same time the Spanish dollar would purchase in 1825 nearly the same quantity it did in that period.

Between the years 1802 and 1807, wheat averaged from 40 to 50 rds. per load, or £7 to £8 sterling. When the British forces took possession of the Colony, the want of grain to supply the British troops as well as those of the

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6. Ibid., p.90. It was , however, also alleged that corn could not be sold for less than 120 rds. and that the price varied between 120 and 150 rds. in 1825. If this is the case then the depreciation of the paper must exceed 150 per cent.
"I am not aware of any objections to the principle on which the foregoing calculation is founded, and the actual depreciation of the Rixdollar being 128 or 138 per cent., while the average premium on the exchange, is 150 per cent., above par, the difference is the true premium or average rate of exchange against the Colony,- supposing that the balance of payments is against the Colony".

enemy who had capitulated, was severely felt. In order to ascertain whether a high price would not ensure on adequate supply, Government offered 80 rds. per load. The consequence was that an abundant supply was obtained and every grain of wheat produced in the country was brought to market. The high price gave a powerful stimulus to the extension of corn cultivation and enabled the farmer to improve his lands and augment his farming capital. The annual supplied which were formerly brought into Cape Town averaged 30,000 muids. Between 1807 and 1812, the supply averaged 41,000 muids. The rapidly increasing population and the consequently augmented demand for corn, naturally forced up prices in a greater degree than would have been the case had the population been stationary. Every increase of population was not met by an immediate addition to the supply, and the demand always exceeding in this manner the average supply, the consumption was necessarily stinted. The effects resulting from these causes, added to occasional scarcities, necessarily operated to keep up prices far beyond what in ordinary circumstances would have been requisite to maintain a stationary population.

In 1815 and 1816 prices seem to have remained fairly uniform, varying from 70 to 80 rds. or from £7 to £8 per load. The subsequent influx of colonists, the great increase of population subsequent to 1815 and the occasional failures of the crops, operated to raise prices enormously. In 1820 prices again found their level and averaged from 80 to 90 rds. per load, but in the subsequent years of failure, prices rose so high as 250 rds. In subsequent years prices dropped to 120 rds. and it was generally known that a farmer could not grow corn in normal seasons for less than 100 rds. per load of 10 muids.

Between 1st January, 1816 and June, 1817, wheat

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averaged 70 rds.[7] per load and for a period of 18 or even 24 months prices did not vary much from this medium. The seasons were rather favourable and we are fully justified in assuming that in 1816 the lowest average price at which the farmers could continue to supply corn was about 70 rds. At the time the exchange averaged 90 per cent., or 9½ rds. were equal in currency to £1 sterling either in specie or bank notes. Therefore, the sterling price per muid was 14/7 which was a rise since 1806 and 1810 of 10 per cent. In 1816, money had not risen much in value. Prices began to fall in 1815 "but the fall could have had no influence within so short a period on the cost of production in the Colony"[8] and the real rise in the cost of producing corn was, therefore, 10 per cent. The apparent rise in paper was nearly as 70 to 40 or 75 per cent., and if the 10 per cent. is deducted we have 65 per cent. which is the increase of depreciation since 1806. If 25 per cent. is added the absolute depreciation of the paper would be 90 per cent. in 1816. "The nominal exchange being at this time 90, the real exchange with England must have been about par. This result is so perfectly and completely accordant with that deduced for 1822 and 1823, and the facts are so well ascertained, that there can hardly be a doubt as to the question of depreciation"[9].

From the preceding facts it would also appear that the great rise in the real cost of producing corn of about

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7. Ibid. p.91.

1816.	Wheat per load.	1817.	Wheat per load.
January... Rds.	79.	January... Rds.	72
February..	71	February..	66
March.....	70	March.....	73
April.....	62	April.....	67
May.....	69	May.....	80
June.....	71	June.....	85
July.....	80		
August....	75		443 Average
September.	65		74 rds.
October...	58		
November..	63		
December..	78		
	841 Average 70 rds.		

8. Ibid., p.92.
9. Ibid.

30 per cent. took place between the years 1816 and 1822 and we find accordingly that between these years there was an increase of population exceeding 34,000 souls being an augmentation of about 40 per cent. to the preceding numbers. The consequent demand for food must necessarily have raised the real price of corn and thus enabled the farmer to cultivate inferior soils at a profit. In favourable seasons, therefore, it may be presumed that a price of about 110 rds. per load would be sufficient to keep up the cultivation provided the demand for corn did not increase. However, that the population was rapidly increasing there could be no doubt and therefore recourse had to be had to soils less productive. The demand for corn would, in the first instance, exceed the supply, and the price would rise so as to yield the ordinary rate of profits on inferior soils. This high price of corn was the necessary condition of the supply and the time probably was not far distant when the pride of corn must rise permanently to 150 rds. or £10 in order to insure a supply in favourable seasons unless a change of measures in respect of the corn laws took place.[10] Restrictions on exportation could not prevent this consequence while they were attended with inevitable evils when there happens to be a scarcity.

From June 1817 to November 1819 was a period of great scarcity and in some instances the price of a load of grain was 300 rds. The harvest of 1818 was a favourable one and the following are the average prices after the harvest for each month:[11]

1819	November...	Rds. 108	1820	May...	Rds. 85
	December...	" 100		June..	" 95
1820	January....	" 80		July..	" 93
	February...	" 83		August	" 82
	March.....	" 82		September	" 86
	April.....	" 80		October	" 90

10. Ibid.
11. Ibid., p.93.

The medium was 85 rds., equal to 8½ rds. per muid, or 14/10 sterling, the same price as in 1823, being a rise on that of 1816 of 12 per cent. But commodities had fallen in price by about 40 per cent. and had influenced the cost of production to the extent of about 20 per cent. The real rise of price was therefore 32 per cent. The apparent rise was 85 to 40, or 112 per cent. from which the 32 per cent. is to be deducted in order to arrive at 80 per cent. being the depreciation since 1806. If 25 per cent. is added the absolute depreciation of the paper in 1820 would be 105 per cent. From this result it follows that in 1820 the exchange must have been against the Colony; but how for injudicious competition and the scarcity of bills might have contributed to this result is a matter of conjecture.[12]

INCOME.

	1800.[13]	1824.[14]
15 Head of Cattle	at 12 rds.... 180.	at 25 rds... 375.
220 Sheep	at 2 rds.... 440	at 3½ rds... 770.
A Waggon load of soap and butter, 1,200 lbs.	at 1 sk.... 300	at 3 sk.... 600.
	Income. 920 Rds.	1,745 Rds.

DUTGOINGS.

	1800.	1824.
2 Waggons, 800 rds. Interest.....	48	 96
Clothing for 8 persons, at 15 rds.	120	 300
Tea, Sugar etc., etc.....	150	..... 375.
Powder and Shot.....	20	..... 50.
Rent to Government and Stamp.....	25	..... 30.
Parochial Assessments.....	8	..... 20.
Contingencies to the Hottentots, etc.	80	..... 150.
Outgoings.	451 Rds.	1,021 Rds.
Annual Savings.	469	 724
	£94 at 150 per cent.	£60.

12. Ibid.
13. Barrow: Travels in South Africa, 11, pp.121-123.
14. Grant : Op. Cit., p.93.

In the above statement, however, the Parochial Assessments were greatly underrated. The price of cattle too was kept down by restrictive enactments.

The following is a comparative view of the Outgoings and Returns belonging to the cultivation of corn.

OUTGOINGS.	15) 1800. Rds.	16) 1824. Rds.
Price of the Opstal or the Buildings on his Loan Farm.	7000	18000
50 Oxen, at 15.	750	1500
50 Cows, at 8..	400	800
12 Horses, at 40.	480	720
6 Slaves, at 300.	1800	6000
2 Waggons.....	800	1600
Furniture.....	1000	2000
Implements of Husbandry.	500	1200
	12730.	31820.
Interest at 6 per cent.	763	1909.
Clothing per Slave.	90	225
Ditto for family.	150	380
Tea, sugar etc.	100	250
Duties.	170	300
Contingencies, Wear and Tear.	150	300
	1423	3364.

RETURNS.	1800. Rds.	1824. Rds.
300 Muids Wheat, at 4 rds.	1200 at 12	3600.
100 Muids Barley, at 3 rds.	300 at 5	500
6 Loads of Chaff at 32 rds.	192 at 45	270
1000 lbs. Butter at 1½ sk.	250 at 3	500
5 Horses sold annually at 40 rds.	200 at 60	300
Returns.	2142	5170
Outgoings.	1423	3364
Profit Rds.	719	1806
or 50 per cent.	£144	£145

OUTGOINGS.	PROFITS.
1800: £284-12.	1824: £144.
1824: £295.	£145.

It is to be noticed, however, that all the direct and indirect taxes are not included in the above estimate outgoings for

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15. Barrow: Op. Cit., 11, pp.116-117.
16. Grant: Op. Cit., 94.

1824. Moreover, though in favourable seasons 300 muids of corn might be raised yet in general perhaps the produce did not average more than 200 muids. The pressure of taxation and the effect of depreciation can also be judged from the above statement.

The great increase in production since 1814 will be evident from the following statements:

STATEMENT SHOWING THE NUMBER OF WINE STOCK AND THE QUANTITY OF WINE PRODUCED ANNUALLY SINCE 1814. 17)

NUMBER OF WINE STOCKS.	LEAGUERS OF WINE.
1814 ... 17,579,023.	7,707.
1815 ... 19,004,154.	12,583.
1816 ... 20,070,797.	14,090.
1817 ... 20,044,215.	9,228.
1818 ... 21,543,345.	10,511.
1819 ... 23,068,854.	11,761.
1820 ... 23,415,527.	13,475.
1821 ... 24,490,615.	14,765.
1822 ... 25,527,365.	13,372.
1823 ... 25,771,576.	19,230.

NUMBER OF MUIDS OF GRAIN BROUGHT INTO CAPE TOWN SINCE 1804. 18)

	WHEAT.	OATS.
1804 to 1806 per annum ..	32,000	4,100.
1806 to 1814 " " ..	42,000	7,200.
1814 to 1821 " " ..	43,000	15,000.

"The results here exhibited are incompatible with the assumption of a constant real premium on the foreign exchanges, an increasing balance against the Colony. A nation gains not by what it exports, but by what it imports; but if the

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17. Ibid., p.95. A leaguers of wine is equal to 152 gallons.
18. Ibid.

capital consumed in realising produce for exportation was not replaced by the value of the imports, it is clear that such a trade must soon have terminated; but a continued premium on the exchange implies, that a greater value is exchanged for a less productive value"[19].

The quantity of wine brought into Cape Town during the eight years ending with 1822, amounted to 104,300 pipes, averaging annually about 13,000 pipes; during the nine years ending with 1823, there were exported 69,000 pipes, or annually 7,666 pipes, which at £26 per pipe, gives about £200,000 annually.

The following statement shows the number of wine farms in the Cape and Stellenbosch Districts and their value in colonial currency in 1823; and also an estimate of the capital employed in the wine trade.

GROWTH.		RIXDOLLARS.
376 wine farms, according to official valuation..		5,647,575.
5930 Slaves employed thereon, ...	1000	5,930,000.
11766 Oxen.....	25	294,150.
2657 Horses.....	40	122,850.
283 Mules.....	150	42,450.
Waggons and farming implements.....		400,000.
Fustage for 19,193 leaguers of wine and Brandy, at 35 per leaguer.....		671,755.
Grazing Land for 11,766 oxen, at 4 rds. per head per annum is 470,064 rds. estimated as Rent, paying 10 per cent. gain on Capital.		470,064.
Amount of Capital employed on 376 wine farms, containing 23,758,843 wine stocks.		13,578,844.
Add proportion for Capital employed in Lands, not exclusively wine farms containing 2,012,734 stocks.		1,252,596.
		14,831,440.

19. Ibid.

From this statement the following important conclusion could be deduced. Assuming 10 per cent. on the whole capital embarked in the growth of wine we have an annual outlay on the part of the farmers of 1,483,144. The farmers realize 20,317 leaguers of wine and brandy, which in order to meet all the outgoings and expenses belonging to the growth and manufacture of wine, must be sold for 73 rds. per leaguers, exclusive of duties. If we value the brandy at 140 rds. per leaguer we find:

1,087	leaguers	Brandy at 140 rds.....	152,180.
19,230	"	Wine at 69½ "	1,331,680.
			1,483,860.

The farmer paid on every leaguer of wine a duty of nearly 10 rds., and the cost of production being 70 rds., he must obtain 80 rds. in order to repay the labour and capital consumed in the growth and manufacture. The farmers would sustain a loss if the wine would not fetch 80 rds. per leaguer. In 1825, however, there was no probability of obtaining more than 50 rds.per leaguer which meant that the farmers would be losers to the amount of at least 50 per cent on every leaguer.[20]

If, instead of 10 per cent., we assume 8 per cent to be an adequate return on stock, we shall find the annual outlay in the growth of wine and brandy to amount to 1,187,088 rds. and the lowest price at which a leaguer of wine could be sold by the farmer without a loss, would be 54 rds. The sum of 1,187,088 rds. is, however, only the annual outlay of the capital and 54 rds. would merely replace this capital without any profit to the farmer. In order that the farmer should realize a profit of 8 per cent. on the capital annually employed, this 8 per cent. should be

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20. Ibid. p.97.

added to 1,187,088, which would yield 1,284,055. Therefore, the lowest price at which the farmer could afford to sell wine, exclusive of duties, was 58 rds. per leaguer, and brandy 140.

With regard to the extent of surface occupied by vineyards only an approximate estimate could be made. The number of wine stocks was 26 millions, and allowing $2\frac{1}{2}$ feet space or $6\frac{1}{4}$ sq.ft. for each wine stock we find $\frac{26,000,000 \times 7}{4,840} =$ 3760 acres; and taking the annual expenditure in the growth of wine to be 1,500,000 rds. the cost of production, including rent, profit etc., would be 400 rds. per acre - the produce 6 leaguers of wine - and each farm averaging about 10 acres under vines.

With respect to corn cultivation, taking the whole annual produce of the Colony to be 400,000 muids, we find $\frac{400,000}{10 \times 4} = 160,000$ quarters and as an acre averaged about $2\frac{1}{4}$ quarters, we shall have 64,000 acres of land in corn cultivation. Grant had estimated the growth of wheat at only 200,000 muids which was probably under-rated, though the "Civil Servant"[21] of the "State of the Cape of Good Hope" would have us believe that the Colony could not produce such a great quantity, even in good seasons. However, during the period of the first British Occupation, when the population did not amount to half of its extent in 1835, the quantity of wheat grown was 138,028½ muids and barley 67,438¼ muids.[22] It is impossible that the cultivation of wheat should not have greatly extended since that period.

The following statement shows the whole amount of

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21. State of the Cape of Good Hope in 1822. p.105, p.95.
22. V.C.105, no. IIpIII. This was production in 1797.

fixed and circulating capital employed in the Wine Trade:[23]

		RIXDOLLARS.
13,372	Leaguers old wine on hand of the vintage of 1822..... at 80..	1,069,760
880	Ten gallons of French brandy per leaguer are 133,720 gallons...at 2½...	334,300
14,252	Stores and fustage to contain..at 75(A).	1,068,900
	7,700 Pipes for the annual Shipment.. at 35(B).....	245,000
19,230	Leaguers of new wine.....at 50.....	961,500
1,265	192,300 gallons French brandy..at 2½....	480,750
1,088	Leaguers Cape Brandy.....at 140...	152,320
	Stores and fustage to contain	
	19,230 Leaguers new wine	
	1,088 Cape Brandy	
	1,265 French Brandy	
	21,583 .....at 75(D).	1,618,725
	260 Slaves employed on 32,602 leaguers old and new wine, computing 8 slaves to each 1000 leaguers,.....at 2000(F).	520,000
	Waggons with horses and drivers....(G).	50,000
	Contingencies.....(H).	100,000
	Total Capital employed in Wine Trade...	6,601,255Rds.

It is only the interest of the fixed capital that was annually consumed and which enters into the cost. In addition to the items A to H which compose the fixed capital vested in the trade it should also be noticed that there was a certain quantity of old wine always on hand. Allowance must therefore be made for the interest of its value. Though it is not to be doubted that the loss of interest incurred on old wine is amply repaid by increased price, a pipe of wine 10 years old would certainly fetch a much higher

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23. Grant: Op. Cit., p.99.

price than when only one year in the cellars. If we allow 10,000 leaguers in store, at 80 rds. per leaguer and 10 per cent interest, there will be (P)80,000 rds. to be added to the annual outlay which is equivalent to a fixed capital of 800,000. Thus we have fixed capital:

A.....	1,068,900		
B.....	245,000		
D.....	1,618,725		
F.....	520,000		
G.....	50,000		
H.....	100,000		
Fixed Capital	3,602,625	... at 10 per cent....	360,262.
Floating Capital.....			2,998,630.
P.....			80,000.
Leakage and accidental losses and $\frac{1}{3}$ per cent on 2,998,630.)..			89,958.
Expenses incident to Sales and Shipments on 20,000 leaguers, at 1 rds. per leaguer.)..			20,040.
Total Capital annually expended.....			3,548,850.
Profit, 12 per cent.....			425,860.
Total cost to the wine merchant, of 36,870 leaguers of Wine and Brandy.).....			3,974,710.

Reducing the leaguers to pipes by adding $\frac{1}{3}$ (35,870 + 11,957), we have 47,827 pipes of wine and brandy, which, including a profit of 10 per cent., prime cost, and the interest of the fixed capital embarked in the trade, cost to the merchant no more than 80 rds. per pipe. On an average the wine did not sell for less than 150 rds. per pipe,[24] so that the profits of the wine merchant must often have exceeded 100 per cent. on the outlay.

It is only the interest of the fixed capital which enters into the annual expenditure and not the whole capital.

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24. Ibid.

The higher the premium on bills, the more favourable is the trade of the wine merchant. Thus the quantity of wine annually exported was 7,800 pipes, which including all charges and profits, did not cost more than 85 per pipe , or 663,000 rds. The wine sold on an average for £20 per pipe from which £3-10 per pipe must be deducted for freight and insurance. There remains, therefore, at the exporter's credit £16-10 per pipe, which is equal to £128,700, or 1,544,400 rds. at a premium of 140.

"Latterly, the average prices to the Shipper, probably do not average more than 20 or £24 per pipe; but between 1814 and 1825, a pipe averaged £30. The profits of the trade, must, in general, have been equally great; though sometimes the farmers obtained from 150 to 200 Rds. per Leaguer. There is no prospect, whatever, of wine again commending so high a price."[25] The great demand for wine in 1815 and 1817 induced the farmers to farm vineyards on soils of inferior fertility and not at all adapted to produce grapes to yield a luscious wine. The consequence was that no improvement in the manufacture could compensate, in many instances, for the bad qualities of the grape. To produce better wine either more capital must be laid out in manuring and fertilizing the soil or the wine must be made only from the best grapes and not from an indiscriminate mixture of good and bad.

The following is a comparative view of the

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25. Ibid., p.100.

Outgoings of the Wine farmers:

OUTGOINGS.

	26) 1800.	27) 1824.
The first cost of the Estate.	15,000	35,000
15 Slaves.... at 300 rds.	4,500	15,000
80 Wine Leaguers... at 12 rds.	960	3,200
Implements for pressing, distillery etc..	500	1,500
3 Team of oxen.	500	1,200
2 Waggons.	800	1,600
Horse Waggon and Team.	900	1,600
Furniture, Utensils etc.	2,000	4,000.
	25,160.	63,100.
Interest at 6 per cent.....	1,509	3,786.
3 Sheep per week, for family use.	390	780
Clothing for 15 slaves, at 15....	225	550
Corn, for bread, 36 muids... at 3.	108	360
Tea, coffee, and sugar.	150	350
Clothing for family, etc.....	350	800
Duties on Wine and Brandy.		
120 Leaguers at 3.....	360 at 10	1,200
Wear and Tear.....	120	300
Amount of Outgoings.	3,212 Rds.	8,128 Rds.

RETURNS.

	1800	1824.
100 Leaguers of Wine,;;. at 30....	3000 at 60	6,000
29 " " Brandy,. at 50....	1000 at 120	2,400
	4000	8,400

It appears that a price of 60 rds. per leaguer of wine and

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26. Barrow: Op. Cit., 11, pp.112-113.
27. Grant: Op. Cit., pp.100-101.

of 120 rds. per leaguer of brandy was barely sufficient to cover the outgoings; and that to place the wine farmer in the same circumstances as in 1806 and 1810, he must sell his wine for about 70 rds. per leaguer free of duty.

Since 1806 the nominal cost of production of wine had doubled. In 1806-1810, good Cape wine was sold for 30 to 40 rds. per leaguer, and at these prices the farmer could afford to grow it without sustaining a loss. In 1825, however, he could not afford to sell it for less than 70, exclusive of duties. Since 1806-1810, and more especially in 1824, wine had been sold as high as 250 rds. per leaguer. Taking the value of the currency in 1806 at 6 rds. per pound sterling and the average price of wine 35 rds. per leaguer, we arrive at the cost of a leaguer of wine previous to the issue of paper money;

1824.	Rixdollars.	Sterling Money.
	35	5 - 16 - 8
at 140 per cent. p.m.	70	5 - 16 - 8
150	70	5 - 12 - Ø
160	70	5 - 7 - Ø
170	70	5 - 4 - Ø
180	70	5 - 4 - Ø

In the years 1815, 1816 and 1817 the demand for wine was so intense that wine farmers sold at very exhorbitant prices, new vineyards were planted and a very considerable capital sunk in extending and improving such farms. The wine was, however, with few exceptions, bad and the demand consequently fell off. The colonial and home markets were then and in 1825 still glutted and the same wine which formerly paid the farmer 100 would not sell for 50 rds. per leaguer in 1825. It is probable that 70 rds. would barely cover all the

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outgoings belonging to the culture of the vines and the labour and fixed capital embarked in the manufacture. It is therefore clear that unless better wine is manufactured and a greater demand be established the farmers would be ruined. Most of the farmers were old proprietors and had no accurate data from which to ascertain the advance of rent or the ordinary rate of profits and therefore the value of a farm or any given quantity of arable land. In this case the only criterion of the rent (though a very imperfect one) was the annual interest of the sum for which the farm was mortgaged, including the interest of that portion of the purchase money advanced by the purchaser or mortgages.

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Population and Revenue.- The following table shows the comparative augmentation of the salaries in local currency.

Years.	Free Population.	Revenue. Sterling Money.	Rds.	Taxation per Head. Sterling	Rds.	Sterling Salaries £26,000 Rds.
1806	27,200	70,971.	425,827	2-12	15½	156,000
1810	29,622	117,783.	706,693	3-19	23½	156,000
1814	35,000	119,640.	1,076,698	3-8	31½	234,000
1820	46,000	137,964.	1,517,006	3-Ø	33	286,000
1823	55,000	129,000.	1,547,761	2-8	29	338,000
1824	57,000	130,000.	1,560,000	2-8	29	364,000
1798) to 1802)	21,000	75,000.	375,000	3-14	18½	

In 1806 the population amounted to 75,200 souls, from which, deducting 29,100 slaves and 19,000 Hottentots, there remain 27,200 free inhabitants paying taxes and contributing directly or indirectly to the revenue. The revenue in the same year was 425,827 rds. or £70,971 at 6 rds. per pound sterling. This amounted to about £2-12 per head or 15½ rds. In 1810, the population exceeded

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28. Ibid., p.104: The figure for 1824 is an estimate.

81,000, from which deducting 30,500 slaves and 20,000 Hottentots, and there remain 29,622 free inhabitants paying taxes. The revenue in 1810 was 706,696 rds. or £117,783 which was about £3-19 per head. In 1814 there were 35,000 free inhabitants and the revenue amounted to 1,076,968. The exchange was about 80 and 9 rds. were equivalent to a pound sterling. The revenue in sterling valuation was therefore about £119,640 or about £3-8 per head, or 31½ rds. In 1820, the free population exceeded 46,000 and the revenue for the same year amounted to 1,517,606. The premium in favour of sterling money was about 120 or 11 rds. per pound sterling. The revenue in sterling valuation was therefore £137,964 or about £3 per head, or 33 rds. In 1823 the free population was 55,000 and the revenue 1,547,671, or in sterling valuation £129,777 or £2-8 per head, or 29 rds.

Since 1817 there had been no augmentation to the revenue, while during the same period the sterling salaries had augmented in proportion to the premium on the foreign exchange. Grant pointed out that the capital objection to the salaries of any class being paid according to the market rate of exchange was, that as the real exchangeable value of the public income did not increase in the same proportion as the depreciation of the paper, the sterling salaries had to bear a greater proportion to the whole revenue now than formerly, and thus would operate materially to add to the difficulties of the Government. From 1806 to 1820 inclusive, the premium on the exchange with England had been assumed as indicating the limit of depreciation in so far as prices have been influenced. Since 1820 the premium had often greatly exceeded this limit which Grant estimated on an average at 150: the premium had been so high as 200.[29]

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29. Ibid.

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It would appear that the period of highest taxation was that between 1806, 1810 and 1814. The average was £3-6 per head which was "an enormous drawback on individual prosperity". Grant maintained that at the time there was no country in the world in which the proportion of taxation fell so heavily on individuals as in England where the proportion paid by each individual amounted to £3-2.[30] The rapid increase of population had apparently had the effect of diminishing the pressure of taxation. When the same portion of public burdens was distributed over a greater number, the pressure on the individual was necessarily lightened. The average taxation per head in 1810 was £3-6 while in 1824 it amounted to £2-8. But the prices of all imported commodities which formed at least a part of individual consumption and expenditure, had fallen 40 per cent. Hence, 66/- in 1810 was of no more value than £2 in 1824. The real pressure of taxation had therefore not been diminished. It must be considered, Grant said, that a great proportion of the new population contributed very little to the revenue; the whole fell upon the older residents in the Cape and Stellenbosch districts and probably did not fall short of £3-16 per head. On the free inhabitants of the town, the taxation and other public burdens probably exceeded £4-10 per head.[31]

It appears too that during the 18 years ending with 1823 there accrued a surplus revenue above the expenditure of 1,143,012 rds. It is to be presumed that this sum had been either remitted to the mother country, or applied to purposes not connected with Colonial interests. It appears that in 1817 and 1818 the sum of 566,777 rds. had actually been paid to the Commissariat. "Whatever was the real state of the matter, the mother country is bound to

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30. Ibid., pp.105, 110.
31. Ibid., p.105.

repay it, inasmuch as a debt to that amount is clearly due to the public, and the Government is bound by every consideration of honor and justice, to acknowledge it either by withdrawing the latter addition of currency from the circulation, or to borrow funds with a view to its ultimate redemption."[32]

It was certain that the town taxes bore very heavy on the comforts of individuals. Ordinary houses paid 150 rds. per annum and they were frequently augmented without any reason being assigned.[33] That the excessive taxation of the Colony was an insurmountable bar to improvement, is a fact which cannot be disputed. The effect must soon be to reduce the revenue by diminishing consumption and production. Grant quoted from the Report of Mr. Bigge on New South Wales:[34] "It would seem only reasonable that duties imposed on the Colony upon the productions of colonial industry, should, for the most part, be withdrawn, and that the colonists should at least not have to encounter, in the shape of a colonial tax, any symptoms of discouragement to the early efforts of their enterprise and industry. Considering the present state of the Colony, I have not been able to discover any new sources of revenue, that would not have the effect of discouraging or restraining the attempts of the colonists to avail themselves of the productions, that either their own industry or the resources of the soil and climate may supply".

The effect on fixed property.- The following statement shows the degree in which fixed property had been affected by the depreciation of the currency, assuming that between 1810 and 1822 the premium on the exchange was a correct index of depreciation of the currency. Suppose that in 1810 a

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32. Ibid.
33. Ibid., p.106.
34. Ibid.

farm cost 90,000 rds. or in sterling valuation (6 rds. to the pound) equal to £15,000. The Seller having paid £5,000 down, and the remaining Rds. 60,000 (£10,000) to be paid by annual instalments of 6,000 rds. or £1,000 including interest at 6 per cent. on the unredeemed balances. The account would then stand as follows : [35]

Amount receivable be Seller if the currency had retained its original value. Value actually received.

Years.					Plus the Instalment is	Interest	Interest & Instalment	Payable by Contract.		Premium Rds.		
1810.	Paid			5,000								
1811.	Interest	on the	first	balance of 60,000 Rds.	"	3,600 is	9,600 or	£1,600	40	7	per	£1,371.
1812.	"	"	2nd	" 54,000	"	3,240 "	9,240 "	1,540	55	7-6	"	1,192.
1813.	"	"	3rd	" 48,000	"	2,880 "	8,880 "	1,480	65	8-2	"	1,076.
1814.	"	"	4th	" 42,000	"	2,520 "	8,520 "	1,420	80	9	"	947.
1815.	"	"	5th	" 36,000	"	2,160 "	8,160 "	1,360	90	9-4	"	859.
1816.	"	"	6th	" 30,000	"	1,800 "	7,800 "	1,300	100	10	"	780.
1817.	"	"	7th	" 24,000	"	1,440 "	7,440 "	1,240	110	10-4	"	709.
1818.	"	"	8th	" 18,000	"	1,080 "	7,080 "	1,180	120	11	"	644.
1819.	"	"	9th	" 12,000	"	720 "	6,720 "	1,120	130	11-4	"	636.
1820.	"	"	10th	" 6,000	"	360 "	6,360 "	1,060	140	12	"	530.
						19,800	79,800	£13,300				£8,744.

35) Ibid., p.111

It appears, therefore, that the mortgagee instead of realizing a value equivalent to £13,300 sterling according to the terms of the contract, has received only £8,744 and has by the depreciation of the currency sustained a loss of £4,556 or nearly 35 per cent. If the instalments had been made payable in 16 years instead of 10 the loss would have exceeded 50 per cent. From the result above obtained, it appears that the depreciation of the currency had lowered, not merely the nominal, but the real value of fixed property. If the demand for estates and fixed property had continued to increase, this effect might have been counteracted; but as there were more sellers than buyers, the estate which was worth £13,000 might now be sold for £8,000.

The seller who wished to dispose of his estate would be glad if he could obtain what he gave for it or even something less. If there had been two estates in all respects the same or nearly the same, one of which had come under the circumstances just explained while the other had remained in the hands of the original proprietor, it is perfectly clear that the selling price of each would not be respectively £13,000 and £8,000 for there were more who wished to sell than who wished to buy. The proprietor whose estate, purchased under a mortgage of 10 or 12 years, cost him only £8,000 would be glad perhaps if he could obtain £9,000. But if the proprietor of the other estate wished to dispose of it, he certainly would not obtain more for it than £9,000, the lowest selling price being in this case the regulating principle.[36]

Effect on labour.- An altered value of money causes variations of prices. The rise of prices is common to all

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36. Ibid., p.112. "I am aware that the case just stated is apparently anomalous, and inconsistent with some received principles - but such has been the effect in this Colony."

commodities though the altered value of money does not affect all prices at the same time. Wide intervals might occur during which period one class is compelled to buy dear and sell cheap and others have no prospect of indemnity or of regaining the relative position they once occupied. That similar effects would have resulted to the labouring classes in the Colony unless other powerfully counteracting causes had been in operation, cannot for one moment be doubted.[37]

The slaves did not increase in the same ratio as the free inhabitants, nor in proportion to the demand for labour. The wages of free labour, therefore, of every description, had not risen in a considerably greater ratio than that of slave labour, neither was there so great a preference for slave labour among the community as there was 10 or 15 years back. During the first British Occupation from 300 to 400 rds. or £60 to £80 was reckoned a good price for a slave but in 1824 a good slave could not be had for less than 1,500 rds. or about £120. It is certain, however, that since the influx of free labourers from England, the value of a slave had declined and indeed this was a necessary consequence of a greater supply of labour. Labour, however, was twice as dear as it was in England, while the price of food was 100 per cent. cheaper than in that country.[38] For a long time to come there would probably be a great demand for labour, more especially if the ports were permanently thrown open to the exportation of corn.

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37. Ibid., pp.112-113.
38. Ibid., p.113.

CHAPTER VI

EXAMINATION OF VARIOUS THEORIES PUT FORWARD TO ACCOUNT FOR THE DEPRECIATION OF THE CURRENCY.

With regard to the Government issue, which remained at about the same figure from 1814 to 1825, though the practical evils of an unredeemable paper currency were understood by the people, various explanations were given. On the one hand, the evil was traced to the issue itself; while, on the other, it was explained on the basis of over-importations, creating an unfavourable balance of trade, and so raising the premium on sterling bills.[1] However, if 3 percent is allowed as the total cost of shipment of specie from the Cape to England, the latter contention is reputed forthwith.

In his most instructive and scientific treatment of this very complicated problem Grant had attempted to prove the following.[2] There is no doubt that his reasoning is sound and the principles developed, in accord with the recognised economic doctrines.

1. The condition and circumstances of the Colony were not of such a nature as to call for an addition to the whole currency of 50 percent[3] (which probably exceeded by 100 percent the amount actually in circulation).

2. The diminished value of the currency was simultaneous with the successive issues of paper, and originated entirely from over-issue.

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1) Chalmers: Op. Cit., p234
2) Grant: Op. Cit., pp. 118-119
3) Vide Supra. p. 93.

3. The premium on the exchange in favour of sterling money was nominal and did not originate from the excess of demand above the supply of bills, in other words, from importation in excess of the means of remittance in payment.

4. The assumption of a constantly accumulating balance of payments against the Colony, being the cause of the gradually enhanced exchange, was not only theoretically false, but disproved by ascertained facts.

5. The rise in the price of corn, reckoned in paper money, to the extent of 150 percent while the price in silver, gold and Spanish dollars is nearly the same, was "an irrefragible proof of the depression of the paper currency below the value it possessed before the additional issues."

6. Increased taxation could have had little or no effect in raising prices above the limit of 1806 and 1810, the proportion of taxation bearing on each individual however heavy, being in point of fact, less at present than during that period, though perhaps individuals were less able to bear even this degree of taxation than formerly owing to the great fall of profits both of farming and commercial capital.

7. The assumption of a real premium on bills for sterling money, varying from 150 to 200 percent was not only theoretically absurd and impossible,

but was...

but was incompatible with the acknowledged prosperity and profitable commerce of the Colony during that period in which the depreciation of the paper money was progressively advancing from 25 percent in 1810 to 150 in 1821.

8. A real premium could never exceed the real cost of transmitting bullion or specie, which is the only true limit of an unfavourable exchange and would not probably exceed 5 percent. Either silver had risen in value or paper had fallen. "But silver commands no more commodities now than in 1810, perhaps less; but the supposition that specie should have risen 180 percent is absurd. Such a rise in the value of specie would have attracted it from all parts of the world, and it would soon have reached its ordinary level. It is paper, therefore, and not silver that has changed its value. There is no want of specie in the Colony, but it is driven out of the circulation, and it forms no part of the circulating medium."

Grant pointed out that they who contend that the paper money was not depreciated in value from an over-issue seem to entertain strangely inconsistent views on the subject. "They admit the diminished efficacy of the currency, that it will command a less quantity of commodities, that it augments the expenditure of Government, that it has the effect of enhancing permanently and universally the prices of foreign and colonial produce; and consequently, to meet an increased bublic expenditure, or, in other words, to pay 15 Rds.

instead of.....

instead of 5, the public are subjected to increased taxation." He maintained that their admissions, if they prove anything, clearly prove the reverse of what was affirmed by the apponents of depreciation.[4]

Independent of the cellaterol facts leading to the same conclusion, the value of a paper currency not convertible into specie at the will of the holder, could not possibly exceed the value of the gold and silver which would be required to perform the same extent of business. It was this last circumstance above which determined its value and an addition to the currency could have no other effect than that of deteriorating the whole.

Mr. Trotter ascribed the degraded state of the currency to the following causes:-[5]

1. An injudicious system of Banking;
2. Want of public credit and securities;
3. Excessive importations;
4. Reduced garrison and consequent diminished expenditure;
5. Over-taxation in some branches;
6. Want of a steady demand, and a foreign market for agricultural produce or grain;
7. A facility of borrowing and other causes, giving to property an artificial value;
8. Government being allowed to augment the currency at pleasure.

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4) Grant: Op. Cit., p 119
5) Trotter: Op. Cit, pp.10-60.

Grant maintained that, with the exception of the eighth cause assigned by Mr. Trotter, all the other circumstances pointed out by him as co-operating to depreciate the currency below its standard value, were either inapplicable or produced this effect by over-loading the circulation with currency granted as loans, and thus throwing into the market extensive issues of paper, not called for by the demands of circulation, but merely to meet the necessities of individuals.

If it be true that the value of a circulating medium depends entirely on the business it has to perform "how can an injudicious system of banking produce any permanent, or even considerable depreciation of the currency, except by excessive issues of paper?" One million rixdollars were issued by the Bank and thrown into circulation in payment of the wages of labour, materials for building and other purposes. But the Bank could not issue more than the amount authorised by the Government. If anything was in the power of the Bank it was rather to withhold the paper from circulation. If the additional million was necessary to facilitate the business of circulation, the Bank would have been blamable in retaining it within its coffers. On the other hand, if it was not necessary, no blame could be attached to the Bank which was merely an instrument in the hands of Government. The Bank had at all times engrossed a moiety of the currency, being mostly the deposits of individuals and partly so much of the original capital of the Bank as had not been disposed of. If there had been any effective demand for an addition to the currency in 1810 and 1812, the fact would have been indicated by a fall of prices or a rise in the value of the rixdollar, consequently the Bank would have derived a profit from disposing of part of the funds.

But Grant....

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6) Grant: Op. Cit., p.120.

But Grant pointed out that there was not a single fact to prove that there was a demand for an addition to the currency.[7] A Demand for capital and a demand for currency as circulating medium are two widely distinct questions and it was from confounding these two that so many erroneous impressions had gone forth among all classes. On the contrary the value of the medium of transfer, at present required to circulate the exchangeable products of the Colony, is less than in 1806, and 1810 and instead of an additional currency, a smaller value is now required than before.[8]

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7) Ibid; p.121.

8) Ibid.

"In 1822, we are informed, that products sold and circulated in the colony, averaged about 9,000,000 Rds. and taking the mean depreciation equivalent to a premium of 140 per cent. on the original value of the Rix-dollar, or 12 Rds. to the pound Sterling, the value of the circulating medium would be to that of the circulating produce as 1 to 3 (one-third) or, as £250,000 to £750,000. If, in 1822, the value of the circulating produce exceeded that of 1806, by 33 per cent then the value of the circulating produce in 1806, was only £560,000. Hence, according to this assumption, there was required in 1806, and 1807, a currency of 2,000,000 Rds. or £333,000 to circulate products valued at £560,000 and in 1822 a currency of 3,1000,000 Rds. or £260,000 to circulate a value of £750,000. If, in 1806, the value of the circulating produce was £560,000 then ..... the highest proportion that ought to be assumed is one fifth or a value of £112,000 whence it appears, that the Rix-dollars in circulation should not have exceeded 560,000, in which case the Rix-dollar would certainly and necessarily have maintained its value. On the same principle, only $\frac{750,000}{5}$ or £150,000 equal to 750,000 Rix-dollars, as 4 shillings per Rix-dollar would now have been requisite, instead of 3,1000,000 Rds. so that in point of fact, 3,1000,000 depreciated Rds. of the present currency , is of no more value than 750,000, if the quantity had been limited."

"The Bank has generally engrossed about one-half of the currency; but even with this admission, we are at once enabled to account for a depreciation of 100 percent. from over-issue, and the value of the whole currency is determined by the amount in circulation." [9] It has been said by Mr. Trotter that increased commerce and population required an increase of circulating medium, but Grant maintained that he should have shown that there was a deficiency and he should have pointed out the circumstances which indicated a deficient supply. Moreover, in an advancing society there are many counteracting causes to an increased demand for a currency. In whatever light the question be viewed, it is evident that the Bank could not be justly charged wigh having unauthorisedly extended its issues of paper. The Bank was the instrument the Government made use of to realise, and became the deposit of, its funds, and provided it obtained the requisite securities, there was no limit to the extent of its issues, which clearly appeared to be regulated not by the wants of circulation but by the wants and necessities of individuals.

The effect of loans granted to aid productive industry is to call unemployed captial into activity. It is obvious too, that by long or short loans the value of the circulating medium must be materially affected. The effect of a loan from the Bank is to throw a considerable sum of currency into circulation; the greater the amount of the loan and the longer the period for which it is granted, the greater is the influence in lessening the relative value of the currency, compared with specie and commodities. It is accordingly with reference to this principle only that the conduct and system of the Bank should be examined.

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9) Ibid., p.122.

However, it must appear an incontestible fact that a body unchecked by any controlling power in its issues, and making the wants of individuals the sole motive and reason of loading the circulation, without reference to the demand for a circulating medium, must necessarily be open to the charge of incapacity. It was the inherent inaptitude of the system to produce any other effects than such as must eventually be pernicious and not personal incapacity. "The beneficial effects which would result from loans granted on fair and equitable principles, are rendered completely nugatory, from the circumstance, that the Bank requires security for more than treble the amount of its loan."[10] Generally there are two capital objections against this principle. Firstly, by requiring a security so extensive, the property and capital thus hyposbecated was rendered wholly unproductive in cases of emergency; it debarred the propietor from disposing of his property at a time when he might be desirous of effecting a transfer and employing his capital to greater advantage in other departments. Where such an inordinate share of the property was at the mercy of the Bank, private individuals would not risk a purchase at the hazard of the whole property being absorbed by the claims of the Bank, more especially as the property mortgaged was often partly fictitious, originally consisting of slaves; so that in the event of their death before the redemption of the loan, the estate and all the fixed property on it might be insufficient to redeem the mortgage. Secondly, the facility of borrowing circulating capital on inconvertible security had a decided tendency to encourage hazardous speculations and expensive habits incompatible with the prosperity of the borrower, without

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10) Ibid., p.124.

giving productive employment to capital and thereby forcing injudicious competition to the detriment of the real capitalist and fair trader.

The possession by the Bank of nearly one-half of the circulating medium, besides that it shows that there is a corresponding excess over the demand for it, necessarily produces incessant fluctuations in the state of the currency, either by discounting largely or by restricting all Bank accommodation. It does not appear to have stimulated or even assisted the agricultural or commercial industry. "It is certain, that the principles of the system are ..... incompatible with all just principles of Banking, and, if, while it has accommodated the infallible effects of dissipation and extravagance, it has at the same time refused accommodation to the mercantile and agricultural classes, there is no censure which could be too severe".[11] Although the value of the circulating medium is not regulated by any other principle than that of limiting the supply to the demand, and though the Bank was blamable in so far only as it extended its issues for such periods and for such purposes as to load and embarrass the circulation rather than to call dormant capital into employment, "the establishment of the Discount Bank in 1808 must have contributed in an essential degree to diminish the demand for currency, by the transfer of book credits and payments without the intervention of a circulating medium..."[12] The institution of the Discount Bank must have operated in a powerful manner to facilitate the circulation and should have proved a motive for withdrawing from rather than adding to, the circulation.

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11) Ibid., p.125.
12) Ibid.

The Discount and Lombard banks had absorbed two-thirds of the existing currency; the excess in the ordinary course of circulation returned to its usual depository. A considerable amount moreover remained unemployed in the hands of individuals as interest was not allowed in deposits. The capital of the Bank was appropriated to loans not extending more than six months and in all cases the Bank received security for nearly treble the amount of its loans. By requiring a security so extensive the property and capital thus hypothecated was rendered altogether uhproductive in cases of exigency to exactly double or treble the amount of the capital substituted. The monopoly of the Bank of such a great portion of the circulating medium could not but produce violent fluctuations in the state of the currency, either by discounting largely or suspending all Bank accommodations.[13]

According to Grant the depressed state of the currency is ascribable in a very considerable degree to the system of long loans and in particular to the facility of obtaining these loans without reference to the demand for productive capital or to the want of a circulating medium.[14] But still, it is evident that the precise effect of all such issues and loans is to augment the currency in circulation and thereby to diminish its value. If the Bank had of its own accord created the last 1,000,000 Rds in paper money no censure would have been too severe, but this was not the case. The paper was created to supply the wants of the Government and it dit not rest with the Bank to withhold it from circulation. On the other hand, "had the paper currency been limited in amount to the actual demands for a circulating medium, say,

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13) Ibid., p.148.
14) Ibid., p.126.

1,000,000 Rds. instead of 3,100,000, there can, I think be little doubt, that in spite of an injudicious system of banking the Rix-dollar would have maintained its value".[15] In short, therefore, the system of banking in the Colony could have affected the currency only in two ways. It must have had the effect of either increasing or diminishing the exchangeable value of the currency. It did not increase its value. If it diminished its value, it must have produced this effect by over-issue. Depreciation was a necessary consequence.

The second cause assigned by M. Trotter as operating to degrade the currency below the standard at which it was issued the "want of public credit and securities." Presumably, if there had been a market for public securities, some of the needs of Government, which were met by issuing rix-dollars from the pockets of the purchaser. Grant maintained, however, that the existence of public securities could not have any necessary connection with the quantity or value of the circulating produce of the Colony. "Whatever has a tendency to increase or diminish the quantity and value of the arrival produce, necessarily increases or diminishes the exchangeable value of the currency; but how does the absence of public securities tend to diminish the annual produce, or to increase the medium of circulation? - or rather since the currency is of less value now than before 1810, in what proportion has the annual produce diminished by this cause? ..... It should be shown first, that public securities have a tendency to augment the business of circulation, and the manner in which that effect is produced; and then even

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15) Ibid.

granting the premises, before any deduction could be made bearing on the influence of the want of securities, in diminishing the business of circulation, these would obviously not apply to the state of this colony."[16] When the current value of the rix-dollar was from 3/6 to 4/- between the years 1806 and 1810, there were no public securities. If these had ever existed there might have been some reason for asserting that the want of them caused a depression in the value of the currency, a conclusion which could be drawn only from the influence of public securities in augmenting the business of circulation, being prematurely destroyed. Moreover, the existence of public securities in the form of debentures, bonds, promissary notes etc. bearing interest, might be used as a medium of transfer in all transactions of moment, and in some degree operate to diminish the demand for a currency. "But though the absence of public securities cannot possibly exert any influence on prices, or raise or diminish the exchangeable value of commodities, the want of these may have a very decided influence on the course of exchange."[17] The want of bill merchants and bill brokers and the consequent injudicious competition must doubtless tend to raise the real exchange above its proper limits; "but the effect of such competition must necessarily be regulated by the amount of interest which would accrue on a debt, if payment were delayed for 3, 6, or 12 months, and probably would not exceed 8 per cent."[18] Whatever it might be, it is quite certain that a real premium could not greatly exceed the cost of transmitting bullion, and that the premium in excess of this cost is merely nominal.

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16) Ibid; pp.127-128.
17) Ibid; p.128.
18) Ibid; p.129.

The third, fourth and sixth causes assigned by Mr.Trotter as diminishing the value of the currency, viz; (3) Excessive importation, (4) reduced garrison and consequent reduced expenditure and (6) want of a steady demand and foreign market for the produce of the soil, appear to come under one head. Excessive importation necessarily affects the proportion between the supply and demand for bills, or reduced garrison has precisely the same effect and aggravates the effect of limited export which of course originates from a diminished demand for colonial produce and the want of a foreign market. All these circumstances would combine to turn the balance of payments against a country. It is true that the premium on the exchange originating from those circumstances can never exceed the cost of transmitting bullion, all the premium above this cost is merely nominal and the effects of a depreciated currency. If the premium on foreign bills is less than the expense attending the transit of bullion from a country which has an unfavourable exchange it is certain that no merchant will think of subjecting himself to an unnecessary expense by exporting bullion to pay a foreign debt. If the premium on foreign bills equals the cost of exporting the precious metals , for it cannot exceed the sum, it does not necessarily follow that they will therefore be exported. That depends on the fact whether a remittance of bullion is the most advantageous way in which it is possible to discharge a debt.

Fluctuations in the nominal exchange have no effect on foreign trade. When the currency is depreciated, the premium which the exporter of commodities derives from

the sale of the bill drawn on his correspondent abroad, is only equivalent to the increase in the price of the goods exported, occasioned by this depreciation when, however, the premium on a foreign bill is a consiquence not of a fall of money, but of a deficiency in the supply of bills, there is no rise of prices and in these circumstances the unfavourable exchange would operate as a stimulus to exportation and diminish importation. "When the exchange is really unfavourable, the price of commodities imported from England must be so much lower than their price in the Cape, as not to afford, exclusive of expenses, the ordinary profit of stock on their sale, but also to compensate for the premium which the importer must pay for a bill if he remits one to his correspondent, or for the discount added to the invoice price, if his correspondent draws upon him. A much less quantity of foreign goods will, therefore, suit the Cape market, when the real exchange is unfavourable, and fewer payments having to be made abroad, the competition for foreign bills will be diminished and the real exchange rendered proportionally favourable."[19] In the same way a favourable real exchange would operate as a duty on exportation and as a bounty on importation. Thus fluctuations in the real exchange have a necessary tendency to correct themselves. When favourable, it corrects itself by restricting exportation and facilitating importation; and when unfavourable, it has the same effect by stimulating exportation and discouraging importation. The par of exchange forms the centre of these oscillations and the fluctuations are confined within certain limits.

"It may be assumed ..... as an Axiom, that the continuance of an unfavourable exchange against a country,

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19) Ibid; pp.130-131.

far exceeding the expense of transmitting bullion, is an infallible criterion of a depreciated currency."[20] The rixdollar note was issued to represent a value equivalent to 4/- sterling. It passed at nearly this value in 1806-1810, and after the issue of 1,000,000 bank notes, in addition to those already in circulation, the rix-dollar note passed at a discount, now reaching 66 per cent. In other words, the premium on exchange with England had risen from 20 to 200 per cent though the cost of transmitting bullion did not exceed 10 per cent.

The trade between any two countries cannot continue unless the value of the exports and remittances from the one are sufficient to defray the cost of the imports from the other. The contrary assumption would involve a contradiction in terms. It is to suppose that a merchant will continue for a number of years to sell his goods to a customer from whom he never receives more than 50 per cent for every £100 worth of goods that is sold to him. Yet, Grant pointed out, this assumption had been made in order to account for a real premium of 200 per cent.[21] Suppose a rix-dollar note to pass at its original value of 4/- and that it would purchase commodities at the same rate and be of the same value as the coins in circulation. If, therefore, the cost of transmitting bullion, including insurance etc., should be only 10 per cent it is certain no person would give more than 550 rds. for a bill on England. The merchant would prefer the least disadvantageous channel of payment. If the paper were not depreciated, he would buy the bullion or coin with the paper and under such circumstances the premium could not possibly exceed the cost of sending bullion.

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20) Ibid., p.131.
21) Ibid., p.132-134. Grant quotes an illustration of this doctrine from the writings of "one who denies the depreciation of the rix-dollar from over-issue."

Grant pointed out, however, that there might have been a scarcity of bullion or coins and that this would account for a rise in the price of specie to the extent of from 30 to 100 per cent.[22] But scarcity implies a corresponding intensity of demand and when this is the position it will soon find its level of value by influx from other countries. "Nothing can be more absurd, than to suppose that specie or bullion should be 200 per cent dearer in this Colony than in England."[23] This supposition is contradicted by the fact that the prices of commodities in specie had not risen since 1810: a commodity which could then be bought for a guinea or a Spanish dollar might still be obtained for these coins. "In fact, in the present state of commercial intercourse, it is impossible that gold and silver can rise in value from scarcity in a particular country. Scarcity implies demand, and where it is in demand, a very trifling profit will make it sufficiently abundant. To suppose a mode of dealing attended with a loss would be preferred by a merchant, to one attended by a profit, is a perfect absurdity; and yet upon the hypothesis of an accumulating debt, we must suppose that an English merchant would continue to export goods at a loss, while if he had exported bullion, he might have realized a profit of 100 per cent on the capital embarked."[24]

According to Grant the only argument in favour of a real premium exceeding the cost of transmitting bullion by 100 to 150 per cent which was specious, involved the following capital errors:-[25]

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22) Ibid., p.134
23) Ibid.
24) Ibid., pp.134-135.
25) Ibid., pp.135-136.

1. It supposes that the real premium on an unfavourable exchange may greatly exceed the cost of transmitting bullion, and that an unfavourable exchange far exceeding the cost, is no proof of a depreciated currency.

2. That a merchant will not send a commodity to the market where it will sell dearest, in preference to one where it will sell cheap;

3. That in two countries carrying on a constant commercial intercourse, gold and silver may be abundant in one and very scarce in the other, and that the demand for the, in one of these countries, may for a number of years continue so intense, as to raise the level of value in one country 150 per cent above the level of their value in the other, without any influx from the country where they are cheap into the country where they are dear.

4. That two countries may continue to trade, though the amount of payments fall short every year of the debts by 50 or 100 per cent, in other words that a merchant will continue to sell his goods for 50 per cent less than they cost him, and that he will prefer selling at a loss, to selling at a profit; for this must be the case, if a country imports goods valued at £400,000 and the payments by bills and produce do not exceed £300,000, for the loss or difference must fall on the home exporter.

5. It contradicts the established principle that a real unfavourable exchange, even to the extent indicated by the cost of transmitting bullion, cannot possibly

continue for any length of time; that there is a continual tendency to restore the equilibrium, that a country cannot import without exporting; that bullion is a commodity easily set in motion by the slightest advantage or profit attending it; that it will always find its way to that market where it is scarce, that is, where it is in demand.

6. It assumes that the Colony has for the last twenty years imported annually to a much greater amount than it has been able to pay; an assertion which is entirely incorrect.

7. It assumes that a premium on bills has the effect of depreciating the value of the medium of circulation, in opposition to the established fact, that, if a currency be limited in quantity to the actual demand for it, it will maintain its value.

Grant maintained [26] that there had either been a real or nominal increase of price. A real increase of price may be brought about by increased cost of production, by a diminished supply, the demand remaining the same, or by increased intensity of demand, the supply remaining the same. The increase in the cost of production could not have materially raised prices above those of 1806-1810, as specie would purchase as much produce now as in those years, but the paper rix-dollar would not. Thus, the proportion between specie and commodities was still the same or nearly the same. However, the prices in paper money have risen; consequently either commodities have risen from an extraordinary degree of scarcity and deficiency in the supply of them, or the paper in circulation must exceed the amount required for circulating commodities.

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26) Ibid., p.137.

"So long as the nominal value of the currency exceeds the real value that is required to perform the business of circulation, and the Government continues to sell the public bills, at a variable premium, the rix-dollar will ever fluctuate in value; and nothing can be more deplorable, as regards the interests of the Colony, than a circulating medium destitute of fixed value in reference to specie. It is a serious check to internal commerce and foreign trade, it unhinges every principle of just dealing between man and is an insuperable bar to the investment of Capital in those departments of industry, the product of which is realized through the medium of the currency."[27]

"Over taxation in some branches" was another cause assigned by Trotter which operated to diminish the exchangeable value of the currency.[28] According to Grant the taxes imposed by the Dutch Government were exceedingly oppressive and very unproductive. Before the capture of the Colony in 1795 the revenue averaged about £45,000 and subsequently Lord Macartney remitted a considerable part of the taxes. By equalising the taxes and by adopting an improved system, the revenue rose under his administration to £90,000 per annum. Under the government of General Janssens the revenue did not exceed 300,000 rds. or £60,000 notwithstanding the heavy taxes imposed by him. "Upon the whole..... I am fully borne out in asserting, that however oppressive the taxes may be, they cannot affect prices in a much greater degree now than between 1806-10." The influence of taxation therefore in raising prices above their level in 1806-1810, was trifling and could not possibly have exceeded 10 per cent on raw produce and was insufficient to account for the rise in the prices of commodities.

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27) Ibid.
28) Ibid., pp.138-139.

It was further alleged by Trotter that the "facility of borrowing" would account partly for the "diseased state of the currency". The observations made in the earlier part of this chapter on the system of the Bank and the manner in which loans affected the value of the circulating medium, also apply here. It would appear that there were two ways in which a facility of obtaining loans might affect prices., viz., by facilitating competition for particular sorts of property that were in demand, or by generating a general competition for all sorts of fixed property and commodities.[29] In the one case, the price of the property that is in demand will be raised in relation to other commodities. But it was clear that the high price was the effect of competition originating from the intensity of demand, an effect which could only have been temporary and must have ceased to show itself as soon as those who wished to sell, became more numerous than those who wished to buy. Had the currency thus issued in loans been recalled within a short period or replaced by withdrawing from circulation a corresponding quantity of the circulating medium, the value of the currency could not have been affected in any considerable degree.

Again, if the loans engendered a general competition for all commodities the effect would be to raise not the real and relative prices of some but the nominal prices of all commodities. Competition could not for any length of time raise real prices, because the elements of real price are the costs of production and if prices rose far above this cost, competition would soon reduce prices to their proper level. Loans, therefore, could not permanently raise real prices, because they would not increase the costs of production. On the contrary, they might have an opposite effect by

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29) Ibid., pp.139-140.

engendering competition in those spheres of production wherein the supply falls short of the efficient demand. It appears, therefore, that the effect of loans on prices could only be nominal and so only when extensive issues of currency were made in the form of long loans without any reduction of the currency previously in circulation proportionate to the advances and issues made for this purpose. Loans can affect prices only by throwing on excessive quantity of paper into the market and thereby reducing its exchangeable value.

Lastly, Trotter admitted that one cause of the complaints and disorders in the currency "is the power vested in the Government to augment the currency at pleasure." The Government either had exercised this power unnecessarily or it had not. If this power had not been unnecessarily exercised the cause could not have operated to reduce the value of the currency. If the currency was not depreciated from the exercise of the power vested in Government to augment its quantity, upon what grounds could it be alleged that one cause of the disordered state of the currency was the power thus vested in the Government, unless this power had been actually so misapplied? "The only disorder in the currency that can possibly affect the interests and feelings of society, is its diminished value, and nothing can permanently diminish its value in circulation except over-issue. Any other opinion than this is repugnant to the ascertained and recognised principles, which constitute the foundation of commercial and financial science."[30]

Grant thereupon proceeds to trace the several creations of currency and the various expedients resorted to

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30) Ibid., p.140.

in order to supply the wants of Government. He concluded that "there can be no doubt, that if the several creations of paper currency, extending from 1795 to 1814, had been destroyed in the letter and spirit of the principles laid down in the proclamation, and in conformity to which the issues were made, the currency would have been relieved from the heavy pressure upon it; and the prices of English commodities would have been greatly reduced, as well as the price of labour".[31] Notwithstanding these notorious facts and the excessive amount of currency, an additional issue of paper took place in August 1814. It remained in circulation till December, 1823, during which period the premium on sterling rose from 140 to 180. In the months of January, February and March of 1824 it rose to 140 and soon after as high as 200.

It was generally thought by men qualified to judge that the effect of the Bank system had been to depreciate property, embarrass commerce and that it could have afforded no stimulus to agricultural industry which was repressed by restrictive enactments in respect to exportation which prevented mercantile competition and consequently kept down the price of raw produce below what might have been obtained under other circumstances. It was also maintained that, had the several creations of money been withdrawn after they had accomplished the objects for which they were made, the exchange would gradually have become more favourable, foreign commodities, the materials of capital and the wages of labour would have fallen in price; the public revenue would have become more efficient and more competent to the discharge of all salaries and payments made in sterling money. Notwithstanding the pledges of Government and the great expectations

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31) Ibid., p.147.

of the public only a trifling part of the currency had been expunged from circulation. These pledges have, however, been overlooked, though, even had the proceeds of the property then disposed of been appropriated to their legitimate purposes, the reporation would have been very inadequate. The redundancy of the currency had, however, affected not merely one class of the community, but every interest and every species of property. In 1824 the currency was depreciated £61.10. 9¾ per cent which would not have been the case had the issues of currency been gradually and punctually withdrawn.[32] There was no doubt that the price of wheat was kept down by the prohibition against exportation and the extention of cultivation was retarded by the same cause. Grant maintained that the currency held an undoubled claim to the proceeds of all lands and public property surrendered by the Batavian Government in 1806, "and Government is bound to fulfil all those pledges for its redemption, virtually or tacitly made, and arrangements should be immediately adopted with this view, in order to repair the losses sustained by the community, in consequence of the fluctuations occasioned by such a super-abundant currency, aggravated as these have been by its application and issue through the medium of the Bank."[33]

The author of the book the "State of the Cape of Good Hope in 1822" had ascribed the high premium on the exchange to a variety of causes: (a) the heavy balances due to England; (b) excessive importation, or over-trading; (c) a redundancy of the circulating mediums; (d) the high prices received for goods; and (e) the pressing circumstances of the day. Grant pointed out that the "Author" had sometimes confounded the distinction between a real and nominal

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32) Ibid; p.149.
33) Ibid.

premium and at times ascribed the high premium to a scarcity of bills and at other times to excessive currency.[34] "My own opinion is, that had the currency been limited to the actual demands of circulation, in the only proper sense of that term, it would not have fallen in value; and as its value depends solely on the quantity of business it has to perform, excessive importation would have a decided tendency to increase, rather than diminish, the exchangeable value of the rix-dollar, in the purchase of commodities and that under such circumstances, the real premium could not, by any possibility, greatly exceed the cost of transmitting bullion."[35]

Finally, although Grant had agreed almost entirely with Colebrooke in regard to his observations concerning the currency, yet he conceived that Colebrooke had over-rated the effect of excess of importation in stating it to be a "proximate cause of depreciation".[36] It was admitted that the real course of exchange depended entirely on the demand compared with the supply of bills, that is, in the value exported, including produce and bills being equal to, less or greater than the value of imports and the amount of payments that might be due. It was clear that no alteration in the currency could materially or even for any length of time alter the real course of exchange, because it would not increase the foreign demand for Colonial produce nor decrease or increase the demand for foreign commodities. It could, therefore, create no alteration in the balance or equality of payments. Whether the currency be rising or falling in value, whether the rix-dollar be worth in ordinary circulation four shillings or one shilling, the real course of exchange might still be against the Colony, but under no circumstances could it greatly exceed the cost of transmitting bullion or continue unfavourable for any length of time.

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34) Ibid., p.151. Vide Supra
35) Ibid., p.152.
36) Ibid. Colebrooke was editor of the book, "The State of the Cape of Good Hope in 1822". Vide S.A.C.M.A., 2Feb., 1825. Vide Supra.

CHAPTER VII.

THE RESPONSIBILITY OF THE HOME GOVERNMENT TO REDEEM THE RIXDOLLAR AT ITS PAR VALUE.

As Grant pointed out[1] this subject naturally divided itself into five sections :-

1. What were the precise views and intentions of the Dutch Government previous to the capture in 1806, with respect to the currency?

2. How far did the English Government come under an obligation to fulfil these intentions, either by implication or by express engagement?

3. In the absence of express contract or agreement, what was understood at the time to be the meaning and intention of the contracting parties?

4. Independent of any obligations, originating out of the terms of the Treaty of Capitulation, how far is the Government bound, on consideration of a general nature touching the interests of the Colony, to fulfil the engagements of the Batavian Government?

5. What amount of currency should be withdrawn from circulation and in what manner should this measure be effected?

Firstly: It appears that during the regime of the Dutch East India Company the Commissioners-General directed a commission from the Court of Justice on 10th April, 1793[2], to appraise all the territorial possessions of the Dutch Company in the Cape settlement with a view of making an entry in the books of the "negotie overdrager" (store-keeper), which was accordingly done.

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1) Grant: Op. Cit. pp. 164-165.
2) Rec. 20, pp. 100-101.

Although these documents do not afford grounds for concluding that the territorial possessions of the Dutch Company were at the time considered as a security for the paper money then in circulation, yet it was agreed by the terms of capitulation of 1795 that the lands and houses, the property of the Dutch East India Company, were to continue to serve as security for that part of the paper money which was not already secured by mortgages upon the estates of individuals, by its having been lent to them. None of the lands and houses comprised in the appraisement made in 1793,[3] had been disposed of between that period and the surrender of the Colony to the British forces in 1795.

Between 1795 and 1806, however, several of the lands and houses had been alienated.[4] It is evident, therefore, that this security was of no practical value even at this early stage.

It is by no means easy to ascertain what were the intentions of the Batavian Government, but we know these were pledged and bound in justice to perform. Some notice on this subject may be found in a proclamation[5] by General Janssens in January, 1804, in which allusion is made to the state of the currency and to some prospective arrangements for its amelioration. This measure appears to have been brought forward by the Commissioner de Mist whose minutes in council on this subject, are alluded to in that proclamation. It is quite certain, however, that the Batavian Government intended to limit the amount to 1,706,000 Rds. and had this plan been followed up the premium on the exchange would have been uniform. The currency in circulation when the Colony was captured for the second time by the British forces in 1806, amounted to 2,086,000 Rds., of which only 845,000 Rds. were bank capital. The public were, therefore, debtor to the bank, 845,000 Rds. and the Government debtor

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3) Vide Appendix "A".
4) Rec. 20, p. 101; G.H. 23/1, p. 156.
5) Kaapse Plakkaatboek (1803-1806), pp. 111-115, 18/28th January, 1804: Procl. by Gen. Janssens.

to the public, 1,232,000 Rds.

Secondly: The 10th article of the Capitulation of January, 1806, contains all the information on the point. It declares that the lands and houses, the property of the Batavian Republic, were to remain as a security for that part of the paper money which was not secured by mortgage upon the estates of individuals. By the 9th article it was agreed that the paper money actually in circulation was to continue current "as heretofore" until the pleasure of His Majesty should be known.

The British Government certainly came under an engagement to maintain the value of the currency, but assuredly any measure that was calculated to alter that value was breach of that engagement. Now what measure was more calculated to produce this effect than frequent issues of Bank notes to the extent of 50 per cent. on the amount originally in circulation? The British Government was not bound to liquidate the currency, though it was promised that this measure should be recommended to His Majesty's Government in Great Britain. In fact, if the currency had retained its value in circulation, there would have been no necessity for paying it off; and it is not improbable that, had no addition been made, the discount would not have exceeded 25 per cent. in reference to gold and silver.

We may not be prepared to assert that the British Government was bound to fulfil the obligations of the Dutch Government by virtue of any express or implied engagement to that effect, but it is clear that if such a measure was deemed necessary for the good of the Colony, Great Britain was responsible to see that a portion of the Colonial revenue should be set aside for the gradual redemption of the whole, or part of it.

Thirdly: As to the intention of the contracting

parties, there can be no doubt that when the successive creations of the paper money took place under the Batavian Government, a promise of redemption was held out. Moreover, one of the main objects of de Mist's visit to the Cape was to inquire into and correct abuses and to adopt measures for improving the circulating medium and fulfilling the engagements of the Government to the public. But the truth probably is, that when the Treaty of Capitulation took place in January, 1806, the contracting parties on the British side, at least, did not attend much to the intent or latent meaning of the expressions used or the promises made, relative to the currency. This fact is sufficiently clear from the vague and indefinite terms in which the article respecting the currency is worded.

Fourthly: Whether, independent of any obligation originating out of the terms of the Treaty, the Government is bound, on considerations of a general nature, touching the interests of the Colony, to fulfil the engagements of the Batavian Government and to liquidate the whole, or only portion of the currency added to the circulation since 1806. Here, then, are two distinct questions and it is on the grounds just mentioned, and with reference to this principle only, that the statesman and the political economist have to decide.

Whatever doubts may be entertained as to the obligations of the British Government to liquidate that portion of the currency issued by the Batavian Government, there can be none in regard to its obligation to redeem that portion of it issued since the capture of the Colony. Throughout every proclamation, notifying an augmentation of currency since 1806, there is undoubted evidence of the intention of succeeding Governments to consider these creations only as temporary, to protect the original currency unimpaired to their utmost ability and to place their repayment on an assured and permanent foundation. Without entering into extended discussions on this subject, it will be

sufficient to quote the last proclamation respecting the creations of currency by Sir John Cradock. The following is an extract from the one dated 4th March, 1814:[6] "Whereas it appears, that in the year 1804, a sum of 75,000 Rds. was created and advanced by the Batavian Government, to the inhabitants of Stellenbosch, for the special purpose, to repair the damages occasioned by a fire in that village, and which money was to be repaid by instalments of 3,000 Rds. per annum: And whereas according to a proclamation of the Governor and Council, of the 30th September, 1804, such sums were to be publicly destroyed. Whereas therefore, to fulfil the Resolutions of the former Government, and to observe with the most scrupulous faith, all provisions respecting the paper currency of this Colony, I do hereby direct and command, that all instalments hitherto accrued, to the amount of 24,000 Rds. shall be publicly destroyed, and that the same shall continue annually, till the whole sum of 75,000 Rds. be expunged from circulation."

It is clear that the British Government considered itself bound to fulfil some of the obligations of the Batavian Government, and as all its obligations were equally valid, it necessarily follows that the British Government was equally pledged to the fulfilment of all its obligations. It is evident, then, that the British Government considered itself bound to appropriate the revenue and interest derived from the public works, (for the construction of which the paper was created and issued) to its redemption and extinction. Instead of this, however, the provisions on this subject, had been unaccountably and most reprehensibly evaded.

If any doubt could have existed as to the conduct of the Home Government it has been put beyond question by the official letter from Lord Liverpool authorising the issue of the additional million of rixdollars. This letter proves that

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6) P.A.O.N., pp. 283-4, 4th March, 1814: procl. by Gov.Cradock.

ministers were fully aware of the effects that might be produced by an excessive issue of paper and barely leaves the excuse of an error of judgement for the Governor if he had transgressed the instruction it contained. This letter, taken together with the pledge given at the capture, the understanding between the public and the Government at the time of the first issue, the acknowledgement of that understanding contained in Sir John Cradock's proclamation and the destruction about the same time of part of the currency, completes the evidence as to the good faith of the Government up to that period.

If the following proclamation[7] by Sir John Cradock is carefully perused, it is difficult to say on what ground could the Colonial Government by justified in not having fulfilled the obligations thus clearly and unequivocally expressed.

"Whereas it was notified by the proclamation of the 14th June, 1810, that the capital of the Lombard Bank should be augmented by one million of rix-dollars, at such periods as should be thereafter deemed most adviseable, and whereas it appears to me to be expedient, in addition to the sum of 900,000 Rds. issued to the Directors of the said Bank, on the 14th June, 1810, 15th January, and 27th October, 1812, 21st January, and 23rd August, 1813, to make a further and last advance to them of 100,000 Rds. in aid and for the special purpose of carrying on the various Civil Buildings and other great improvements in Cape Town, and throughout the settlement." And "whereas it appears necessary to me to place the repayment of the several sums of money advanced by the Lombard Bank from the capital of 500,000 Rds. (the moiety of the 1,000,000 Rds. adverted to in the foregoing Proclamation of this date) allotted to the erection of Civil Buildings, and the execution of other required improvements throughout the Colony, upon an assured and permanent foundation:- And whereas upon the further and

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7) Ibid., pp. 280-282, 4th March, 1814: Two proclamations by Governor Crado ck.

most extensive consideration of the whole subject, it appears to me advisèable to determine and make known, that all successive repayments in any shape, as they shall arise, and which will be duly urged to the utmost ability of all parties concerned, when paid into the Lombard Bank, shall be immediately destroyed, and carried to the account of annihilation of the said 500,000 Rds. created for those purposes; And whereas to accomplish this important and desired end, with as much expedition as is suitable to the case, in consequence of some portion of the public works, being from their nature unproductive, I deem it expedient to dedicate to the same design all the future interest upon the first 500,000 Rds. added to the funds of the Lombard Bank, by the Proclamation of the 14th June, 1810, which interest money will also be successively destroyed, until the entire sum of 500,000 Rds. created for Civil Buildings, etc. be entirely effaced from circulation.

"In pursuance, therefore, of the above intentions, calculated to inspire the utmost confidence in the paternal vigilance of His Majesty's Government over the future as well as the present interests of the Colony, I hereby direct and order as the immediate instance within the power of the Colonial Government, that the first instalment of 15,000 Rds. recently paid by the Burgher Senate on account of the Water Works, should be publicly destroyed and erased from circulation."

"And whereas it appears just and expedient, that the Civil Buildings executed through the means of the 500,000 Rds. lately created, should be hypothecated to the general paper currency without adverting to the periods of creation I hereby further declare, that the said buildings are to be considered as hypothecated, but that the buildings and other works throughout the districts, and for which there will be a more specific taxation, should remain the property of those districts at the further discretion of Government."

At the same time Colonial Secretary, H. Alexander, sent out a Circular[8] to the landdrosts of Swellendam, Graaff-Reinet, Uitenhage, and George:

"I am directed by His Excellency the Governor and Commander in Chief, to call to your most serious view and consideration, the subject of the advance made and to be still made, to the district of..... for the erection of civil buildings, and the promotion of other objects of signal improvement, under contemplation.

"It forms a deliberation, that must as closely as practicable, be distinctly understood and acted upon between Government and you, on the part of the district; for however ardent Government will feel itself to improve this part of the Colony, to the utmost of its power, and however necessary and desirable the objects in design must appear, yet it is indispensable to secure the re-payment of the sums advanced by the Lombard Bank within a suitable and just period, or the alternative can only be, to discontinue or give up these works. The Colonial Government has given to this subject the fullest and most anxious reflection; and to prove that it acts with the greatest solicitude for your prosperity, and to the utmost extent of its powers, His Excellency commands me to signify his intention to remit the interest of all monies so advanced, and that all the future payments will be received 'as capital", and in the reduction of the debt thus incurred, to be disposed of and destroyed as the Proclamation of this date directs; provided that it shall appear from your representation on the part of the district, in answer to this letter, that a reasonable and just engagement be maintained to repay the full amount of these advances by instalments, at times not too remote, and duly commensurate with the present and future circumstances of the District, under such further orders from Government as may appear necessary.

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8) Ibid., pp. 282-283, 4th March, 1814.

"I am directed also by His Excellency the Governor to communicate to you, that such Buildings and other Works as are the objects of the present arrangement, will, after the full re-payment of the expenses, be considered as the public property of the Districts, and subject to their disposal under the sanction of the Colonial Government. His Excellency is aware, that the subject will require great consideration and extensive arrangement;. but the good faith of the District, and due gratitude for the benefit conferred, cannot fail to produce a satisfactory conclusion."

In these documents the intentions of Government are manifest. No wily expedient seems necessary to develop the course which was, at this time, resolved on with regard to the currency, and we may look upon the evidence, furnished in these documents, as most material, not only as recognizing the evidently intended principle of redemption on the part of Government, but acknowledging all properties so created to positively belong to the public, and to be subject to their disposal, under the specified sanction. This condition, moreover, establishes that trusteeship, and if the securities in question were originally equal, or even nearly so, to cover the principal of the debt at an exchange of four shillings, then it is only reasonable that Government would allow the conversion of the paper into the form of a security for which the protection of the British Government should virtually be pledged. To such a measure no objection can be anticipated.

Now the question is, why were these provisions not fulfilled? What has become of the funds, realised annually, from the Public Works? [9] And why have these not been appropriated to the purposes originally assigned? If the funds had been appropriated to the ordinary expenditure of Government, then it must appear either that the revenue has diminished, or that the expenditure of the Government has greatly enhanced above its amount in 1814; and it will then deserve to be

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9) Vide Appendix "E"

considered, whether such increased expenditure was justifiable considering the paramount claims of the public. Lord Charles Somerset, however, instead of cancelling the money as it came in thought that it would be "most beneficial to the interests of the Colony to re-employ those sums on the public account, rather than destroy them and relinquish objects of general importance."[10]

If anything could add force to the guarantee it is a proclamation of 21st June, 1822,[11] from which all doubts as to the obligations of Government to redeem the currency must vanish. To be sure, this guarantee is now entitled to be considered a mere delusion, since it is no better than those pledged ten years ago. "Whereas, it having appeared to me to be desirable, and consonant to that guarantee which the Colonial Government has given to the public, relative to the issue, circulation, and value of the paper currency of this settlement, that a proportion of the quantity in circulation, shall be from time to time called in and destroyed, I do hereby authorise H.M. Receiver-General, not to place the paper currency he may receive for debentures issued under this proclamation, to the account of his treasury receipt; but to place it apart, and cause it to be publicly burnt and destroyed."

There can be no doubt, that if the arrangement announced by Sir John Cradock and his predecessors, had been followed up, the currency would not have reached its present state of degradation. It is only to be regretted that circumstances should have existed to render the gradual extinction of the paper either inexpedient or impracticable; and in justice to the Colonial Government, we must presume, that its conduct in this regard had the sanction of His Majesty's Ministers.

In regard to the expediency of withdrawing the excess

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10) G.H. 23/7, pp. 313-314, 23rd July, 1825: Enclosure 28/11.
11) P.A.O.N. pp. 557-558, 21st June, 1822: procl. by Lord Charles Somerset.

of currency from the circulation, there seems to be but one opinion, even amongst that class of reasoners who contend most inconsistently that it is not depreciated from excess, and yet recommend a reduction in quantity. The effects of depreciation had been, that the rich had been made poor, the creditor had been paid off with less than he had lent, the annuitant had sunk amidst the general rise and he who had sold his land or what was deemed an equivalent lived to see the price dwindle into less than half its value. These were surely evils of no ordinary magnitude, and it becomes the part of a statesman to mitigate these as far as lies in his power. Certainly it is not his duty to heighten this inequality by issuing more currency, either in loan or as expenditure. If Government could not stem the torrent, they should at least have not added to its force by pouring fresh streams into the channel. Every issue of paper money can be considered nothing less than a direct "fraud" on every public and private creditor.[12)]

In 1806 the public was creditor to the amount of 1,332,000 Rds. or £246,400 which had dwindled to about £92,400 by 1825. In 1825 the public was creditor to the value of the whole currency minus the original capital of the Bank, equal to 3,099,204 (3,099,204 minus 845,000), 2,254,204 Rds. or £169,055; whereas had the rixdollar retained its original value, the public would have been creditor to the amount of £450,841, the depreciation in relation to sterling valuation being nearly in the ratio of 43 to 15, or equivalent to a premium of 180. The public, therefore, has annually lost not only the difference between the value of the depreciated and undepreciated currency, but also the profit which individuals would have realised annually if the value of their incomes had continued uniform, and which would have been added to the capital of the Colony.

Fifthly: In regard to the necessity and expediency of withdrawing a considerable portion of the currency from circula-

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12) State of the Cape of Good Hope in 1822, p. 37.

tion, there can be but one opinion held on this subject, by all who were not actuated by selfish and interested views to seek a continuance of the existing system. It should be remembered, however, that no improvement in the circulating medium can produce any material alteration in the real course of exchange, which is regulated by the state of the trade. There would, however, be a very great fall in the nominal exchange, and in the nominal prices of all foreign and Colonial produce, while the value of all fixed property would be greatly enhanced. We have already noticed the evils attending a depreciated currency. In the Cape Colony, however, it was not this evil alone the people had to contend against, but an accumulation of evils which were daily acquiring fresh force; and till some remedial measures were adopted the currency would become still further depreciated than it was, not by reason of the effect of over-trading and scarcity of bills, a fact which was no longer to be admitted.[13] The question was, should Government retrace its steps, and overlook the inconvenience to which a reduction of the currency must necessarily expose some individuals, and more particularly debtors. Debtors to the bank would not be materially affected, if the loans had been limited to two years; but debtors of five or six years standing, must be materially affected in the same manner in which the creditor had been affected by the fall in the value of the rixdollar.

According to Grant it appears.....that the only indispensable properties of an efficient paper currency, are, that it should be so limited in quantity as to pass in circulation at an equivalent value with coin, and so secured, that it shall always be received as a legal tender, and that the faith of Government be pledged to the maintenance of its value, either by hypothecating properly sufficient to redeem it if eventually recalled, or by a legal and formal guarantee to this effect by the British Government."[14] It is to be observed, however, that

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13) Grant: Op. Cit., p. 172.
14) Ibid., p. 175.

no guarantee to this effect will long maintain its value in circulation, if it exceeds the wants of the Colony, and the Government does not continue to give specie or bills in exchange for it, according to the value it was issued for. There can be little doubt that in 1806-1810 it greatly exceeded in amount the actual demand, and therefore the only practicable means the Government had, of maintaining its stipulated value above its natural value, was by taking it in exchange for specie or bills at a fixed premium of 20 or 25 per cent. As soon as the Government ceased to act on this principle, the depreciation of the currency became rapidly perceptible; and even had no augmentation been made, the previously existing excess would have shown itself in a rise in the exchange.

Grant maintained that "if, while Government received only a premium of 25 per cent. for its bills, and some of these... were re-sold at 10 or 15 per cent. profit, there cannot possibly be a stronger proof of the paper being in excess, which excess would naturally show itself in the exchange as soon as Government should cease to endeavour to keep up its value by selling its bills at a fixed premium, or as soon as there ceased to be a sufficiency of bills in the market to absorb, at the given premium of 25 per cent. all the currency disposable for the purchase of bills; - and, as the quantity of rixdollars for which products are sold or exchanged, depends entirely and solely on the proportion between the value of the commodities to be circulated, and the quantity of rixdollars in circulation, the proportion of currency disposable for the purchase of bills, or which is the same thing, the paper prices at which commodities would sell, would exceed the natural prices in specie, in proportion to the excess of the whole circulating medium above the actual demand for it." Hence a frequent consequence of an excessive circulating medium being maintained at a forced value, in the purchase of bills and commodities, exceeding that natural level of value, to which every medium must necessarily fall when

15) Ibid.

left to find that value by the only true test, namely, the extent of business which it is required to perform, must have been that the premium fixed on Government bills was often a minimum instead of a maximum, and that private bills, sold often for more than Government bills. Obviously, while the currency continued greatly in excess of the wants of circulation, the only means by which Government could maintain a forced value, above that limit or natural level of value which every circulating medium necessarily acquires, was either by supplying so much exchangeable value in bills or in specie as was necessary to absorb that portion of the currency (at its fixed valuation) disposeable for remittance. Now the proportion of value to be remitted by bills, depended mainly on the difference between the value of the imports and the value of the exports. Whatever the value is, if the rixdollar be equal in circulation to 4/-, it is certain that no individual would give more than 500 Rds. plus the cost of transmitting bullion, including freight, insurance, commission etc., for a bill of £100; if he gives more it is a conclusive proof of depreciation. The single fact that he put a higher price, say 20 per cent., on his goods to cover the premium, is a clear proof of excess for the very reason that the number of rixdollars to be given in exchange for any commodity depends upon the value of that commodity compared with the value of the rixdollar; and the value of the quantity of rixdollars in circulation, is determined by the value of the whole of the commodities to be circulated. "But the whole of the commodities to be circulated remaining the same, and if there was no more currency than was absolutely necessary to circulate these at the given value of four shillings, it is quite clear that the abundance of bills would increase the value of the currency only in so far as it might increase the quantity of commodities to be circulated, and the business of circulation by which its value is determined."[16]

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16) Ibid., pp. 176-177.

Further the price at which the goods of one country sell in another can never greatly exceed the prime cost plus the profit, freight, insurance etc. What cost 6 Rds. in 1806/7 cost 14 Rds. in 1825 and the rise in price of 135 per cent. is a real or a nominal rise. If it is a real rise of price then the real premium on a bill may exceed the cost of transmitting bullion 100 to 200 per cent., which is impossible. It must, therefore, be only a nominal rise of price arising from the fall in the exchangeable value of the rixdollar. Had there been an increased demand for a circulating medium, the increased demand would necessarily have counteracted the effects of a demand for bills, the currency would have retained or even increased in value in circulation and would at least have been of equal value with the coin which it represented. Limitation in quantity was the grand remedy for restoring the value of a depreciated currency; and however solid the security on which a paper currency may rest, yet, if it is not limited in quantity to the actual demand of the circulation, it must inevitably become depreciated, though not an ounce of produce should be imported from England nor a single bill be in demand; while on the other hand, with a circulating medium properly regulated, the premium on bills could not possibly exceed the cost of transmitting bullion, freight, insurance, commission, etc.

The author of the "State of the Cape of Good Hope in 1822"[17], justly observed that an addition to the currency would depreciate still further the rixdollar and raise the exchange, and it might therefore be concluded that he would admit that a reduction of the currency would have quite an opposite effect and would raise the value of the rixdollar and lower the exchange in proportion. He also admitted that the issue of 1,000,000 Rds. during the years 1811-1814 was a measure of questionable policy and was calculated to raise the exchange against the Colony. During this period the exchange did rise from 20 to 80 per cent. It is therefore difficult to see how the assertion is borne out that this rise was owing to the excess

17) State of the Cape of Good Hope in 1822, p. 37.

of imports and the consequent scarcity of bills, for during 1811-1814 the imports were less than during the preceding four years when the exchange did not vary greatly from par.[18] These assumptions would appear to be contradictory. It was further said, that though an additional currency was not necessary at the time the last issue was made, yet owing to the increased population since 1814, the additional currency had become necessary. But, if this was the case, and since it is admitted that the exchange was raised, we should naturally expect to find it improving with the supposed increase of value acquired by the increased demand for the medium of circulation. However there was no such thing, and it has uniformly risen further and further in the scale of depreciation, while the impulse and facilities given to the circulation by the extended commerce of the Colony, had served only to demonstrate that excess which naturally forced it down to the level of value which it acquires from its own utility as an agent to transfer.[19] "It may be laid down..... as an indisputable principle, that a circulating medium limited to the actual demand for it, will retain its value without tangible security, because it derives that value from its own utility, as an agent of exchange, and when a currency is in excess, that is when the nominal value of the whole currency is greater than the value actually required to perform the business of circulation, no security however good and adequate will prevent its depreciation, unless the government at the same time continue to make it exchangeable for bills at a fixed valuation, and that these bills be always sufficient to absorb at that fixed valuation, all the value disposeable for remittances. This latter condition would however be indispensible, only as long as the paper was in excess, because it is the only means of rendering it really equivalent with the specie it represented, and of preventing it from falling to that level of value, which it would naturally acquire, if left to be determined by the actual and

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18) Grant: Op. Cit., p. 178.
He relied on the figures furnished by Mr. Milburn.
19) Ibid.

effective demand for it."[20]

These important considerations seem to have been entirely overlooked by those who tried to account for the rapid and incessant fluctuations in the value of the rixdollar: excessive importation and the supposed scarcity of bills, were the only operative causes which seemed to them to offer a specious explanation. This error too, pervaded the report of the Bank Committee of January, 1808, and vitiated almost every conclusion which they drew. But even this Committee expressed their decided opinion that the currency ought not to be augmented, though at the same time they asserted that a large "circulating medium is not liable to depreciation in the absence of all foreign commerce," which is just the same thing as to affirm, (since foreign commerce increases the number of exchanges, and of values to be circulated), that by increasing the business of circulation, you diminish the value of the agent which performs that office.

The Committee observed:[21]

1. "It is very certain that the present scarcity is in a great degree the effect of adventitious circumstances and it is to be hoped that the importations will greatly diminish, when the difficulty of obtaining returns is known in Europe, but the colonists must have the usual supplies to which they have been accustomed, cost what they will, and the premium on bills if it rises to 60 per cent. falls not on the importer but the consumer, consequently occasions a further reduction in the value of Cape currency.

2. "It is, we believe, a favourite and generally received opinion in this settlement, that no sum of paper money in circulation can be too great, so long as sufficient real property can be found upon mortgage to secure

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20) Ibid., pp. 178-179.
21) C.O. 414/7, G.2. pp. 19-23, 18th January, 1808.

the re-payment of it, and so far we think this idea may be correct, if it were possible to bring the Colony back to the old system of the Dutch East India Company, to reduce its consumption of foreign articles nearly upon a par with the public expenditure, and let these be supplied by Government on a similar plan with that of the Dutch Company, we then annihilate foreign commerce, and the paper currency will support its real value; and however great the amount in circulation, if it should at any time be found to exceed the sum required, by mortgages being redeemed, no injury or inconvenience can arise from the destruction of such part as may accrue of this capital created by the breath of Government, and supported without trouble or expense, leaving by this means no more in circulation than it can easily absorb. But in the present situation of this Colony, with a very large balance of trade against it, the policy of filling the country with paper, and driving as it were the specie or coin out of the settlement, (the invariable consequence of loans upon mortgage) may well be questioned. Means must be found to satisfy this balance which is annually recurring, and may be said annually increasing. The money of the Society, that is the paper, is found inadequate for the purpose; the exports continue the same, and so does the public expenditure; - how then is the balance to be liquidated, except at the expense of the paper? and the more we have afloat, the greater in all probability will be the sacrifice.

3. "On these grounds we are decidedly of opinion, the true reasons of the scarcity of the paper money may be considered as the effect of two different causes, namely, the want of means of a remittance, and the loss of mercantile credit, by which the circulating medium is

on the one hand accumulating in the hands of individuals, without sufficient outlet to flow it back into circulation and on the other hand, a large property is constantly locked up for want of that confidence between man and man, which is the life and soul of commerce.

4. "Proceeding to offer an opinion as to the best mode of removing those evils, the first object that drew the attention of the Committee, was the present system of competition for the Public Bills, which they are satisfied has an evident tendency to raise the premium even beyond its natural level, to the great loss and frequent disappointment of the fair trader, and beneficial only to speculators and jobbers. The Committee have, therefore, no hesitation in recommending a maximum or fixed premium of 20 to 25 per cent., with the distribution in the hands of Government, as the most likely way to satisfy the public demand, consistent with the true interest of the Colony, and completely to do away the baneful practice of jobbing.

5. "It may be objected, perhaps, that Government by this means would submit to certain loss arising from the difference between the present premium and the maximum particularly on such portion of their supplies as are furnished in some of the staple commodities of the Colony, such as butcher's meat and a few other articles. The Committee are aware of this, but are still of opinion that the maximum, on general principles, must or ought to have an equal influence on the price of all commodities, unless where its effects may be counteracted by partial combinations or a bad system of contracts."

However, it is certain that no nation can continue to

import without payment, "and the supposition of a constantly increasing premium, owing to a deficiency of bills, is not only theoretically false, but contrary to fact. Besides, no increase of premium could enable the Merchants to pay for their imports to liquidate these balances, because it would not increase the bills in the market."[22] Further, the fact of a scarcity of money implies that it is in demand. This demand would naturally enhance its value and thus counteract the depreciation which is stated to have originated from the scarcity of bills. Furthermore, the Committee admit the impolicy of "filling the country with paper, by granting loans on mortgage." The only injurious effect of such policy is to overload the circulation and thereby diminish the value of the currency. We know that this system was pursued but why is the effect ascribed to the balance of trade alone. Again, how is the balance of trade to be "liquidated at the expense of the paper currency," as the Committee affirm? By "sacrificing a greater portion of paper", that is, paying a higher premium. But we may ask how is a higher premium to add to the number of bills in the market. The Committee observed, however, that "the more (currency) we have afloat, the greater in all probability will be the sacrifice", that is, the more currency that is thrown into circulation, the higher will be the premium on bills of exchange.

The terms "overtrading, loss of mercantile credit, ruin hanging over the Colony", (and all this from excessive importations alone) have been a theme of repetition and declamation every year since the first month after the capture. The very circumstance of so much paper accumulating in the hands of individuals, is a proof of a great excess above the average and ordinary demands of the circulation, and must necessarily cause the most violent fluctuations in the prices offered for bills. The true cause of what appears to be "loss of mercantile credit", will be found to originate from the degradation of the national

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22) Grant: Op. Cit., p. 181.

currency.[23]

To assert that "the want of means of remittance" (that is a scarcity of bills) is the cause of the scarcity of paper currency is an obvious fallacy, since a scarcity (that is a deficiency) of a circulating medium, would naturally enhance its value in exchange. As a certain sum in sterling valuation is to be remitted by bills, a smaller number of rixdollars would thus represent the equivalent to that value. "Again, if we suppose, that the paper actually required for the circulation consists of the whole currency, minus the quantity lying dormant in the hands of individuals, it must appear equally certain, that by destroying a portion of the colonial currency you diminish the quantities thus absorbed by the circulation, and by individuals respectively, without diminishing their real value."[24] Further, "The effect.....of a judicious system of banking, would be always to limit the issues of paper to the actual demand of circulation, in proportion as the deposits of individuals increased, the bank would extend its issues in other channels, and thus prevent a scarcity of money, and in proportion as it discounted largely to some individuals, it would limit its issues to others. It is thus, that by a judicious system of banking, whether public or private, (interest being always allowed on deposits), the circulation would never be stinted or overloaded, and the course of exchange would necessarily be more uniform, because.....the effect of excessive issues of paper, whether by the bank discounting largely, or by additions to its amount, is to afford greater means of purchase, without adding to the number of bills in the market."[25]

Upon the whole, it must appear evident that the faith of the British Government being pledged to maintain the value of the currency, that obligation is now much stronger in consequence

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23) Ibid., p. 182.
24) Ibid., p. 183.
25) Ibid.

of the extraordinary additions made to it during 1811-1814, and which the Government bound itself to withdraw as soon as the objects for which it was created should be accomplished. According to Grant[26] there were only two ways in which the Government could fulfil its pledge to maintain the value of the rixdollar equivalent to that of the specie or coin it represented: either to limit its quantity in such a degree so that it should maintain that value which its utility as an agent of exchange would invest in it, and consequently there would be no occasion for pledges, securities, hypothecations etc. which obviously have no real existence and therefore imply nothing; or for fixing a premium, because the premium on a bill of £100 could not under such circumstances exceed 15 to 20 per cent. at the utmost and the paper prices of all commodities would then be in the inverse ratio of the number of commodities and exchanges, (the quantity of rixdollars in circulation being limited) and in the direct ratio of the rapidity with which the money circulated. It is clear, that the inhabitants of any country might be doubled or trebled, without there being any necessity for an increase of a circulating medium, because, as society advances, the circulation of money becomes more rapid and efficient. Under these impressions it is impossible not to acquiesce in the opinions of the Bank Committee (paragraph 4) that a "maximum or fixed premium of 20 to 25 per cent. with the distribution in the hands of Government, was the most likely way to satisfy the colony." Some temporary inconveniences might have resulted from a steady adherence to this principle, but had it been adopted, maintained Grant,[27] Government would have escaped those embarrassments in which it had been involved ever since and which have implicated so deeply its character for justice, honesty and good faith.

Not a single good reason can be assigned to justify such an unprecedented, unwarrantable and unnecessary departure

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26) Ibid., pp. 183-4.
27) Ibid., p. 184.

from those maxims of justice and policy adopted by Lord MaCartney and continued untill 1811. The Bank Committee were perfectly aware of all the arguments adduced to advocate a departure from that system, yet they considered themselves bound that they recommended the continuance of a fixed premium, by which the Government would have maintained its honour and the public would not have been defrauded. If a million rixdollars had not been added to the currency, the premium could not possibly have risen to 200 per cent; nor, subsequent to this increase would it probably have exceeded 130, if the most unusual means had not been resorted to in withholding the public bills till such tenders were made as suited the views of a few whose interests were but too palpably identified with a high premium and who as a result if they did not promote, did not prevent collusion to raise it to the utmost practicable limit.[28] Yet this had been publicly ascribed to inordinate competition though it had been conclusively proved that the supply of bills had always exceeded the average demand and by consequence the existing inordinate premium on the exchange, equivalent to a discount on the original value of the rixdollar of 60 per cent. must have originated mainly from "a redundant currency," and partly from the collusion of interests already adverted to.[29]

"Though there exists no evident necessity for introducing a metallic currency into this colony, it does not follow that there should not be a return to the system of paying the troops in specie; and if a private Bank, with chartered privileges, were established, with real and solid securities, (being the accumulated capital of individuals), there need be no apprehension that the paper issued by the Government if kept within proper limits say, 1,000,000 Rds. would ever become of less exchangeable value than the specie it represented."[30]

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28) Rec.23, pp. 118-126; B.P.P. 438 of 1826, p. 58.
29) Grant: Op. Cit., p. 185.
30) Ibid.

It is obvious that no nominal hypothecation of property as security for that portion of the paper money which does not consist of Bank loans could raise the estimation of the paper in a greater degree than the existing guarantee. If the mere hypothecation of property were sufficient to prevent the depreciation of the rixdollar, Government might issue any time 2 or 3 million dollars and hypothecate all the public property in the Colony; but this would certainly not prevent the depreciation of the notes. If they were issued in excess, they would pass immediately at a discount. Therefore, limitation in quantity is the regulating principle of a well-established currency and no guarantee, solid or nominal, will prevent an excessive circulating medium from falling in value, unless the issuer continue to give in exchange for it a value equivalent to that which it was issued to represent.[31] It is by no means easy to conjecture why Government should not have long ago withdrawn and destroyed the 500,000 Rds. issued in 1814 for building public works, as there appears to have been a surplus of revenue since 1814.[32] It is not to be supposed that the supreme authorities in England would have overlooked the circumstances connected with the Colonial currency had they been made fully acquainted with all the particulars; but, on the other hand, it is to be presumed that the Colonial Government considered a reduction of the currency, if practicable, to be inexpedient and unnecessary.

With respect to the amount of currency to be withdrawn

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31) Theal: History of South Africa (1795-1828) p. 340. The security of the public buildings and lands in the Colony was in any case of no practical value. For instance, in 1808 one of the Government estates, the tract of land in the Cape District known as Groenekloof, was divided into farms, of which 26 were leased for a term of years; and in 1814 another, the tract of land in the Swellendam District known as the Ziekenhuis estate, was divided into fourteen farms, of which thirteen were sold outright, and one - Sweetmilk Valley - leased for 21 years; in both cases without any reduction of the paper money. It was plain that neither the castle and the forts could be sold, nor Government house and the public offices. See also Rec. 22, p. 39.

32) B.P.P. 406, pp. 137-178.
Schumann: Structural Changes and Business Cycles in South Africa, p. 64.

from circulation Grant was of opinion that a gradual reduction of the currency would be the plan least likely to be attended with inconvenience; in which case the exchange with England and the price of bullion would be a sure and certain index of the value which the currency might attain in the progress of any measures for its reduction. "If a reduction to such an amount took place, as to render eight dollars equivalent to a pound sterling, a great good would be effected without materially injuring debtors and mortgagees. Where the business of circulation is so small, and where the annual sales do not exceed 10,000,000 Rds, it seems probable, that, including the Bank capital, and other notes, a reduction of one-half the existing circulating medium would be sufficient to effect the desired object, in which case the value of the circulating medium, would be about one-sixth of the value of the whole circulating and floating capital of the colony."[33] The public is debtor to the amount lent by the Bank, while for the remaining amount of currency the Government is debtor to the public. By calling in the Bank loans, Grant said, without some previous arrangement for the institution of a new Bank, much distress would ensue and the mortgagee might be ruined past recovery. This measure was therefore not to be thought of, till a new Banking Company was established which would gradually advance their own capital in lieu of that lent by Government and thus enable the latter to destroy the Bank paper and expunge it from circulation. By this plan, however, Government must be content to lose the income it derives from the profits of banking, but under any arrangement there would be either diminished revenue or an increased expenditure.

According to Grant the amount of currency in circulation might be reduced by either of the following measures:[34]

1. A reduction of Bank capital, either in whole or in part, by calling in the sums lent to individuals and

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33) Grant: Op. Cit., pp. 186-187.
34) Ibid., pp. 187-188.

destroying the loans thus redeemed;

2. By borrowing funds, in other words, by buying up the paper and issuing promissory notes, bearing a certain rate of interest;

3. By annually saving from revenue and devoting the Bank profits and all other savings to the annual extinction of so much of the paper currency as exceeds the wants of the circulation;

4. The establishment of a private bank, with chartered privileges, unconnected with, and independent of the Government;[35]

5. The issuing of debentures, bearing an interest of 5 per cent.

There are, however, advantages and disadvantages incident to each of these plans "but all of them are bottomed on the principle of saving from revenue." If the Bank capital advanced on loans is to be redeemed by a chartered private bank, Government would be deprived of its accustomed revenue. But if one million were withdrawn from circulation and replaced by promissory notes or debentures not convertible into paper money, bearing an interest of 5 per cent, Government would be saddled with an annual change of 50,000 Rds. to be defrayed out of the profits of the Bank. If the whole profits of the Bank should be applied to the extinction annually of an equal amount of the circulating medium, several years might elapse before any good effect could be produced and remedial measures of an immediate operative tendency were called for. If, however, from 200,000 to 300,000 Rds. could be saved annually for four or five years, there can be no question that this would be the most desirable mode of redeeming the excessive currency. Finally, if the Government should borrow £100,000 at 4 per cent. interest in

35) See also Ebden: Op. Cit., pp. 7-8, 18th January, 1825. He suggested a mode for the redemption of the paper currency by means of a Joint Stock Banking Company.

order to pay off any portion of the currency and on the supposition that the rixdollar would thereby become equal to 2/6 sterling, the interest (£4,000) might be paid with about 32,000 Rds. which would not be a heavy burden on the Colony, nor affect the real exchange with England. Measures might be taken also for paying off the principal by instalments in excess of the interest, which would perhaps be one of the safest ways in which the remedy could be applied.

"There are, however, so many objections to the Government continuing to appropriate to itself the profits of banking, and thus to drive capital out of the Colony, or prevent its accumulation, that the remedy would not be perfect, unless these objections were removed. I repeat, however, that no remedial measure can ever be adequate, without a diminished expenditure on the part of Government."[36] Further, "without a saving from revenue, duly appropriated to redeem the solemn pledge of the Government, to the public, there can be no reduction of the currency, and every scheme not founded on this principle, must prove hollow and delusive; unequal to the dilemma; feeble in its plan; impotent in effect; and leading by a fallacious hope to an aggravation of the evils for which they are proposed to be a cure."[37]

In 1822 the author of "The State of the Cape of Good Hope"[38] declared that "the amount of rix-dollars which has been issued by the Colonial Government, is still due to the public. It received value for the issue, and is bound to return it. The guarantee of the British Government, for that proportion which was in circulation at the capture, is not to be considered as a guarantee in words, but as a guarantee of effect. Common honesty requires that this should be held sacred. It is mere justice to the public and to its own character, that the English Government should keep its faith and redeem its pledge."

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36) Grant: Op. Cit., p. 189.
37) Ibid., pp. 189-190.
38) State of the Cape of Good Hope in 1822, p. 36.

CHAPTER VIII.

REAL CAUSES OF THE DEPRECIATION.

The rate of exchange between two countries, that is, the value of the monetary unit of one country expressed in terms of the money of the other, depends upon the price of bills of exchange which constitute the principal means of paying their mutual indebtedness. The price of such bills is ordinarily determined, within certain limits, by the relation between supply and demand. The supply of foreign bills is created by the visible and invisible exports, and the demand by the visible and invisible imports. Therefore, other things being the same, foreign exchange rates depend primarily upon the relation between the total imports and exports of the respective countries, fluctuating accordingly, as the demand or supply varies. If the visible and invisible exports of a country exceed the visible and invisible imports, the rates of exchange on foreign countries will be in its favour, that is, its money will command a premium in other countries, and vice versa.

We can therefore summarise the causes of the depreciation of the rixdollar as follows :-

1. It was due mainly to the over-issue of inconvertible paper money; the quantity of paper money issued was offered against the already existing currency for the purchase of commodities and services, with the inevitable result that depreciation set in. Furthermore, it was also influenced by the greater velocity of circulation and the greater use of bank credits and transfers, expecially after the establishment of the Discount Bank in 1808.

2. It was also due to the excess of imports over exports

and the unfavourable balance of payments in certain years. This was especially the position after 1821. At certain times larger payments had to be made to England and other countries for visible or invisible imports than were due to the Cape for visible or invisible exports, with the result that the demand for bills on England exceeded the supply, causing a rise in the price of such bills in terms of rixdollars, that is, a depreciation in the value of the rixdollars in terms of English money.

The Growth of the Foreign Trade:- During the whole period of the Dutch East India Company[1] and for sometime after the Second British occupation, the foreign trade at the Cape was hampered and bound by numerous restrictions. The Dutch Company was the only importer and exporter. In consequence of the restrictions on imports and exports there had been very little trade at the Cape throughout the period of the Dutch Company's rule. With very rare exceptions the Colonists were forbidden to export their produce or import goods on their own account. Although there was quite a considerable import trade the actual export trade was very small indeed. The Cape was largely dependent upon imported goods for the satisfaction of many of its wants and the most important way of paying for imports is generally by means of exports.

The Colonists were however successful in evading the Company's monopoly of the import trade with the result that there was an excess of imports over exports and that large payments were to be made to foreign countries than received from them. In consequence of the limited quantity of metallic coins available for foreign payments, such payments had to be made to

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1) Geyer: Op. Cit., Chp. 4.
De Kock: Op. Cit., pp. 321-322.
Bock: Foreign Trade of South Africa since 1807.
Theal: Belangrijke Historische Dokumenten, 111, p. 79.
Swart: Op. Cit. pp. 102-103.

a large extent in foreign bills of exchange, that is, rights to draw money in foreign countries, mainly Holland at the time. Further, in view of the lack of export bills on Holland, there was a keen demand for other kinds of claims to money abroad, such as bills in the form of right to draw the salaries of servants of the Company in Holland.[2] Such bills were sold in Cape Town at a premium, that is, at a higher price than the amount stated thereon, on account of the fact that the demand for foreign bills exceeded the supply, which in turn was due to the large excess of imports over exports.

Although for a long period under the British rule restrictions on foreign trade were still enforced in the interests of British trade and shipping, the Colonists were afforded greater opportunities of importing manufactured goods and of exporting local produce in order to acquire an increased purchasing power for the payment of imports.[3] For the period 1799 to 1802 the average imports of goods of all kinds were in value £253,927 and of slaves £44,950 a year or a grand total of £298,877. The average exports of Colonial produce amounted only in value to £15,047. There was thus an unfavourable balance of trade to the extent of £283,830 a year, which was met by coin that came into the country through the troops and shipping.[4] The purchase of provisions and other commodities by the crews of trading vessels or men-of-war putting into Table Bay contributed to meeting the foreign claims against the Cape on accounts of imports. The period 1795 to 1803 was a period of economic prosperity. This period of comparative prosperity would undoubtedly have been much greater had not droughts,

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2) Geyer: Op. Cit., Chp. 8.
3) Rec.1, pp. 218, 283-284, 325, 468; Rec.2, pp. 1-3; Rec.3, pp. 421, 483; B.O.33, pp. 593-4, 717-720. B.O. 48, pp. 86-87; B.O.61, pp. 290-297; B.O.62, pp. 497-499. Swart: Op. Cit., pp. 103-107, 110-112, 115-117, 120,125-131
4) Ibid., pp. 112, 117; Theal: Op. Cit., since 1795, 1, p.36.

locusts and internal strife done much harm.[5]

During the following period, 1803 to 1806, there was a further depreciation of the paper money. But in spite of this, owing to the good market for local produce provided by the presence of a large garrison, the conditions were not too unfavourable.[6] Although there was a retrocession in the economic prosperity there was no question of a depression. Thus the conditions at the beginning of the year 1806 can be briefly summarised as follows: there existed a considerable import trade, consisting mainly of manufactures, and a very small export trade, chiefly in wine; the surplus produce of the Colony was absorbed mainly by the garrisons at the Cape and by the passing ships in the form of stores; a number of years of economic prosperity during the first British occupation had been followed by three years of decreased prosperity but not of actual depression.

Period 1807-1818:- At the beginning of the next period, in 1807, the imports were £27,535 and the exports £34,484. We find, however, that these exports consisted of £23,786 Colonial produce and £10,698 re-exports. These re-exports were Indian produce imported into the Cape and re-exported from Bond. This means that the actual imports amounted to only £16,839 (asuming that all the Indian produce imported in 1807 was re-exported in the same year) and the exports to £23,786. From now on till 1818 there is a steady increase in both the imports and the exports to £414,876 and £273,925.[7] If we take into consideration only the total figures it would appear as if the imports and exports fluctuated wildly, but these fluctuations are due to the importing and re-exporting from Bond of Indian produce.

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5) Swart: Op. Cit., pp.53,65,66,69-73; DeKock: Op. Cit. p.86.
6) Gie: Geskiedenis vir Suid-Afrika, 11, pp. 115-116.
7) B.P.P.300 of 1826 p.6. According to the Commissioners of Inquiry it was stated by the Collector and Controller, that in order to obtain the real value of goods imported, 25 per cent. should be added to the estimated value. This was due to the goods being undervalued by the importers, evidently to evade the import duty.

After 1806 the exports of the Cape began to develop more rapidly though not to the same extent as the imports.[8] In 1813 preferential import duties were instituted in Great Britain in favour of Cape wine, in consequence of which a large export trade in wine was carried on with Great Britain. Wine became the principal item of export at the Cape. The great export of wine in 1817 assisted by that of 1818 and 1819, and by the export of wheat and wine in 1820, operated an external remittance, but its effect was destroyed by the large importation of wheat in 1821-1822.

The increase in the exports is particularly noticeable after 1815. This is partly due to the fact that the restrictions on trade were removed step by step, but more particularly to the large increase of the export trade to St. Helena. During the period from 1815 to 1821 the island of St. Helena, where a garrison and a squadron were stationed for the purpose of guarding Napoleon, afforded a good market for a variety of Cape produce and live stock.[9]

Period 1819 to 1825:- From 1819 onwards there was a decline in the value of the imports with the exception of 1820 and 1821 when large imports of grain took place owing to the entire failure in the Eastern Cape and a partial failure in the Western Cape of the wheat crops owing to blight.[10] This decrease in the imports was due partly to the depression on the value of the rixdollar which tended to increase the price of imported goods and consequently reduced their consumption; partly also to the financial trouble arising out of the depreciation of the rixdollar, and partly to the reduction of the garrison and retrenchment in the administration. The reduction of the exports is due to the decrease of the trade with St. Helena,

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8) Theal:, History of South Africa (1828-1846) p. 36.
9) State of the Cape of Good Hope in 1822 pp. 3, 135.
10) Theal: History of South Africa (1795-1828) pp. 313-314, Rec.13. pp. 377, 471; Rec.14, pp. 160, 162, 209-210; Rec.19, p. 344; C.O. 190 No. 95.

especially after the death of Napoleon in 1821 and the consequent withdrawal of the military and naval forces.[11] The failure of the wheat crops referred to above also tended to decrease the exports. The increased population, arriving at the Cape some months previous to the death of Napoleon, prepared to replace, by increased home consumption of the produce, the loss of the market of St. Helena. In 1820 more than 4,000 British subjects arrived at the Cape.[12]

The depression, which had set in about 1819 as a result of the depreciation of the rixdollar, the loss of the markets and the ruination following upon the crop failures of 1820 and 1821 and the floods of October, 1823, in the Eastern Cape became worse and worse.[13] The position was further aggravated by the stabilization of the rixdollar at 1/6 in 1825. As a result, all classes, farmers and traders, suffered severe losses and the Cape Colony was undergoing a very serious depression. Both imports and exports reach their low-water mark in 1823.

Trade and Balance of Payments:- The following table[14] shows the visible imports and exports over various years.

Trade Balance.

Year	Imports.	Exports.	Excess of Imports	Excess of Exports
1807	27,535	34,484	-	6,949
1808	78,484	70,521	7,863	-
1809	65,106	25,163	39,943	-
1810	105,078	102,688	2,390	-
1811	72,348	89,392	-	17,044
1812	88,740	109,306	-	20,566

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11) State of the Cape of Good Hope in 1822 p.3, 122; B.P.P. 300 of 1826, p. 8.
12) State of the Cape of Good Hope in 1822 p. 3.
13) Theal: Op. Cit., since 1795, 1, p. 330.
14) Bock: Op. Cit., App. 5; B.P.P. 300 of 1826. App. 1.

Trade Balance. (Cont.)

Year	Imports	Exports	Excess of Imports	Excess of Exports
1813	268,170	127,506	140,664	-
1814	299,008	120,556	178,452	-
1815	478,956	148,444	330,512	-
1816	369,683	166,655	203,028	-
1817	415,518	294,699	120,819	-
1818	414,876	273,925	140,951	-
1819	333,149	209,061	124,088	-
1820	218,754	187,490	111,264	-
1821	405,555	182,544	223,011	-
1822	365,328	224,392	140,936	-
1823	318,785	222,870	95,915	-
1824	340,894	220,313	120,581	-
1825	299,658	251,372	48,286	-

From the above statistics it appears that with the exception of three years, viz., 1807, 1811 and 1812, there was an excess of imports during the period 1807 to 1825.[15] The excess of exports during those three years is due to exceptionally small imports (which is probably the result of the Napoleonic wars) and also to the fact that the uncertainty as to the fate of the Cape would make merchants very chary of importing large quantities of goods. During the years 1806-1814, when British merchants were still in doubt as to whether the Cape would become a permanent possession of Great Britain or not, and consequently adopted a half-hearted trade policy, the average annual imports amounted to £105,000 only.

There are several causes for the excess of imports

15) De Kock: Op. Cit., p. 323 says that "in spite of the increased exports, .. there was always an excess of imports over exports." This statement is not quite correct for there are exceptions in 1807, 1811 and 1812.

during this period. Ship's stores bought at Cape Town, with the exception of the supplies to the British Navy, are not shown and, therefore, not included in the statistics of the exports of the Cape for this period. The supplies to the Navy were small and averaged about £5,000 per annum. No statistics as to the value of the supplies to merchant vessels are available. In the Report of the Commissioners of Inquiry into the Trade etc. of the Cape it is stated that according to information given to them the "average amount of disbursements for refreshments made by the British vessels at the Cape, including those of passengers, in a period embracing four years, has amounted to £600 for each ship."[16] Taking this £600 per ship as a basis,[17] it would appear that for the years 1807 to 1812 there is nearly an excess of visible exports if the stores supplied to merchant vessels are taken into consideration. The Commissioners of Inquiry further reported that "it was also stated by the Collector and the Comptroller that in order to obtain the real value of the goods imported, 25 per cent. should be added to the estimated value"[18], because the value of the imports was underestimated by the importers. Even if this is taken into consideration and the value of the Stores supplied to each ship based at £300 only (that is, half the Commissioner's estimate) it appears that up till 1812 the Cape showed an excess of visible exports and not of imports as would appear from the statistics. From that date onwards, with the exception of the years 1823 and 1825 when the excess of the imports over exports is small according to the statistics, the value of the imports undoubtedly exceeds that of the exports, that is, the balance of trade was unfavourable to the Colony.

There still remain the invisible items of imports and

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16) B.P.P. 300 of 1826 p.10. This was the average amount during the 4 years 1823-1826.
17) C.O. 240 No.57. The average number of ships that called at the Cape in this manner between 1806 and 1825 was 134.
18) B.P.P. 300 of 1826. p. 6.

exports to be discussed. The unfavourable balance of trade was met, to a large extent, out of :-

1) Commissariat bills on England, i.e., bills drawn on the British Treasury by the Cape Governor for the purpose of defraying the expenses of the military forces in the Colony. These bills, expressed in terms of pounds sterling, were issued from the Commissariat and purchased by the importing merchants who had to remit money to England in payment of goods imported. In 1821 these Commissariat bills amounted to £161,072.[19] Throughout this period there was a considerable Imperial military force at the Cape, the expense of which was borne by England. A large sum was therefore yearly expended in the Colony on this account, especially during the frequent Kaffir wars.

2) Bills drawn on India and England by the wealthy Indians who used to visit the Cape for health purposes and incurred a good deal of expense in board and lodging, travelling, the purchase of horses etc. In 1821 these bills amounted to £58,333.[20]
It is impossible to form an estimate of the value of these bills for any of the other years. But with the large increase in the total trade of the Cape this item no doubt became of less and less importance.

3) Transfer of capital from England to the Cape for investment in Colonial trade and industry. This item, however, must have been very small at this stage of the Colony's development. According to the author of "The State of the Cape of Good Hope in 1822," the Cape, pampered by British capital conveyed to her in

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19) State of the Cape of Good Hope in 1822, p. 124. The amount in 1821 was 1,932,855 Rds, and the average rate of exchange was 1/8 per rixdollar.

20) State of the Cape of Good Hope in 1822, p. 124. The amount is given as 700,000 Rds.

merchandise, has during the last three years exceeded the fruits of her labour and industry.[21] The fact that the exports, visible and invisible did not pay for the imports, visible and invisible, is also borne out by the fact that the rate of exchange of the rixdollar in terms of pounds sterling declined rapidly during this period. There must, therefore, have been some imports of foreign capital, though only to a very small extent. The imports of foreign capital by immigrants at that time could not have been considerable as the immigrants at that time, the British Settlers of 1820, were hardly of the meal their type.

4) Another item of invisible export was the expenses of Missionaries. This item was, however, probably never of any real importance. In 1821 the bills drawn on overseas Companies by Missionaries were estimated at 75,000 Rds. or £6,250.[22]

These are probably the main items of the invisible exports, but there are, however, some important items of invisible imports that remain to be discussed. The costs of freight and insurance are not included in the value of imports. No estimate of this item for the earlier periods can be obtained. According to Dr. Bock,[23] an estimate of 20 per cent. would be far from being too high. As an illustration, if this item is calculated on the basis of 15 per cent., it gives an amount of approximately £60,000 in 1820. Another invisible import consists of the interest, dividends and profits on foreign capital invested in the Colony. No estimate of this item is available, but as there was probably very little foreign capital invested in the Colony, this item could not have been very large.

Thus, during the whole period, except for three years,

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21) Ibid., pp. 124-125, 128.
22) State of the Cape of Good Hope in 1822, p. 125. The amount is given as 75,000 Rds.
23) Bock: Op. Cit., pp. 222-223.

there was an excess of imports. Had stores, however, supplied to ships, been taken into consideration, the majority of the years prior to 1825 would have shown an excess of exports. The excess of imports was mainly due to the military expenditure by the British Government. The inflow of capital was slow and neither wine nor pastoral farming attracted much capital.

The invisible exports, however, were frequently insufficient to meet the balance of visible imports, with the result that the demand for bills on England for the payment of imports exceeded the supply of such bills and thus caused a rise in the price of such bills in terms of rixdollars, i.e. bringing about a depreciation of the paper rixdollar of the Cape in terms of pounds sterling. Though depreciation of the rixdollar was mainly due to the over-issue of inconvertible paper money, it was aggravated by the unfavourable balance of payments, i.e. the excess of visible and invisible imports over visible and invisible exports.

The Depreciation of the Rixdollar: - The rixdollar originally current at $2\frac{1}{2}$ gulden or 4/2 and reduced to $2\frac{4}{10}$ gulden or 4/- in English money by the supreme authorities in 1770 [24] had by 1825 depreciated to approximately 1/6 per rixdollar.

The depreciation of the rixdollar over the various years is shown in the following table :-

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24) Arndt: Banking and Currency Development in South Africa p. 38.

Rates of Exchange with England, 1806 to 1825.[25]

Year		Premium.[26] %	Sterling Value s.	d.	Year.		Premium. %	Sterling Value s.	d.
1806		26	par		1811	March	$45\frac{1}{20}$		
						June	45		
1807	March	26				Sept.	$47\frac{4}{5}$		
	June	31				Dec.	$48\frac{1}{10}$		
	Sept.	$25\frac{1}{2}$						2	$9\frac{1}{2}$
	Dec.	38	3	9	1812	March	$48\frac{1}{10}$		
						June	59		
1808	March	36				Sept.	$69\frac{1}{5}$		
	June	$20\frac{3}{4}$				Dec.	65		
	Sept.	$21\frac{1}{4}$						2	$8\frac{3}{4}$
	Dec.	$17\frac{1}{2}$	3	$3\frac{1}{2}$	1813	March	$69\frac{1}{4}$		
						June	$59\frac{1}{4}$		
1809	March	$15\frac{1}{3}$				Sept.	$57\frac{1}{3}$		
	June	$16\frac{3}{8}$				Dec.	$80\frac{3}{4}$		
	Sept.	$20\frac{1}{2}$						2	$6\frac{1}{4}$
	Dec.	21	3	4	1814	March	$84\frac{1}{5}$		
						June	$77\frac{9}{10}$		

25) According to this table the sterling value of the rixdollar declined from 3/9 in 1807 to 3/$2\frac{1}{2}$ in 1810. But, according to the available information, the premium in 1808, 1809 and 1810 averaged less than in 1807. The average premium for these years was as follows :-

1807 - 30 per cent. 1809 - 18 per cent.
1808 - 23 per cent. 1810 - 27 per cent.

We would expect, therefore, the sterling value of the rixdollar to appreciate rather than to depreciate. Unfortunately, however, I have not succeeded in finding any data to correct this discrepancy.

26) This column is derived from P.W. Grant: Considerations on the State of the Colonial Currency etc. pp. 52-3.

27) Rec.21, p.409. See Also: C.0.56 No.36; C.0.75 Nos. 23,38, 50,54,56,61,73,75,77; C.0.81 Nos. 9,13,14,26,35,44,45,49; C.0.91; C.0.104 Nos. 4,18,25,43,60,68,78,81,87,100,105; C.0.122 Nos. 5,17,21,41,54,66,70,75,80,90; C.0.144, Nos. 14,19,22,33,42,52,68,95,106; C.0.165 Nos. 9,17,36,47,72, 84,104,112,116; C.0.186 Nos. 7,45,95,103,120; C.0.210 No. 71; C.0.5964 p. 282; C.0.5965 p. 372; C.0.5967; Rec.14 p. 250; L.B. 10; L.B. 11; I.L.W. 25c pp.388-389. 416; Notes of the Cape of Good Hope in 1820 pp. 4, 145; State of the Cape of Good Hope in 1822 p. 169. Trotter: Memoir, Appendix "A".

Rates of Exchange with England, 1806 to 1825. (Cont.)

Year		Premium %	Sterling Value s.	d.
1810	March	24 1/5		
	June	22 1/10		
	Sept.	24 1/5		
	Dec.	37¾	3	2½
1815				
27	Sept.	80		
26	Oct.	80		
29	Nov.	82		
29	Dec.	84	2	3
1816				
23	Jan.	82		
23	Feb.	87		
27	Mar.	86		
25	April	88		
27	June	98		
7	Aug.	98		
28	Aug.	90		
10	Sept.	91		
14	Nov.	101		
13	Dec.	114	2	1
1817				
13	Jan.	112		
28	April	117		
22	May	121		
11	July	130		
29	Aug.	137		
24	Oct.	131		
15	Nov.	124	1	9¼
1818				
28	Feb.	130		
27	Mar.	135		
	Sept.	78¼		
	Dec.	81¼		
			2	3¼
1819				
22	Jan.	106		
6	Mar.	106		
25	Mar.	104		
22	May	114		
18	June	118		
26	July	123		
2	Sept.	122		
24	Sept.	118		
19	Oct.	119		
25	Oct.	121		
9	Dec.	120	1	10¼
1820				
3	Feb.	124		
2	Mar.	124		
22	Mar.	121		
17	May	122		
7	July	127		
17	Aug.	135		
14	Sept.	131		
26	Oct.	130		
23	Nov.	131		
7	Dec.	131	1	9
1821				
8	Feb.	134		
1	Mar.	132		
20	Mar.	131		

Rates of Exchange with England, 1806 to 1825. (Cont.)

Year	Premium %	Sterling Value s.	d.	Year	Premium %	Sterling Value s.	d.
2 May	130			10 May	131		
30 June	131			14 June	134		
24 Aug.	133			19 July	140		
8 Oct.	130			6 Sept.	151		
25 Oct.	122			14 Nov.	161		
19 Dec.	116	1	9	19 Dec.	164	1	8
1822				1824			
24 Jan.	171			16 Jan.	135		
14 Mar.	177			20 Feb.	145		
24 April	185			2 April	169		
22 May	193			July	195		
20 June	194			Oct.	180		
6 Aug.	159			Dec.	180	1	5½
10 Sept.	180			1825			
3 Oct.	180				166	1	6
8 Nov.	161						
16 Dec.	148	1	5¼				
1823							
15 Jan.	139						
6 Feb.	132						
20 Mar.	139						
5 May	159						
31 May	173						
5 July	166						
9 Aug.	167						
6 Sept.	173						
18 Oct.	175						
6 Dec.	160	1	6¾				

For the years 1806 to 1814 the average rates per quarter are given while for the years 1815 to 1824 the rates at individual dates are shown.

The following table shows the average exchange in periods of five years :-

Period.	Sterling Value. s.	d.
1806 to 1810 inclusive	3	6
1811 to 1815 "	2	6
1816 to 1820 "	1	10
1821 to 1825 "	1	6¼

28)

The following table gives an account of the sterling amount of salaries paid to the civil servants at the Cape from 1st July, 1816, to 31st December, 1824, together with a statement of the number of rixdollars in which the same was paid and the average sterling value at which such rixdollars were issued in each year. It gives, therefore, a vivid picture of the course of the rixdollar and its effect upon Colonial finance.

Salaries - 1st July, 1816, to 31st December, 1824.

	Salary Sterling			Number of Rixdollars.		Sterling Value of each.			Value of the Number of Rds. paid at 4s. each.		
	£.	s.	d.	Rds.	sk.	st.	s.	d.	£	s	d.
1816											
July-Dec.	14,091	-	-	140,910	-	-	2	-	28,182	-	-
1817	24,938	11	4½	278,384	-	-	1	9½	55,676	16	-
1818	26,209	-	-	299,531	-	-	1	9	59,906	4	-
1819	25,743	5	-	276,669	3	5¼	1	10½	55,333	17	11¼
1820	20,687	7	-	234,962	4	5½	1	9 1/96	46,992	10	5½
1821	21,764	14	-½	265,378	6	4¼	1	7 17/24	53,075	15	4¼
1822	24,721	15	5	339,411	-	2¾	1	5½	67,882	4	2¾
1823	26,294	17	2½	337,942	7	1¾	1	6 11/24	67,588	11	7¾
1824	26,430	13	11½	365,694	2	5½	1	5 10/29	73,138	17	5½
	210,881	4	-	2,538,884	2	1	-		507,776	17	1

The rate of exchange on London, i.e. the number of paper rixdollars to be paid in exchange for a bill of £1 on London had risen from par in 1806 to 114 per cent. by December, 1816. Between 1810 and 1815 the exchange with England advanced rapidly from 22 to 38 per cent. to 80 and 84. By 1815 the Cape

28) B.P.P. 438 of 1826, p. 60.

rixdollar which had been nominally worth 4/- had depreciated to 2/3. The rate rose progressively to 135 per cent. in March, 1818, declining to 104 per cent. in March, 1819, and then rising again to 164 in December, 1821, and 194 in June, 1822. By 1822 the rixdollar was only worth 1/5½ in English sterling money. Between 1821 and 1825 the average exchange value of the Cape rixdollar was 1/6 at which rate it was fixed by the Imperial Government in 1825 and rendered convertible into sterling bills on England.

Finally it must be also borne in mind that between 1797 and 1821 England likewise passed through a period of inflation and inconvertible paper money. The depreciation of the rixdollar in terms of English money, therefore, was held in check until the resumption of specie payments in 1821 and the consequent appreciation of English sterling automatically promoted the depreciation of the rixdollar, in exchange for bills on England.

CHAPTER IX.

THE EFFECTS OF DEPRECIATION.

Depreciation: - The rixdollar originally represented a real metallic value and was equal in Dutch currency to about four shillings and two-pence sterling money. The difficulties in which the Colonial Government was involved, compelled it to recall the silver coin in circulation and to substitute a paper currency of the same value. The paper thus issued was paid off and destroyed. Financial embarrassments, however, again compelled the Government (not to substitute Bank paper in lieu of specie, but) to create and issue paper notes, at an equivalent value with the specie in circulation.

These issues being at first moderate, and being received in payment of taxes, etc., the paper continued generally at par. In 1802 the paper in circulation did not exceed 1,800,000 Rds. By subsequent augmentations, however, it exceeded 2,000,000, the amount in circulation when the Colony came into permanent British possession in 1806.

However, such was the credit of the rixdollar for the three or four years following the capture of the Colony, that it continued to pass current at nearly its declared value of $5\frac{1}{2}$ Rds. per Guinea and $1\frac{1}{4}$ Rds. for a Spanish dollar. Soon after, a depreciation manifested itself, and though the Government endeavoured by various proclamations to keep up its value it nevertheless continued to pass at a discount in favour of specie, commodities and bills of from 15 to 30 per cent.

Between 1810 and 1815, additional issues of paper money were made, exceeding 1,000,000 Rds. After this latter period the exchange with England advanced rapidly from 20 to 30 per cent. to 80 and 100. By the subsequent issues of paper it has fallen 64 per cent. below the value at which it was issued.

During this period there appears to have been a very considerable quantity of Spanish dollars in the Colony, as is evident from advertisements offering paper rixdollars for sums of Spanish dollars frequently exceeding 50,000. Specie to a considerable amount was also imported from England for the payment of the troops, and there is little reason to doubt that a considerable portion of the paper currency must have become useless for the purposes of circulation. From this circumstance alone it must have depreciated in relation to its original value.

At the Cape, the average value of the rixdollar in bills on England had been 2/6 from 1811 to 1815. From 1816 to 1820 it was 1/10 and 1/6 from 1821 to 1825. Thus by 1825 the rixdollar was merely a nominal value - it no longer represented its original value in currency. Although commodities were as abundant as they were 20 years ago, yet the rixdollar was no longer of equal value in circulation with the specie it represented.

By 1806 the paper in circulation amounted to more than 2,000,000 Rds. though only ten years before one-half of this sum had been declared, by very competent judges, the Dutch Commissioners (who would naturally feel disposed to extend its amount beyond the effective demand), to be perfectly adequate for all the purposes of a circulating medium. In the interval no apparent increase of trade nor any sensible augmentation to the population had taken place. A demand for additional currency does not necessarily arise from an increased foreign trade. If the state of Society in the Colony be such as to prevent the subdivision of labour, and limit the variety of individual consumption the extension of the foreign trade would by no means create a scarcity of circulating medium. Among the residents in the interior there was but little variety of consumption; every farmer supplied food from his own farm for his family and his slaves; and he purchased clothing for them in

the wholesale. The machinery and implements of agriculture were very simple and very often made on the farm by the farmers themselves, or purchased in wholesale. The author of "The State of the Cape of Good Hope in 1822" [1] speaking of the way in which the boers transacted their business, observed, that "to the internal commerce of the Cape there are many obstructions presented by nature, in consequence of which the whole trade amounts to little more than what the boers can bring in their horse-waggon and which carries the means of purchasing clothing and such comforts, as the sale of their cargo may enable them to obtain. The boer having proceeded in his waggon and begun his business in the Cape, adjourns to the vicinity of Hottentot - square; from his agent there he gets iron for his waggon, cloth, linen, tea, sugar, coffee, rice, etc. sufficient for himself, his family and his slaves, until the next visit. His demands are regulated according to the value of his grain, wine, butter, soap, or tobacco, and an unproductive harvest is no less a cource of regret to the boers than to the dealers." The notes scarcely circulated beyond Cape Town and the surrounding districts. In the frontier districts business was carried on by barter or by private notes or bills of exchange, called "good fars", for small amounts. Under such circumstances it is obvious that but a small quantity of money was required for the purpose of internal circulation. The objects of exchange then, in the interior, were comparatively few, and the demand for a medium of exchange or currency must have been proportionally small. It would also follow, therefore, that the effects of the rixdollar depreciation would not greatly affect these bartering farmers.

The evidence for or against an increased volume of trade where the notes circulated was inconclusive. The income tax figures, [2] when allowance is made for the depreciation of money, did not show any expansion of trade after 1814, when this

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1) Vide Grant: Op. Cit., p. 13.
2) Leslie: Op. Cit., p. 162.

tax was first imposed. However, the method of assessment was very defective. On the other hand, the returns of imports and exports showed a great increase in the earlier years. Even if there was a need for an increase in the circulating medium during the earlier years, the depreciation which took place shows that the increase was excessive. In any event there was such a fall in the volume of trade after the reduction of the garrison that depreciation could only have been prevented by contracting the issues.

Effects of the Depreciation: - When the Cape Colony was taken from the Dutch the British Government pledged itself to maintain the value of the paper currency. The value at which it was to be maintained was afterwards specified in a proclamation by the English Governor.

There was not, comparatively speaking, much mercantile competition then in the Colony, and the practice was to divide the bills drawn on the Treasury. These bills were then, from the great military and naval force maintained in the Colony, for a much greater amount than was drawn for amongst the importers in 1825, who paid a fixed premium for them which was considered equivalent to the exchange, or in other words, equal to the expense of purchasing gold or silver to remit in payment of imports to England.

The salaries of the Governor and other public officers appointed in England, were directed to be paid out of the Colonial chest, in sterling money, that is to say, in Cape Rix-dollars, with the addition of the premium which was necessary to enable them to convert it into gold, silver or sterling money. This regulation was injudicious; it opposed the interests of the most influential servants of Government to that of the community and to it we must look as the principal cause of the loss and distress the Colony had since suffered from the depreciation of the currency. One of the first probable

consequences of it was the putting up of the bills on England for sale to the highest bidder, instead of dividing them at a fixed premium as formerly. This increased the salaries of the sterling-paid public officers, for it must be remembered that, although British goods rose in proportion to the premium given on bills in price, what they consumed of the produce of the Colony, did not. It showed that every rise in the premium on bills would be advantageous to them. It soon proved that the currency had began to fall in value, for, if it had not, the premium could never have exceeded the expense of procuring gold or silver to pay to England for the Colony's imports.

This perhaps was not perceived by the public officers for they were probably ignorant of the principle - an ignorance which was more excusable in many others who attributed the rise to the increase of competition and diminution of the amount of bills on England and exports, or in other words, to what is called over-importation. But if that had been the cause, the premium would only have fluctuated with the expense of procuring gold or silver at different times, and would have returned occassionally to its original rate. The fact is, however, that it increased progressively, never recovering itself, and all that it exceeded the usual expense of procuring gold etc., (which only fluctuated) was clearly a depreciation of the currency.

Government wanted to improve and beautify Cape Town and to build better houses for the landdrosts and other functionaries. A Government may obtain its revenues in various ways. State-owned property may yield an income which can be used for public purposes. A Government may also raise money by means of loans, while it may also carry on a commercial or industrial undertaking and use the profit as general revenue. The last important method of raising revenue, is taxation. The Cape Government, however, perhaps ignorant of the consequences, took a ruinous mode of raising the money it wanted. It stamped and

issued an additional quantity of paper money. This seemed very easy; it would also have been very safe, if Government, like other bankers, had paid gold or silver, at the rate it had engaged to maintain it, for its own paper, on demand. Whenever a currency exceeds in value the wants of the country in which it circulates, if it consists of gold or silver, it will flow out of it in exchange for articles which it has more need of; if it consists of paper, payable on demand, it will flow in upon the Government or bankers for payment in gold, to be used in the same way; but if it consists in paper, not payable on demand, the whole paper in circulation will instantly fall in value in exact proportion to the excess.

Government only said it would take payment of the taxes in this paper. This seemed fair. The taxes were heavy, and if the excuse of ignorance is unavailable, perhaps it thought that heavy payments made to it in its own paper would support the value of the currency, which perhaps might have been the case if the payments were all made in the same minute of the same day. But Government did not say it would increase the amount of taxes, quitrent, charges etc. in a much greater proportion than the revenue from this cause fell off. This was now necessary to pay the sterling salaries and perhaps some other expenses which, as an easy way of making money had been hit upon, it was as well to incur as not. But Government said nothing of it. At length, however, some of the inconveniences to itself, as well as the loss to the public, must have become apparent to Government, because at the last issue of new currency for the beforementioned purposes it pledged itself to the public in the most solemn manner for the reduction of the circulating medium to its original amount. Moreover, the manner in which it was to be done was particularly specified. This pledge, given in 1814, if it had been faithfully adhered to, would have saved the Colony from much of the distress which it was later to labour under, as well as the credit of its

Government. But, whatever the pretext was, and there can be no just ground for the breach of such a promise, it has been entirely neglected.

If it should be said that this is not sufficient to account for the enormous depreciation that has taken place and that the Government which broke its pledge to the public in such an instance might also increase clandestinely the extent of the circulating medium, or that the same might be done by functionaries for their own emolument without its connivance, we can say that no Colonial Government should have had it in its power. We may be inclined to exonerate, as far as the circumstances would justify, the Home Government which might be easily kept in the dark of its conduct, by the acts of a despotic Government. But then, by placing the Colony under a despotic Government, the Home Government became responsible for its acts.

There are yet other means by which the premium on bills may be raised and sterling salaries increased. Those who attribute the breach of its promise to the public to such motives, would put no favourable construction on some other circumstances such as : when the tenders made for bills advertised for sale by the Commissariat, fell short of what was expected, the bills were refused, and money for the payment of the troops was supplied from the Colonial Treasury, till the necessities of trade should produce a more favourable opportunity for their sale. Monopoly of the silver, in which the troops were then paid, was perhaps the excuse or pretext for this. It could only affect the value of the currency in so far as the hampering of trade or diminishing the price or profit on, and amount of exports, might do so. But it sufficiently proves that Government did not regard with a favourable eye any decline in the rate of exchange.

It is the essence of depreciation to go on increasing

in degree. If it was not so, how could we account for an increase of one-third in the currency having reduced the value of the rixdollar two-thirds? This effect was produced by the increased expenditure both of Government and individuals, necessarily caused and fed by an excessive paper currency. If Government had kept its promise to the public this compound depreciation would have been counteracted, and that which immediately took place at the issue of its paper would have disappeared (almost imperceptibly compared with what was felt later on), with the gradual diminution of the currency to its original quantity which was stipulated. But then the public servants would not have received so many rixdollars as the temporary rise of premium had led them to consider themselves entitled to for their salaries, instead of a much greater number than they had ever received, and the prospect of indefinite increase and prosperity. Their feelings may be supposed to be like that of a man who has discovered a treasure or a gold mine in his neighbour's field, when he is called upon by the right owner to relinguish the possession.

When a paper, inconvertible into cash, is depreciating from excess, a competition for employment with proper security, commences between different portions of it. This tempts many to become borrowers, and engage in more extensive undertakings than they did before, on capital which they can now depend on holding for any period while their security is good. This facility of borrowing money conceals their circumstances from them. Government sets the example of profuse expense in which it is followed by those in its pay and more or less by all classes of its subjects. As a result of the continual repetition of the same process a rapidly increasing waste of capital annually takes place, affecting the value of every description of property by diminishing the capitals that compete or might be applied in the purchase of them, and injuring perhaps in different degrees every class in the community.

Thus, an excessive issue of inconvertible paper immediately occasions a depreciation of the whole quantity in circulation, exactly proportioned to the excess. Next, by unsettling the opinions of a whole community as to the relative value of things, it produces a waste of capital, which reacts upon the currency, the whole value of which must always bear a certain proportion to the exchangeable produce and consequently to the whole capital. The waste continues for increased taxation, exchanges on imports and expenses of different kinds must be paid and the currency depreciates gradually, together with every other inexportable article. If competition is active exports will rise in price but seldom in an equal ratio to that of the depreciation.

From this it may be supposed, that when an excessive issue amounts to one-third and the depreciation it occasions in the course of a few years to two-thirds, that the holder of currency, and the creditor have sustained a loss twice as heavy as the owner of lands and houses. But this is certainly a mistake because in the first place few of those who were in 1825 holders of currency, and creditors, were in the same position when the first depreciation took place; and secondly, it is to the whole capital (which may have been supported by the influx of capital from abroad or have received temporary augmentation from the investment of the property and profits made by merchants in the trade with the Colony, who waited for an advantageous opportunity of disengaging themselves), that the currency bears a certain relative value. The property of an individual, worth 2,000 pieces of currency before the over-issue, which rose in price to 3,000 immediately after the issue, may have sustained a much greater loss from waste since that period than 1,000, although we have not equal means of estimating it with that of the creditor.

By the first kind of depreciation, the immediate consequence of an over-issue of paper, the actual holders of

currency and the creditors, are the losers. This loss is counterbalanced only by a trifling gain to the debtors (unless they discharge their debt immediately) for those who continue employing capital after depreciation has commenced its course, suffer their full share of the general misery. What his creditor has lost by the depreciation of the currency, he has lost in the shape of expences into which he has either been forced or betrayed by the same ruinous circumstances. When the currency was falling in value, the employer of capital might flatter himself that competitions would preserve the value of his produce and property, a notion which, however correct in theory is false in practice. As the demand is too limited in colonies so distant from the general market, purchasers would not increase their offers in proportion to the depreciation. A competition of purchasers for lands, houses, cattle, corn, and every description of produce inexportable either from their nature or restrictions and taxes affecting them, can hardly be said to have existed at the Cape. Competition has never made good the loss occasioned by depreciation even on exports. The competition was amongst the sellers. Prices, in the Colony, were regulated by other circumstances. All that can be said is that competition has a tendency to raise prices when the currency depreciates. If we compare the prices of fixed property and inexportable commodities at different periods with their value or sterling price, it will be found that the tendency only has been shown. The employer of capital, whether engaged in producing exportable or inexportable articles, had besides, during the whole period of depreciation, a larger proportion than others to bear of public burden from their property being more exposed to taxation. They have been deceived into expensive speculations and habits by the unnatural superabundance of currency and they now feel the effects of the depreciation not only in the diminished value of their property but also in the increased amount of their debts. Upon the whole it will

appear that this class has at least equal claims with any other to the attention of the Government on the score of policy as well as justice. Of all others the merchant who possesses, compound with his capital, little or no fixed property, has suffered least. The frequent transfers of his capital from one investment to another, with the power he has always possessed of accommodating his demands to the cost of his goods of which he is at all times admonished by the increasing rate of premium on the bills in which he must pay them, have generally saved him. If he suffers now it must be through his customers.

If we endeavour to calculate the amount of the loss it must be first observed that in countries where the necessaries of life are easily procured, misgovernment by opposing the accumulation of capital, does not check the increase of population. Many circumstances, therefore, which are considered proofs of the Colonial prosperity and credit, are more results of the increase of population; and where a rise of prices has taken place in articles not directly affected by the demand for exportation, it may generally be accounted for by improvements which must in any event have been made during a period of nearly twenty years, and only in a very slight degree, or in so far as the particular inexportable article was necessary to produce an exportable one, to the depreciation of the currency.

We may, then, from the existing prices of different kinds of property, supposing the whole to have depreciated with the currency and making allowances for the particular circumstances affecting each, form a tolerably accurate estimate of what their value would have been if the waste of capital, indicated by the depreciation of the currency, had not taken place.

1. The Colony has lost by the depreciation of 3,000,000 Rds., being the existing amount in circulation, issued at 4/- and now fixed at 1/6, £375,000 sterling.

2. The lands, houses and fixed property in the Colony have fallen in value with the currency, except in so far as competition operated on a small part of them, which were necessary for the production of exportable articles.

3. Slaves rose much in price in consequence of the abolition of the Slave Trade. The prejudice of the Colonists, in favour of slave-labour, may also have tended to support the price of slaves; but if anything has risen in price in proportion to the depreciation of the currency, slaves have done so. It is, perhaps, the effect of the active competition for labour that exists wherever lands are cheap. It is to be presumed that they would have risen still more in value if the profits of employing them had not been diminished by the depreciation.

4. Cattle and moveables, which are inexportable or in a great measure so, either from their disabilities or other circumstances, have fallen in value, perhaps as much as the currency has depreciated

5. Capital invested in fixed annuities has fallen with the depreciation.

6. Capital consisting in skill, such as that of doctors, lawyers etc., whose fees were not fixed, and personal labour, has risen from competition as the currency depreciated, but not without loss to the possessors, who are now also perhaps suffering from the limitation of the demand in consequence of the general waste of capital.

If the sum of all these causes could be ascertained it ought to coincide with what would result from another mode of calculation. It is through its transactions with other

countries that a country can lose its wealth. When the quantity of the precious metals in a country is too small for its necessities, the additional price given for the quantity required, is indicated by the rate of exchange or the premium on bills which, though a loss in the meantime, is repaid whenever there happens to be a super-abundance of them. It is therefore best left to itself. But when the precious metals are entirely excluded from circulation by an inconvertible paper currency the premium on bills indicates the progressive efflux of wealth from that country. The increase of price on imports has been caused by the depreciation of the currency and has kept pace with it. The increase of price on exports is caused by competition, but has by no means kept pace with the depreciation. The value of the exports and imports of every country must always, in a course of years, balance each other. The loss of wealth must consist in the difference between the prices which it pays for the produce of other countries and what they pay for the produce they take in return. This is shown by the rate of exchange. If then, the sum paid in currency by the Colonial consumer for all the imports since 1806, could be accurately ascertained, the difference between its amount in sterling, calculated at par, and its amount in sterling after the premium of the dates when the imports were paid for, are deducted, should show the waste of capital that has taken place.

When making these calculations, several reflections must occur. It is evident that the Colony has lost capital to an extent that excludes every hope of pecuniary compensation; and yet that the sum calculated falls short of the real loss in so far as capital has been prevented from flowing into the Colony by the disadvantageous circumstances under which it is employed here. The loss has been suffered by every class in the community and in the course of twenty years has fallen, perhaps, equally upon each and none possess an exclusive or even particular claim for remuneration. There is probably a very large sum in

the Colony which would be withdrawn from it if the owners were enabled, by a rise in the value of the rixdollar, to realise it with the expected advantage. It is impossible to compensate the Colony for the loss it has sustained, without repaying the whole sum it has lost and utterly impossible to find out now the individuals who have suffered, or ascertain the amount of the loss of each. A little consideration will show that it is no less so to recover it from those who have gained, for there is more lost than has been gained.

The gainers were :-

1. Those who have been engaged in trade with the Colony in England and other countries, who have purchased the exports at a lower price, sold their imports at a higher, and supported their establishments in the Colony at less expense, in so far as inexportable Colonial produce was consumed by them, and, at least during the first part of the progress of depreciation while paper money was abundant and the holders more extravagant, had a more extensive demand to supply than they would otherwise have had.

2. The British Treasury in so far as it has obtained for the supply of the troops etc. colonial produce at a lower value than it would otherwise have done - and the loss on that part of the currency which was guaranteed at the capture.

3. The Colonial Government - of the difference in which the increase of the taxes, charges, monopolies etc., exceeded the diminution of value in the Colonial revenue, occasioned by the depreciation of the currency, and the loss of value on the remainder of the currency.

4. The Public Officers, civil and military, who were paid

in sterling, such as were paid in currency, and whose salaries were increased in consequence of the depreciation, and generally the consumers of Colonial produce, in so far as the produce they consumed was obtained at a lower value by them than it would otherwise have been, and also in so far as any of them, who have been engaged in mercantile speculations and had the means, availed themselves of them of making their remittances to England with greater advantage than others.

Prices have operated on the community with great inequality not only by the disordered state of the currency and exchanges, but from the different measures in which salaries were paid which caused an unnecessary tax upon a majority of the public. Those servants whose allowance were assigned to them in sterling money, were now protected against the increased prices of every commodity at all influenced by the state of European exchanges. As the prices of these commodities advance so in proportion to pounds sterling become more productive. But how was it with that much more numerous class who received their salaries in rixdollars computed originally to suffice for the purchase and maintenance of every necessary degree of respectability and comfort, when exchangeable value had not obtained more than a third part of the existing premium. As prices increased the efficiency of their allowances decreased. And to produce additional revenue to meet the augmented charges of sterling salaries (now yielding 15 instead of 5 or 6 dollars), further taxation became indispensable. Its equilibrium was consequently invaded, and with the rest of the community they were compelled to contribute an equivalent to these increased charges: in short, abridging the allowances of Colonial appointments to augment the salaries of the former situations. These servants had not the same prospect of advancement in the public service or of ultimate independence as the public functionaries

who enjoyed the advantages of sterling salaries. With a foreign exchange at 200 per cent. premium the case of the former individuals surely called for consideration. In the purchase of every article of wearing apparel, in many of the commodities of both consumption and domestic use at all influenced by the foreign exchanges, prices have advanced 100 per cent. since those salaries were fixed which were now paid in the standard of colonial currency. However, the evil did not stop here. It more or less affected the whole society from its tendency to augment the prices of universal commodities.

General Conclusion: - The currency inflation by Government had resulted in arbritrary and inequitable redistribution of wealth and income between the different classes in the community. While the currency was seriously inflated, prices, profits and money wages rose, but despite the apparent prosperity there was no rise in the general standard of living. Inflation bred inflation and as the rise in prices continued, the cost of Government supplies became heavier and the increased expenditure had to be met by further inflation. The currency also became an unstable store of value. Although the currency was abundant, it was always scarce relative to the level of prices. However, if inflation is allowed to proceed, the currency would finally break down as a standard of value. People would refuse to enter into long term contracts in terms of a rapidly depreciating currency, the currency would lose its acceptability for all purposes, and would so cease to be money. During this process, great changes would have taken place in the distribution of wealth.

Those people who were readily able to adjust their incomes were beneficially affected by the rising prices. The prices of goods and services produced by these classes immediately respond to a fall in the value of money, but the costs of labour (wages) and of capital (interest) rise more slowly. Their

profit margins are widened. On the other hand, since wages and salaries lag behind prices, the working classes tend to lose, and there is a growth of discontent and hardship. Very serious effects of rising prices resulted from the fact that debtors gained at the expense of creditors, since money borrowed at a time when its purchasing power was high was paid back when its purchasing power was low, while interest payments were lightened from the debtor's standpoint and became of less value to the creditor. Those people whose income was comparatively fixed, in the sense that they were not easy to alter quickly in amount, were losers when the prices began to rise. This group included professional men whose charges were fixed by custom, persons receiving pensions, annuities, retired pay, or allowances, and the rentier class, i.e., persons whose incomes consisted primarily of interest from investments.

CHAPTER. X.

THE BRITISH PAPER POUND (1797-1821).

As we have seen in the previous chapters the inflation of the Cape Colony currency, which consisted mainly of paper rix-dollars, had already commenced before 1806. The paper money circulation had been increased from 1,291,276 rds in 1795 to 1,786,276 rds in 1803 and 2,086,000 rds in 1806, with the result that a moderate depreciation of the rix-dollar had already set in.

Between the years 1795 and 1803 the premium on sterling was 10 to 20 per cent. After the second British Occupation in 1806, the greater demand for money, occasioned by the large military and naval forces, had caused the rix-dollar to appreciate and by a proclamation in 1806 the rix-dollar was assumed to be 4/-.

The increased quantity of money had brought about a higher level of prices. In 1810, however, further issues began and by 1814 the paper currency had been increased to 3,171,204 rds with the result that the rix-dollar fell to about 2/3 in that year. However, the further issue of paper money did not stop the depreciation here. In 1816 the rix-dollar had declined to 2/1 and for 1817 to 1820 it remained at about 1/9 to 1/10. After that year a new depreciation set in, probably also due to the appreciation of sterling in terms of gold, to about 1/6 in 1824. In 1825 the rix-dollar was devalued at 1/6. The devaluation of the rix-dollar, nominally 4/-, at the ruling rate of 1/6, was the result of an attempt to introduce sterling into the colony.-

The history of the depreciation and devaluation of the Cape currency took place with the simultaneous depreciation of the English currency. Thus, we find a state of affairs that, while the Cape rix-dollar was depreciated in terms of sterling, the latter was itself depreciated in terms of gold. During the Bank Restriction period from 1797 to 1821 England was off the gold standard and the paper pound was depreciated in terms of gold. The amount of depreciation fluctuated continuously, but the highest price of gold rose to £.5-10. instead of the normal price of £3-17-10½, so the maximum depreciation was about 30 per cent. In November, 1810, it reached a temporary minimum of about 7 per cent.

It is therefore of some importance that we should trace the currency developments in the mother country. The arguments that were advanced for and against the depreciation of the inconvertible paper money were also extensively used in the controversies which took place in the Cape Colony. Thus, for example, P.W. Grant, who insisted that the Cape paper was depreciated from excess, is a "bullionist," while his antagonist, J. Trotter, who denied depreciation is an "anti-bullionist."

The factual Background._____ When war broke out with France in 1793, the pound sterling was interchangeable with 123¼ grains gold.[1] England, although legally on a bimetallic basis, had for some time been in effect on a gold standard basis, since the mint ratio of silver to gold was such as generally to undervalue silver and thus

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1) Cannan: The paper Pound of 1797-1821, p.vii.

keeping it out of circulation.[2] The metallic currency consisted of guinea pieces (21/-) and multiples and subdivisions thereof, and of silver coins from the crown (5/-) down.

Gold was freely convertible into coin and though the law forbade exportation of coin and of bullion produced by melting it, "this seems in practice to have had so small an effect that the coin was in fact readily convertible into gold for mintage in foreign countries and for industrial uses both at home and abroad, whenever any appreciable profit presented itself."[3]

The metallic currency was supplemented by Bank of England notes, which promised to pay the bearer on demand £10, £20 and a few larger sums, and circulated freely in London and the immediate neighbourhood. Outside that area there were in circulation similar notes for sums of £5 and upwards, issued by over 200 country banks because the London private banks had long ago abandoned the budiness of issuing notes. These country bank notes were payable upon demand in specie or in Bank of England notes.[4] Bills of exchange of small denominations were extensively employed as a medium of exchange, while bank deposits subject to check were also in existence and constituted a part of what would today be regarded as the circulating medium, although this was not yet widely recognised.[5] The whole

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2) Viner: Studies in the Theory of International Trade, p.123.

3) Cannan: Op. Cit., pp. vii-viii.

4) Ibid., p.viii; Viner: Op. Cit., p.123.

5) Ibid., pp.123-124.

amount of Bank of England notes in circulation was about 12 millions, while the amount of country notes might have been not far off the same figure. The amount of gold coin in the country was supposed to have been from 20 to 30 millions.[6]

The near approach of the war in the winter of 1792-3 caused, and coincided with, considerable trouble among the country banks, which spread to London, and was only prevented from causing complete disaster by Government undertaking to lend five millions of Exchequer bills to merchants in difficulties.[7] Nearly two years of war passed without much financial difficulty. In 1793, Pitt, the Chancellor of the Exchequer, sent £2,715,232 in specie to his Continental allies. In 1794 he sent abroad were then £8,000,000, in 1795 more than £11,000,000, in addition to £4,702,818 for expenses of the fleet abroad. The Government also issued very large amounts of Treasury bills payable at the Bank.[8] The collective weight of these withdrawals threatened to drain the Bank to the dregs and the Bank directors began to complain of Pitt's excessive demands for accommodation.[9]

The Bank Restriction Act of 1797.[10] Thus, from

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6) Cannan: Op. Cit., p.viii.

7) Ibid., p.ix.

8) Saw: The Bank of England, p.46.

9) Cannan: Op. Cit., p.ix.

10) Vide Clapham: The Bank of England, 11, Chp.1. Andreades: History of the Bank of England, Part III, Chps. 3-6. Feavearyear: The Pound Sterling. Chps. 7-9. Cannan: The Paper Pound.

the outbreak of war with France in 1793 the Bank of England had been under a strain mainly because of the great demands for advances made upon it by the Government. England had incurred such expenditure that her financial position became menaced. In 1795 and 1796 it became evident that a financial crisis was ahead. In the latter year public expenditure shot up to 57¾ million while revenue was only 21½ million. It was clear that the Government and the people together were spending much more money than they could go on spending without a crisis.[11]

The gold reserve at the Bank had been seriously depleted. In 1796 coin and bullion had shrunk to 2½ million while the liabilities of the Bank were still 16½ million. In August of the same year coin and bullion had gone down another £400,000 while the liabilities were still about 16 million.[12] Early in 1797 a general panic, induced by rumours of a French landing on British soil and accentuated by failures and suspensions on the part of the country banks, led to a general demand for gold. On 25th February, 1797, there were only £1,272,000 of specie and bullion in the Bank as compared to ordinary reserves of £5,000,000. On 26th February, 1797,[13] the Government, at the request of the Bank, issued an Order-in-Council which permitted the Bank to suspend payments in cash, i.e. prohibited specie redemption of its notes. The causes for this suspension would appear to be the following.[14]

1. Disorders among the country banks and in the paper circulation of the provinces,

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11) Cannan: Op. Cit., pp.ix-x.

12) Ibid., p.x

13) Ibid., pp. xl-xiii; Andreades: Op. Cit., pp.201-2.

14) Ibid., pp.189-197.

which produced a crisis similar to that of 1793;

2. The general alarm due to a French invasion;

3. The excessive exportation of bullion or coin to the continent;

4. The unwise influence of the Government.

At the same time an act was passed allowing the issue of bank notes for sums under £5 but not below £1. Nothing in the legislation made bank notes legal tender, nor was there any provision for country and Scotch banks. However, these banks had apparently acted as if the Restriction required them, as well as the Bank of England, to refrain from cash payments.[15] How temporary this emergency measure was supposed to be is shown by the fact that this act was only to continue till 24 June; in fact it was kept in force by continuing acts for nearly 25 years.

Gold coin was soon little seen, much of it being exported and most of the rest hoarded. Silver required for all payments under £1 was very scarce, but the position was relieved to some extent by the stamping of foreign dollars with the King's head and by the Bank issuing silver tokens for 5/-.[16] "The crisis, with its excitement and alarm eased the situation. Private expenditure, both for consumption and investment, was doubtless checked by the general consternation, and the Government now began to check it further by imposing additional taxation, which made it more difficult for the individual both to buy what

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15) Cannan: Op. Cit., p.xiii; Andreades: Op. Cit., p.201

16) Cannan: Op. Cit., p.xiii.

he wanted and to save money out of his income. Even public expenditure was checked to some extent; in the next four years it was rather less than in 1796, and then only rose slowly, so that in 1810 it was but 76¾ millions, while the revenue had risen to 67."[17] Cannan pointed out that cash payments might have been resumed after a few months, and the Bank was quite willing, "but no Government involved in a great war is willing to give up so potent an engine for surreptitiously fleecing its subjects as an inconvertible currency, whether in its own hands or in that of a bank which it influences."[18]

Joined with the determination of the public to accept notes, the Act placed in the hands of the Bank the power of creating money without limit for the benefit of its shareholders, or Proprietors, as they were called. However, the example of the Assignats, just finishing their meteoric career in France, was sufficient to prevent the directors from adopting the fantastic belief that currency could be offered in indefinite quantity without depreciation of value. Before the Restriction Act the directors had been in the habit of making advances of notes whenever it seemed safe to do so, and the issue of notes thus appeared to be limited to the amount which could be advanced with safety.

Before the suspension the convertibility of the notes absolutely prevented the Bank from increasing its issues whenever the value of a given quantity of gold was appreciably greater than that of the notes which promised to pay that quantity. "Under convertibility a check would

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17) Ibid., pp.xvii-xviii.

18) Ibid., p.xviii.

have been imposed by limited quantity of gold, which would eventually have made the Bank 'anxious for the safety of its establishment'; with the means of manufacturing unlimited amounts of money on the premises, the Bank had no fears, and 'accommodated the public', perhaps not quite as liberal as usual, though of that there is no evidence, but at any rate too liberally to allow £1 to remain nearly equal in purchasing power to 123¼ grains of gold."[19] Early in 1809 the price of gold went up to 90/-, that is, the £1 in notes would only buy about as much as 107 grains of gold instead of 123¼. Prices continued to rise, especially those of wheat, bullion and foreign exchange.[20] Extra notes were issued to meet the deficiency in the currency, but the issue was in excess of actual requirements with the result that the notes became depreciated in value, until gold coins disappeared from circulation.[21]

In 1808, with the opening up of South America to British commerce, a wave of speculation set in, new companies of every kind sprang up and the Bank of England did nothing to restrain the expansion of credit. The Bank's discount was less than £3,000,000 in 1795, over £15,000,000 in 1809 and over 20,000,000, in 1810. The Bank of England notes in circulation increased from about 13½ million in 1798 to 19 million in 1809. In 1810 the Bank's rate issue amounted to £30,000,000, and the country banks, which had multiplied from 470 in 1797 to 721 in 1810, were estimated to have issued notes for £30,000,000, much of it to finance the boom in trade with South America and the

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19) Ibid., pp.xix-xxi.

20) Feavearyear: Op. Cit., pp.178-179.

21) Cannan: Op. Cit., p.xiii.

West Indies but also far more than they could safely put into circulation.[22]

During the period 1804 to the beginning of 1809 gold rose to 92/- an ounce and silver to 5/9. The price of most foreign currencies went up by at least 20 per cent and commodity prices in England to about the same extent. Guineas almost disappeared from open circulation and there began to be signs of a secret demand for them at prices above 21/-.[23]

The Bullionist Controversies.[24] The suspension of specie payments by the Bank of England in 1797 and the currency, exchange and price phenomena which followed it, gave rise to a controversial literature of great extent. Until the resumption of specie payments was approaching, the general trend of prices and of prosperity was upward; but resumption (1821) was followed by a long period of falling prices and of economic distress. The contemporary participants in the controversy arrayed themselves fairly sharply in two opposing groups,[25] viz; the "Bullionists" and the "Anti-Bullionists."

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22) Saw: Op. Cit., p.49; Andreades: Op. Cit., p.219.

23) Feavearyear: Op. Cit., pp.181-182.

24) See Viner: Op. Cit., pp.124-148.

25) Ibid., pp.120-121. The essential doctrines of the bullionists were expressed by a small group of writers, of whom Boyd, King, Thornton, Wheatley and Horner were most important during the first period, 1801 to 1803, of market premium on bullion and fall in the exchanges. Others were John Leslie Foster, Henry Parnell and Lord Lauderdale. The reappearance from, 1809 on, of a high premium on gold and a substantial fall in the exchanges, gave rise to a flood of tracts and pamphlets, of which the most important on the bullionist side, in addition to the Report of the Bullion Committee of 1810, were the contributions of Ricardo, his first appearance in print as an economist, T.R. Maltus, Robert Musket and William Huskisson.
The most effective statements of the anti-bullionist position were in speeches in Parliament by Nicholas Vansittart and George Rose and in tracts by Henry Boase, Bosanquet, Coutts Trotter and J.C. Herries.

The central issue of the controversy was made to turn on the question of whether the paper pound was depreciated; the bullionists insisting that it was depreciated and most of the anti-bullionists denying this. For the bullionists the paper currency was depreciated if it was issued to excess and they argued that a circulation exceeding in amount what could have been maintained under a metallic standard, was in excess. During the inflation phase the main issue in controversy was as to the proper method of determining the existence of excess of issue. The chief test of excessive issue used by the bullionists was the existence of a premium on bullion over paper currency and that a relative rise of prices in England as compared to those abroad and a fall in the sterling exchanges below parity, were evidence of depreciation. They maintained that the premium on bullion, the low rate of exchange and the high prices of commodities in general were symptoms and effects of the superabundance of paper money. Their conclusions rested on the following reasoning; the rate of exchange between two countries depended mainly on their relative purchasing power over identical commodities in the two countries; on quantity theory of money grounds, prices in the two countries depended on the quantities of money circulating therein; the price of bullion in paper currency was governed by the exchange rates with metallic standard curries; therefore, if the exchanges were below metallic parity, and if there was a premium on bullion over paper, this was evidence that prices were higher in England, and the quantity of currency in circulation greater, than would have been possible under the metallic standard prevailing prior to suspension of convertibility.

When the bullionists used the exchange rates as a test of the existence of depreciation they conceded that since even under a metallic standard the exchanges could fall below the mint parity to the limit of the cost of shipping bullion, a fall in the exchanges which did not go beyond this limit was not proof that there was excess of currency under inconvertibility. Even before 1797, English coin or bullion derived therefrom, was not legally exportable, and at a time when the exchanges were against England bullion would command a premium over its mint price in coin or in paper. The bullionists further recognised that the substitution in England of paper for gold and the export of the displaced gold would tend to result in a rise of prices in other countries in terms of gold, and that England could share in this rise of prices and could therefore circulate a greater quantity of currency than before without suffering a premium on gold or fall in the exchanges.

The Bullionists, however, regarded only coin and notes as money whereas an increase in bank deposits could depreciate bank notes. A currency might depreciate because of an increase in its velocity of circulation, its amount meanwhile remaining constant or even falling. Individuals would tend to hold smaller cash balances in proportion to the volume of their transactions if the currency was paper than if it was coin. Holding of paper involved risk of loss through fire, while the cost of rendering gold was greater than the cost of sending paper. Thus the cash balances would be reduced and the velocity of circulation increased. Under inconvertibility, speculative anticipations would affect the willingness of individuals to hold the currency and would therefore influence its velocity of

circulation and its value in relation to gold, to foreign currencies, and to commodities, independent of the effects of variations in its quantity. Under a metallic standard, if due to foreign remittances or heavy grain imports there occurs a temporary rise in the relative demand for foreign bills, an export of specie would tend to occur, which would operate both to lower the amount of the domestic circulation and directly to increase the supply of foreign bills by the amount for which the exported specie itself could be exchanged.

By no means all the Anti-Bullionists were willing to accept as the criterion, that if it could be shown that the circulation was actually greater than would be maintained under a metallic standard the currency would thereby have been demonstrated to be in excess. Most of the Anti-Bullionists recognised that there were limits beyond which it was undesirable to issue notes, but they failed to specify these limits precisely. They claimed, that as long as currency was issued only by banks and was issued by them only in the discount of genuine and sound short-term commercial paper, it could not be issued in excesso of the needs of business. The bullionists explicitly denied the validity of this doctrine.

The Anti-Bullionists had a more serious objection to raise against the acceptance of the premium on bullion over paper as a proof of excess currency. Both sides were agreed that under convertibility the exchanges could not ordinarily fall below the gold export point, since below that point, representing by its distance from mint parity

of the two countries the cost of transmitting bullion, it would be more profitable to ship billion than to buy foreign bills. The anti-Bullionists argued that the exchanges and the premium on bullion would be governed solely by the state of the balance of international payments. Most of the Bullionists admitted that extraordinary remittances could affect the exchanges adversely, but insisted that the quantity of note issues, through its effect on commodity prices, and thus on the balance of trade, was an additional factor which determined the exchange value of the English currency.

Since bank notes were issued both by the Bank of England and the country banks, responsibility for any excess issue of paper currency would lay with either or with both. The Bullionists said the Bankof England was responsible. According to them the Bank of England was the great source of all the circulation of the country, and by the increase or diminution of its paper, the increase or diminution of that of every country bank in general. They argued that every country bank had to keep a fixed percentage of reserves against their own note circulation in Bank of England notes, whereas the Bank of England was not subject to such a limitation. Since the anti-Bullionists denied any excess in the currency as a whole, they showed little interest in the attempts of the Bullionists to apportion responsibility for such excess.[26]

Viner pointed out, however, that all that could reasonably be inferned from the available data with respect to the operations of the Bank, is that during the Restriction period the Bank increased both its advances to the Government

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26) Viner: Op. Cit., pp.154-165.

and its commercial discounts substantially; that the increase in its commercial discounts was proportionately much greater than the increase in its advances to the Government; that rising premiums on bullion, falling exchange, and rising prices all failed to act as a check on the expansion by the Bank of its credit facilities of all types. "That the depreciation was.....only moderate, seems to have been due much more to the fact that 5 per cent discount rate had become traditional and therefore was not lowered than to deliberate policy of the Bank. Even if it be granted that the Bank of England exercised a stabilizing influence, the evidence is lacking that it did so deliberately and as a matter of policy, and the second as to the premiums on bullion, the fall of the exchanges, and the rise of prices demonstrated that it did not exercise sufficiently, if these phenomena are regarded as all the bullionists regarded them, as highly undesirable."[27]

The Bullion Report, 1810.[28] In February, 1810, Francis Horner, who till then had played so prominent a part in Parliament, moved the House of Commons for various "accounts and returns respecting the present state of the circulating medium and the bullion trade," and said he intended to move for a committee to consider the subject. The Committee was appointed on 19th February. The report, drawn up by Horner, Huskisson and Thornton, had become celebrated under the name of the "Bullion Report."[29]

The famous report of this Committee set forth a number of important conclusions with regard to the currency

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27) Ibid., p.168.

28) Vide Cannan: Op. Cit., pp.4-71.

29) Andreades: Op. Cit., p.220.

and the exchanges. The propositions enunciated were:

1. The variations of the rates of exchange with gold standard countries can never for any considerable time exceed the expense of transporting and insuring the precious metals from one country to another;

2. The considerable variation in the chief exchange rates beyond these limits was due to the excess issue of Bank of England notes and their depreciation as compared with gold, which had to be used for foreign payments;

3. The market price of gold could not exceed the mint price unless the purchasing medium - in this case paper - was depreciated.

4. The depreciation was measured by the difference between the mint price and the market price of gold.

The Committee regretted the continuance of the suspension of cash payments, and expressed the opinion that the only safeguard against excess issues of paper currency was convertibility into specie, and that the increased price of gold and unfavourable exchanges were the best criteria for judging the sufficiency or otherwise of the paper currency and for regulating the issues of Bank of England notes.

House of Commons rejects Report._____ The House of Commons, however, refused to adopt the recommendations of the Committee, believing that the Restriction Act had provided the country with huge sums needed to maintain the

war against Napolpon. The House preferred to put the cause of the trouble down to bad harvests, stoppage of trade with the United States, the great cost of the war and the blockade of English goods from the Continent.[30]

However, the views expressed by the Committee were upheld by subsequent events.[31] The bubble which had followed the opening up of South America and which had been accompanied by the great increase of credit and depreciation of money, burst at the end of 1810. There were many bank failures in the districts and in 1811 a Committee was appointed to inquire into the position. The year 1813 was a boom year. Commodity prices fell back a little in 1811, but turned upwards again in 1812 and reached the peak figure in 1814 of nearly 100 per cent above the level of 1790. Gold reached its highest point of £5.10 an ounce in 1813 and silver its highest of 6/11½ in 1814. Violent speculation and disaster followed the declaration of peace with Napoleon in 1814 and between 1814 and 1817, 89 country banks failed while the total circulation of country bank paper fell by nearly one-half.

Resumption of Cash payments.[32]_____ By this time there were growing agitations both in Parliament and outside, the one for a reform of the silver coinage and the other for a resumption of cash payments. In November, 1816, the Bank announced that it had enough gold to resume cash payments and would pay out on all notes issued before 1812; but the public seemed to prefer notes, and few were presented

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30) Saw: Op. Cit., p.50.

31) Feavearyear: Op. Cit., pp.193-195.

32) Vide Feavearyear: Op Cit., pp.197-212; Saw: Op. Cit., pp.51-52. Andreades: Op. Cit., pp.235-242; Cannan: Op. Cit., pp.xxix-xxxiv.

for coin, Before a general resumption of cash payments could be started an unexpected drain on the Bank's gold set in. Continental countries which had raised loans in England. wanted gold to replace their paper notes; a heavy debt was incurred as a result of the great importations of wheat during the Napoleonic war and finally, tourist expenditure had increased after the war. Yet in spite of this drain the Bank lent another three millions to the Government in 1816.

In January 1819 gold rose to £3-3 per ounce and the reserve fell to £4,000,000. Parliament became uneasy and ordered a report on the Bank's position. The outcome was the Act of 1819 by which the Bank's price of gold was ordered to be reduced to £3-17-10½d per ounce by 1st May, 1821, and so to continue for tow years, leaving the general cash payments to be resumed on 1st May, 1823, on the grounds that the only sound currency is one which is freely convertible into gold. With a return of good harvests and the paper currency as a reasonable gold standard again, the Bank's bullion reserve rose to the high figure of £14,200000.

Comparison with Development at the Cape._____ There are some striking similarities in the development of the currencies of the two countries.

1. In both cases the immediate cause of resort to inconvertible paper currency had been the pressure of public finance. The Dutch coins were introduced ~~at the Cape~~ at the Cape at an early date, but when England had

declared war on Holland in 1781, the usual supplies from the latter were not forthcoming. Expenditure had regularly been in excess of revenue and now with the supplies cut off from Holland the Government was confronted with serious financial problems. The Government accordingly received cash "penningen" from the colonists and issued in return notes which were eventually to be redeemed when the usual supplies from Holland were forthcoming. These notes were partially redeemed but a dangerous precedent had been created with the result that successive Governments resorted to the convenient mode of issuing inconvertible paper money.

England, prior to the Restriction, although legally on a bimetallic basis, had for some time been in effect on a gold standard basis. The Bank of England notes were convertible into gold or silver, while the country bank notes were convertible into Bank of England notes or specie. During the Napoleonic wars, however, England had incurred such expenditure that her financial position became menaced. The gold reserve at the Bank of England had been seriously depleted and when rumours of a French landing brought about a demand for gold, an Order-in-Council had to be issued in 1797, permitting the Bank to

suspend payment in cash. Inconvertible paper notes were then issued to meet the deficiency in the currency.

2. In both instances there followed a period of inflation and high prices. In the Cape Colony it was caused by excessive issues of the paper rix-dollar by the Government through the medium of the Loan Bank, while the Bank of England increased both its advances to the Government and its commercial discounts. Rising premium on bullion, falling exchanges and rising prices - all failed to act as a check on the expansion by the Bank of its credit facilities of all types.

3. The currency in both instances depreciated. In the Cape Colony the pa per rix-dollar depreciated in terms of sterling while the English paper pound depreciated in terms of gold.

4. During the period 1797 to 1810 prices rose in England which was mainly due to large production of gold and silver, improvement in the banking and credit system and to a certain amount of inflation. The inconvertible paper pound was depreciated and the amount of depreciation fluctuated continuously, reaching the highest depreciation for gold in 1813 and that for silver in 1814. From 1810 prices began to fall unsteadily. In 1800 the index

number of prices in England stood at 235; in 1824 it was 147.

However, in the Cape Colony, prices progressively increased, which increase especially dates from the first British Occupation, 1795 to 1803.

5. In both countries the currency, exchange and price phenomena which followed gave rise to controversial literature. One group of participants maintained that the currency had depreciated from excess while the other group denied this. In England the former group were called the "Bullionists" and their opponents the "Anit-Bullionists." At the Cape the bullionists were represented by P.W. Grant, while the anti-bullionists were represented by J. Trotter.

6. In both countries the currency situation had attracted the attention of Government, and Committees were appointed to investigate the question. In England the Committee submitted their celebrated Bullion Report in 1810. At the Cape the Earl of Caledon had appointed a Committee to enquire into the actual state of the Loan Bank and the causes of the absorption of the currency. This committee submitted their Report in January, 1808. Again, in 1814 Sir John Cradock wanted to review the whole currency situation and the Finance Committee was accordingly appointed.

7. In both countries the changes in price levels resulted in arbitrary and inequitable redistribution of wealth and income.

8. In 1816 the system of gold nonometallism was adopted and the Bank of England unsuccessfully attempted to resume cash payments. In 1821 the banks note currency was established on a convertible basis following legislation, passed in 1819, providing for the gradual resumption of specie payments.

At the Cape, however, the inconvertible paper currency was reformed in 1825. In that year the British Treasury thought it best to introduce English silver and copper throughout the Empire "provided the same be made convertible at the will of the holder, into the standard gold currency of the United Kingdom, by means of bills of exchange, to be given at a rate to be fixed for each station by the Officer in charge of the Military Chest, or some other public authority." Thus came about an early experiment in the gold exchange standard. Bills were to be issued for silver at the premium of £3 per cent. On 6th June, 1825, it was accordingly proclaimed that British silver should be legal tender at the rate of 1/6 for each paper rix-dollar.

PART IV.

THE NEW ERA.

CHAPTER I.

DEVELOPMENT OF BRITISH COLONIAL CURRENCY.

In the I7th century, in addition to the mainland "Plantations", the colonial possessions of Great Britain comprised little else than the senior colony of Newfoundland and part of the West Indies. In the I8th century Gibraltar, Canada and India were added and the New England States lost. Subsequently Australia, South Africa, Malta, the Eastern Colonies and numerous other possessions have been added to the British Empire.

Mode of Legislation. — " There is no doubt", wrote Lord Liverpool to the king in I805, "that the Sovereigns of most of the kingdoms and states of Europe have enjoyed and exercised from time immemorial the right of declaring at what rate or value the Coins of every denomination, permitted to be current in their respective dominions, shall pass, and become in that respect lawful coins, or legal tender." I) Apart from Mint indentures, the recognised mode of regulating the currency in the United Kingdom had been by Royal proclamation. Chalmers pointed out that such proclamation had for centuries been issued like other Royal proclamations by the Sovereign with the advice of the Privy Council. From very early times Acts of Parliament had also regulated the coinage of the realm but it would appear that Parliament was resorted to either for the purpose of furnishing supplies for the reform of the king's currency or else " to enforse his Majesty's authority in issuing proclamations."

Thus, the recognised mode of regulating the currency might be taken to have been by Royal proclamation issued by the Sovereign in Council. This Royal prerogative necessarily

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I) Chalmers: Op.Cit., p.38.

extended to the new dominions overseas, subject to the surrender of it by the Sovereign or to Colonial legislation. However, in this latter case, the legislation, though initiated by the Colonial Government, did not finally become law until it had been approved by the Sovereign in Council. This tacit surrender by the Sovereign of the function of initiation was the salient feature in the early history of currency legislation in the Colonies.[2)]

Throughout the I7th century the Colonies invariably initiated their own laws to regulate currency, the action of the Sovereign being confined to confirmation in Council. As early as I707 the principle had been established in practice that, provided the Sovereign had not confirmed a local Act repugnant thereto, the Sovereign in Council had power under the prerogative to regulate by Proclamation the currency of Colonies equally with the currency of England. An Act of the Imperial Parliament had been recognised as the supreme mode of currency regulation.[3)]

In I774 and again in I8I6 the Imperial currency was regulated by Act of Parliament which involved the assent of the Sovereign. These Acts of Parliament, however, had no reference to the Colonies. It was under the prerogative that the Order-in-Council of 23rd March, I825,[4)] was issued declaring that a sum of 4/4 in British tokens should be legal tender equally with a Spanish dollar " in all those Colonies where the Spanish dollar is now, either by law, fact, or practice, considered as a legal tender for the discharge of debts." Though the Order-in-Council of I825 did not order a Royal Proclamation, it was by Royal proclamation under Order-in-Council (after the legislation of I825 had been revoked - for America and the West Indies only -

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2) Ibid., pp.38-39.
3) Ibid., pp.39-40.
4) Rec 20, pp.372-3 23rd March, I825.

by Order-in-Council) that the remedial legislation of I838 was effected. Chalmers maintained that alike in I825 and I838, erroneous ideas prevailed as to the regulation of currency in the Colonies; it was not recognised (I) that the gold and silver coins of the United Kingdom as such, were not in the absence of some express enactment or proclamation a legal tender in the Colonies, in so much as the Imperial Statutes relating to currency did not, except by express enactment, extend to the Colonies; or (ii) that, under the prerogative, the Sovereign could only regulate Colonial currency in those Colonies where there did not exist a local legislature to which the power of regulating currency had been surrendered by Act of Parliament or Royal Charter.

So far we have dealt with metallic currency to the exclusion of paper money. According to Chalmers the Royal Prerogative as to coinage did not appear to apply to notes, a form of currency not contemplated in the early times from which the Prerogative dated. Apart from the formerly important, but which later become practically obsolete, usage of constituting Banks of Issue for the Colonies by Royal Charter, the paper currency had usually been regulated (i) in the United Kingdom by Statute and (ii) in the Colonies by local Act. The intervention of the Imperial Parliament with regard to paper currency in the Colonies had been confined to the passing in I750 - I773 of Acts " to prevent paper bills of credit hereafter to be issued in any of His Majesty's Colonies or plantations from being declared to be a legal tender in payments of money, and to prevent legal tender of such bills as are now subsisting from being prolonged beyond the periods limited for calling in and sinking the same".[5)]

The currency of the British Colonies was as varied as their geographical position. In I704 and again in I825, the

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5) Chalmers: Op.Cit., pp.43-44.

Imperial Government legislated with a view to regulating colonial currency and these two dates may be taken as dividing the history of the subject into three periods, the first of which ends with I704, the second with I825, while the third epoch extends from I825 onwards. The currency history of the period to I704 was marked[6] (a) by the rise of denominational currency systems as the result of competitive over-valuation of Spanish silver in terms of sterling, and (b) by the final predominance of the clipped piece of eight. It was not till the close of the I7th century that coin superseded commodities even in prosperous colonies; in the more backward settlements barter continued to dominate the currency. Gold coins were scarce and were regarded as counters rather than as real money. In this period also the regulation of colonial currency had been tacitly left in the hands of the Colonies themselves.

In this state of affairs, however, it is not surprising that confusion reigned and complaints began to pour in on the Home Government. The early years of the I8th century were therefore marked by a serious effort in England to grapple with the grave inconveniences and anomalies of colonial currency as a whole, and to introduce law and order perforce. Being inadequate in its scope the effort failed of its direct object. After about the middle of the I8th century up to I798, practically no action was taken by the Imperial Government as regards metallic colonial currency, except to strike copper coins for some of the Colonies which later formed the United States of America.[7]

Except in Canada, where gold was undervalued, and where currency legislation in the I8th century was directed to the retention of gold coins in circulation, the over-valuation of gold and the consequent inability to retain silver coins in

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6) Chalmers, Op.Cit.p.I0.
7) Ibid.,pp.I8-I9.

concurrent circulation, had led at the close of the I8th century and beginning of the I9th century to the circulation of "cut money".[8] Dollars and their parts were cut up and the fractions circulated at their nominal value. This naturally gave rise to fraud, five quarters being commanly derived from cutting up a dollar and the Colonial Governments were constrained - particularly in the West Indies and on the West Coast of Africa - to stamp all " cut money" which was to remain legal tender. Some Colonial Governments resorted to the expedient of cutting a central disc out of the Spanish dollar in order to retain silver in circulation. As in the United Kingdom, so in most of the Colonies the great need was for a subsidiary or token silver coinage and the above measures were endeavours to secure this end.

With the large increase of the British Colonial Empire at the beginning of the I9th century, the problem of colonial currency, already complex enough in the West Indies, was further complicated by the acquisition (from the Dutch) of Colonies with a paper currency. The Imperial standard of metallic currency was still unsettled and the Imperial Government was not in a position to grapple with the difficulties of other currencies than its own. Consequently, a perfunctory sanction was given to the coinage of depreciated dollars for Demerara and of depreciated rixdollars for Ceylon; and copper coins were shipped, when colonies asked for small charge. But in I8I6,[9] when the principles of the metallic currency of the United Kingdom were finally settled on the basis of gold monometallism, the Imperial Government began to turn its attention to the deficiencies of colonial currency, and circulars were sent out to the Colonies asking for particulars as to their systems of

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8) Ibid., pp.20-2I.
9) Vide Rec II, pp.87-95, I8th March,I8I6: Instructions from the Lords Commissioners of H.M. Treasury to the governor of the Cape of Good Hope.

Colonies and (iii) the prompt pressure which was brought to bear on France in I766 to pay off " the drifts of worthless paper in which Canada floundered" at the date of its capture by British forces.. During the great war this sound policy was abandoned, in practice, under stress of the financial difficulties in which the Imperial Government was plunged both at home and abroad. With a forced paper currency in circulation in England, it was not to be expected that austere principles of finance could either be preached or enforced in the Colonies. Chalmers said that it was, however, creditable to the Imperial Government of the day that, with the exception of an issue in Canada in I8II (which was punctually redeemed a year or two later), no new paper was put in circulation in the Colonies. On the otherhand, while the Imperial Government resisted the temptations to create new issues, its financial exigencies rendered it powerless actively to reform existing evils,, in the shape of the worthless paper inherited from the Dutch in the newly acquired Colonies of British Guiana, Ceylon and the Cape.. In these Colonies existing issues, so far from being called in, were largely increased under British rule, prior to I825.[I3)]

These foregoing remarks applied, however, to Government notes. As regards issues by banks, the policy in vogue, alike in the Colonies and in the United Kingdom (with the exception of the Bank of England), was the policy of laissez - faire; practically the banks established in the Colonies were allowed to control their paper issues for themselves, subject only to unlimited liability. Even private individuals were allowed to circulate their own notes, notably in British Guiana and the new Australian Colonies. In Tasmania, for example, private notes ranged as low as 6d; and even in New South Wales in I8I3 a Proclamation had to be issued to forbid the issue of promissory notes for any sum of money under 2/6.[I4)]

I3) Ibid., p.22.
I4) Ibid., p.23.

Except for shipping copper coins to the Colonies from time to time, the British Government had not been able to pay much attention to their currency problem before I825. Violent speculation and disaster followed the declaration of peace with Napoleon. In I8I6 the system of gold monometallism was adopted and the Bank attempted to resume cash payments but this attempt failed on account of the rise in the market price of gold. Since I797 England had been on a paper basis which was only replaced by a currency on a metallic basis on Ist May, I82I, following legislation passed in I8I9, though the Act had fixed Ist May, I823, as the last date for the resumption of cash payments.[I5] The year I825 marked the down of a new era, for in that year the British Government made its great attempt to introduce British silver into circulation throughout the Colonies. It wished to introduce a fixed and uniform medium of exchange for all public payments. In all the Colonies the Spanish dollar had generally been the money of account, and even if, as at the Cape, payment to the troops had been made in other money, its value was determined by reference to the Spanish dollar.

State of the Spanish Dollar. ___ In the British Colonies and possessions abroad the Spanish dollar had generally been the prevalent current coin, and the standard by which the value of other currencies, whether metallic or paper had been determined. This coin had been the medium of payment to the troops on foreign stations generally, but the rate in sterling money at which it had been issued to the army had not been the same at all of these stations, nor had that rate in any case been fixed in conformity with the intrinsic value of the coin. In the West Indies, America, on the Western coast of Africa, at the Cape of Good Hope, at Mauritius and New South Wales, it had

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I5) Thomas: Elements of Economics, p.4I9.
Andréádés: History of the Bank of England, p.242.

been reckoned im payment to the army at 4/8, while at Gibraltar and in the Mediterranean it had been issued at 4/6. At some of these places, payments were made to the forces in other coins than Spanish dollars, but in those cases the value of such coins had been regulated by the Spanish dollar, assuming the value of the latter at the army rate fixed for each station.[16]

The intrinsic value of the Spanish dollar as compared with British standard silver, at the mint price of 5/2 the ounce, was about 4/3 or somewhat less than 4/4 and at the market prices of silver which had prevailed for some time past, it was scarcely above 4/-[17] It appeared that the prices at which dollars were issued to the British troops abroad were considerably higher than the real value of the coin, or its value in British money at the mint price of silver. The army would have had cause to complain if they had not antecedently enjoyed the advantage of receiving this coin at a value much below the value into which it was convertible in British currency through the medium of the exchanges.

The British Government have, however, received many remonstrances from the foreign stations, on behalf of the army, on account of the rates at which the dollar was issued. Although the change by which a more correct issue of the pay of the troops abroad had to be introduced, would inavoidably be attended with a considerable increase of expence, the Lords of the Treasury thought it just and necessary to adopt means for that purpose. At the same time it must be observed that by the regulations adopted for the pay of the regimental officers, who would otherwise be the most seriously affected by the disadvantages of the army-rate of exchange, were wholly freed from its inconveniences as they had for many years enjoyed the

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I6) Rec 20, p.I8.
I7) Ibid., pp.I8-I9.

option of receiving their pay either from the military chest at the station where they served, or through their agents in England. By this means they had the full benefit of the state of the exchange when it was more favourable than the army rate, and the advantage of the army rate when it was less so. The inconvenience had, therefore, since that regulation, been confined to the officers on the staff, and some others who as well as the private men, received their pay from the military chest alone. They were, however, in some degree indemnified by the mode in which those supplies in kind were procured for them, which to a certain extent were defrayed by stoppages from their pay.[I8)]

In considering this subject we should also note the circumstances which affected the supply of the Spanish dollar. Some difficulties in procuring it in sufficient quantities, were occasioned by the diminished production of the mines. On the other hand the established character of this coin, on account of its formerly well-known uniformity of weight and fineness, had been materially affected by diversities introduced in the coinage of America, whereby it had been rendered less fit for the payments of the armies abroad.[I9)]

In I825 the British Government made its great attempt to introduce British silver into circulation throughout the British Colonies. The causes of this revolutionary change were two-fold arising from circumstances affecting (i) the Spanish, and (ii) the British currency. In the first place, the successful revolt of the Spanish Colonies in America had cut off by I820 the supply of the iniversal Spanish dollar. For about half a century these had been a dearth of the fractions of the dollar for subsidiary circulation in the

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I8) Ibid., p.I9.
I9) Ibid.,p.20..

Colonies. The British Government was also alive to the prevalence of spurious paper money and of "cut" end "plugged" money which was the curse of Colonial currency in the West Indies.[20] In the second place, the Act of 1816, establishing gold as the sole standard of value in the United Kingdom, had placed the British metallic currency on a sound basis, establishing a token silver coinage, which for the first time for centuries remained in circulation. Furthermore, the new mint was now in full working order and able to satisfy even greater demands than those made upon its resources for purpose of interval circulation. "Consequently the disease seemed almost to suggest its own remedy. The new shilling was a success at home; why should it not prove as great a success in the Colonies, and form a (silver) link between them and the mother country?"[21]

Apart from the interests of the Colonies the British Government also had its own interests to consult. The large payments to troops and officials in the Colonies, amounting to several millions sterling per annum, were made heavier by continual shipments of specie" "neccessitated by conflicting and unsound systems of Colonial currency." If British silver could be substituted once and for all as the circulating medium of the Colonies, it would not only save the expence of shipping specie, "but also swell the Imperial gain by seignorage on subsidiary silver."

"On grounds, therefore, both of policy and of expediency, it seemed desirable to introduce British silver coins into circulation in the Colonies. The real justification of the measures of 1825 was one which was only vaguely felt at the time, and which required the subsequent experience of half a century to demonstrate and to define. That justification is

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20) Chalmers, p.23.
21) Ibid., pp.23-24.

to be found in the fact that the Spanish dollar, the universal coin of three centuries, had lost its supremacy, and that its universal dominion was in process of disintegration into rival 'currency areas', chief among which was destined to be the area dominated by British sterling." 22)

The first step in this direction was the appearance of a Treasury Minute dated IIth February,I825, the substance of which was communicated to the several Commissaries by circular letter of the I2th February,I825. In order to give legal currency to the British coins in the Colonies generally, an Order in-Council was passed on 23rd March, I825.

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22) Ibid., p.24.

CHAPTER II.

THE INTRODUCTION OF STERLING INTO THE CAPE COLONY.

Imperial Enactment 11th Feb., 1825.[1] The Lords of the Treasury accordingly considered the state of the currencies in the several British Colonies and possessions abroad, especially as they affected the expenditure for the public service, both military and civil. They considered that the prevailing period of peace was an appropriate time for introducing a fixed and uniform medium of exchange for all transactions connected with the public service, in the place of the various, fluctuating and anomalous currencies which had been created under the pressure of temporary emergency or with a view of local and peculiar expediency. These currencies had produced much private and public inconvenience.

They came to the conclusion that the fittest medium for the payment of the forces, and the best standard of circulation for the British Colonies and possessions where these anomalies had prevailed, would be the silver and copper currencies already circulating in England "provided the same be made convertible, at the will of the holder, into the standard gold currency of the United Kingdom, by means of bills of exchange, to be given at a rate to be fixed for each station by the officer in charge of the military chest, or some other public authority".[2]

Owing to the rate at which the silver was converted into coin at the mint (which was considerably above its general market value, as well as its former mint price), this currency, the Lords of the Treasury thought, would not be liable to be withdrawn by private speculation, from the Colonies. Moreover, its ready convertibility by the means

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1. Rec.20, p.18, 11th Feb., 1825. Treasury Minute.
2. Ibid., p.20.

of the above mentioned, into that money which was the legal tender for large payments in England, would secure its circulation at the same value in the Colonies.[3] If the rate at which bills were to be procurable was about equal to the expense and risk of shipping coin to England, the danger of any inconvenience from its reimportation into England would in a like manner be avoided. Accordingly they decided that a bill of £100 would be obtainable for £103 in British silver currency; "such rate being subject to future regulation in any case in which it may, an experience, be found to be too high, or too low, for the purpose which it is intended to secure."[4]

But the substitution of this currency for the Spanish dollar, even in the payments from the military chest to the troops, could only be gradually effected and in some cases it might be still advisable to employ the Spanish dollar as a medium of payment at a fixed rate as compared with British currency. The Lords of the Treasury therefore decided, that when necessary, the Spanish dollar should be issued at the rate of 4/4, being a fraction of a farthing only above its intrinsic value at the rate of 5/2 the ounce of standard silver. All other coins in use in the Colonies should, if used under any special expediency for making payments from the military chest, be issued at about the same rate with reference to their intrinsic value as compared with that of the Spanish dollar.[5]

The attention of the commanders of the forces was to be called to the rates at which certain allowances in money were made within their respective commands for forage, lodging etc., etc., which, having been fixed in British money with reference both to the expense of the articles, and to the

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3. Ibid.
4. Ibid.
5. Ibid., p.21.

value of the currency in which the payments were made, would require a revision upon the introduction of the changes directed. Boards had to be appointed at each station for inquiring into the subject of these allowances, and for reporting what alterations should be made in their nominal sterling rates, so as to keep the real amount of them at least as low as their existing rates, "for which purpose the reduction must in all cases be equal to the difference between the present army rate of the dollar and the proposed new rate of 4/4 for that coin."[6]

The officer in charge of the commissariat had to be instructed that all unliquidated engagements with contractors or other persons, were to be completed according to the terms of those engagements; but that in all future contracts the commissariat should reserve to itself the option of paying the contractor either in British silver or in bills upon the British Treasury at the rate of £100 in such bills for every £103 in money. The commissaries were not to grant bills on any occasion for British money at any other rate.[7]

If at any time there should not be a sufficiency of British silver at the disposal of any commissary for carrying on the service at his station, he was then to advertise for Spanish dollars or other coins, by public competition, for his bills on the British Treasury, and was to accept the lowest tender. The dollars or coins so purchased was to be issued invariably to the troops at the rate of 4/4 for the Spanish dollar, and at proportionate rates for other coins, according to their intrinsic values as compared with the Spanish dollar valued at that rate.[8]

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6. Ibid.
7. Ibid.
8. Ibid., p.22.

The Secretary of State, lord Bathurst, was to instruct the various governors regarding the carrying out of these measures.

For New South Wales, Sierra Leone, Mauritius, Ceylon and the Cape of Good Hope, special instructions appeared necessary.[9] As for the Cape, there was at the time practically no metallic circulation, though the troops had previously been paid in Spanish dollars at the universal rate of 4/8. The paper money was not exchangeable against any metallic money, nor had it any real fixed value with reference to metallic money. The nominal value of the rixdollar was 4/- but it had for many years been at a very considerable discount in exchange for bills upon England, and its real value, with reference to those bills had depreciated to 1/6 sterling.

The Lords of the Treasury considered it inexpedient, "if not impossible to introduce a metallic currency into the Colony, without either providing for the immediate payment of the whole of this paper money, or fixing a rate at which it should be received both in public and private transactions, and made exchangeable by the Government, at the will of the holder, for metallic money, or for bills upon this Board". With reference to the average rate of exchange it appeared to the Lords that 1/6 per rixdollar might be considered as a fair rate and they were of opinion that the rixdollar should be declared equal to 1/6 in British silver money. With a view to prevent it from falling below that rate, it was further declared to be exchangeable at all times, at the will of the holder, for bills upon the British Treasury, at the rate of £103 in value of rixdollars computed at 1/6 each for every £100 bill.

They ordered that upon the arrival of a sufficient amount of British metallic money "no paper brought in to be

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9. Ibid., pp.26-27.

exchanged for bills upon this Board should be re-issued, but that such paper money should be cancelled and wholly withdrawn from circulation, and that none other in lieu thereof should thereafter be issued." The paper withdrawn should be sent to England as vouchers for the bills which might be drawn on account of it. By this measure, it was presumed that the value of the paper money would be maintained at its fixed rate, with reference to British money.

The paper in circulation was about 3,108,000 rds. and would require £226,000 of bills if the whole amount were exchanged for such bills. But part of the paper had been issued by the Lombard Bank upon various securities so that its repayments should also be applied towards the liquidation of the paper money.

It was not their intention, however, to withdraw the whole amount of paper from circulation by compulsory measures; only such amounts as were brought by individuals from time to time in exchange for bills should be cancelled. The paper received for rates, taxes or other revenues should be re-issued in payment of current expenditure, except the notes of less than 10 rds. These were to be cancelled and sent home as vouchers, as well as the notes received by the Lombard Bank, in liquidation of the debts due to it. A new schedule of rates, duties etc., was to be drawn up giving the old rixdollar rates and the new sterling equivalent thereof. Finally all Government officers were in future to render their account in British money.

Lord Bathurst entirely approved of the measures proposed by the Lords of the Treasury and was of opinion that it would be advisable to give effect to the arrangement by an Order-in-Council.[10] Accordingly the Order-in-Council of

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10. B.P.P.438, p.9, 28th Feb., 1825.

23rd March, 1825,[11] declared that with respect to the Cape of Good Hope, where there were no Spanish dollars in circulation but where the circulation consisted entirely of paper rixdollars and its proportion, it would be expedient that a tender and payment of 1/6 in British silver money should be considered as equivalent to a tender and payment of one such rixdollar and so in proportion for any greater or lesser sum. In addition British copper money was also to be a legal tender in all British Colonies "for its due and proper proportions of British silver money" as established by law in Great Britain. However, no person could be compelled to take more than 12d. in copper money for any one payment. The Lords Commissioners of His Majesty's Treasury and the Earl of Bathurst, one of His Majesty's principal Secretaries of State, were to give the necessary directions to the Colonies concerned.

Enactment at the Cape.- On 6th March, 1825, Bathurst informed Somerset that the British Government had decided to introduce British currency as the circulating medium of all Colonial Possessions.[12] He was to issue a proclamation simultaneously with the instructions to the troops. Furthermore, he had to issue a new schedule of rates, duties etc., payable to the crown "in which schedule the present rates in Rixdollars and the new rates in British money at the proposed rate of the Rixdollar, should be specified". The collectors and other civil servants of the government had to be instructed to render their accounts in British money. Finally Bathurst deemed it necessary to add that the Lords Commissioners of His Majesty's Treasury desired that the operation of exchanging the paper money of the Colony to the

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11. Rec.20, pp.372-373, 23rd March, 1825. Order-in-Council.
12. G.H.1/9 no.631, 6th March, 1825. Secretary of State lord Bathurst to lord Charles Somerset. Rec.24, p.347.

British metallic currency, "by which such paper will be gradually and without only compulsory measures withdrawn from circulation", should be left exclusively to the management of the officer in charge of the commissariat at the Cape.

On 10th April, 1825 Bathurst forwarded the Order-in-Council of 23rd March and he also enclosed a circular[13] of the Treasury, dated 12th February, 1825, addressed to the officer-in-charge of the duties of the Commissariat Department as to the arrangements for carrying out the views of His Majesty's Government. Bathurst desired that promulgation and fullest publicity be given to these documents.[14]

Accordingly Ordinance no.2 of 6th June, 1825[15] "for making British silver money a legal tender in discharge of all debts due to individuals, and to Government, at the rate of one shilling and six pence for each paper rixdollar" gave local effect to the Imperial Legislation and was to take effect on 1st January, 1826. All heads of departments in the Colony and all other civil servants had to render their accounts in British money; in addition all contracts entered into or purchases effected by the civil departments for the public service had also to be made in British money after that date. On 18th June, 1825 a "table or scale specifying the relative value of the paper rixdollar and of all the lesser proportions thereof, with British money", was published.[16] The British silver coins were to be 5/-, 2/6, 1/- and 6d., and the copper coins 1d., ½d., ¼d. The

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13. Vide Appendix "L".
14. G.H.1/9. no.640 10th April, 1825. Secretary of State lord Bathurst to lord Charles Somerset.
    Rec.24, pp.347-353; G.H1/9 no.650½ 7th March, 1825: G. Harrison to lord Charles Somerset.
    Ordinance no.6 of 1825: Ordinances, Cape Archives, Cape Town.
15. Rec.21, pp.476-477 6th June, 1825.
16. Govt. Gazette 18/25: June, 1825; C.O.233 no.97. 4th July, 1825.

corresponding value of the paper currency with British money was to be:-

1	Skilling.....	$2\frac{1}{4}$ pence.
2	"	$4\frac{1}{2}$ "
4	"	9 "
1	Rixdollar	1/6.
2	"	3/-.
500	"	£37/10/-.
One	Cape Guilder	6 pence.
40	" "	£1 sterling.

This in turn was followed by Ordinance 6 of 1825, promulgating the Order-in-Council and the instructions of the Lords Commissioners of the Treasury, for general information.[17] Thus a new era had now begun for the paper rixdollar. It had received a sterling rating at which it was readily exchangeable into sterling bills.

Silver and copper coins to the amount of £42,000 were sent from England and issued to the troops.[18] In 1826 £19,799-19-6. in silver and £1,005 in copper were introduced while in 1827 they amounted to £40,000 in silver and £225 in copper.[19] By February, 1827 the amount of silver and copper that had been sent out by the Treasury since the Order-in-Council, was £61,005, but of this sum only £56,000 had been yet issued.[20]

The actual amount of paper money in circulation on 1st January, 1825, was Rds. 3,102,204-5 which was made[21]

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17. Ordinance no.6 of 1825: Ordinances, Cape Archives, Cape Town.
18. C.O.233 no.74; C.O.5967. £40,000 in Silver and £2,000 in Copper.
19. C.O.5969; C.O.329 no.7.
20. Rec.30, p.389 18th Feb., 1827.
21. Rec.19, p.390; Rec.22, pp.123-127. Vide Appendix B.

up as follows:-

Issued by the D.E.I. Company to meet current expenses.....	Rds.	613,910.
Created by Company as Capital for the Loan Bank.....		677,365.
Total circulation at surrender, 1795.	Rds.	1,291,275.
Issued under British Administration 1795-1803 and accounted for to Batavian Government but never redeemed.....		330,000.
Created by British 1795-1803 as additional capital for the Loan Bank.....		165,000.
Total circulation at Retrocession, 1803.	Rds.	1,786,275.
Issued by Batavian Administration 1803-1806 to meet current expenses.....		222,090.
Created by Batavian Administration as a loan to District of Stellenbosch.....		75,000.
Added by Batavian Administration to capital of Loan Bank to make even money.....		2,635.
Total at Recapitulation, 1806.	Rds.	2,086,000.
Issued for erection of public buildings and as a loan to Burgher Senate to construct water works in Cape Town.....		500,000.
To establish a granary.....		80,000.
To replace some old Dutch notes not included above.....		5,204 5/8
As additional Capital for Loan Bank.....		500,000.
Total Issues.	Rds.	3,171,204 5/8
Less paper money destroyed:-		
Repayments by Stellenbosch of Rds.75,000 loan, 54,000.		
Repayments by Burgher Senate of Rds.300,000 loan, 15,000.		
		69,000.
Total in circulation on 1st January,1825.	Rds.	3,102,204 5/8

(continued)..... 3,102,204 5/8

Thus:

The Capital of the Loan and Discount Bank, secured by mortgages and pledges of various kinds, amounted to. Rds 1,345,000.

Public Debt..... 1,757,204 5/8

Rds. 3,102,204 5/8

At 1/6 to the rixdollar the paper circulation aught thus to have been equal to £232,665-7. But a few years later an excess was discovered to the extent of 484,851 rds.[22] and as there was a frequent exchange by the Government of old and new and defaced notes, it was not possible to ascertain when or by whom the forged paper was issued. There was no remedy, so it was of necessity added to the public debt. The paper actually in circulation amounted therefore to 3,587,056 rds. or £269,029-4 sterling.

The Reaction.- This measure affected the people in various ways. Those who owed money to the Bank and to individuals and all whose rates, especially quitrents, were fixed in rixdollars, were naturally jubilant. On the other hand, persons who had brought British money to the Cape and invested it, those to whom money was due, those whose incomes were fixed in rixdollars, the Orphan Chamber and all others to whom a rise in the rate of exchange would have been advantageous, believed themselves to be greatly wronged.

The reaction was immediate. On 8th June, 1825 a memorial was addressed to lord Charles Somerset signed by 297 inhabitants of the Colony "being landed proprietors and otherwise interested in fixed and other property" in the Cape Settlement,[23] They have considered with the deepest concern

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22. Theal: History of South Africa, 1795-1828, p.343.
23. Rec.24, pp.270-273, 8th June, 1825.

the Ordinance which made British silver money a legal tender in discharge of all debts due to individuals and to government at the rate of 1/6 for each paper rixdollar. If this Ordinance was to have immediate effect it "cannot fail of entailing the most ruinous and disastrous consequences and of involving them and their families in the utmost distress". They went on to say that they were long resident in the Colony and had always loyally subjected themselves "to the effects of certain measures" adopted by the Government from time to time. While they lamented the operation of these measures and cheerfully obeyed, they never suspected that the currency would be redeemed upon any other than the original understanding. They were wholly at a loss to account for the cause of the adoption of this precipitate measure that never had the advantage of a report from His Majesty's Commissioners of Inquiry upon it "else they conceive that a result more nearly approximating their legitimate and well-grounded claims would have been the consequence". The memoralists firmly believed that had His Majesty's Ministers been fully aware of the ruinous effects of this measure they would certainly not have issued such an Ordinance. They accordingly requested Somerset to suspend the operation of the Ordinance until they should have had an opportunity of representing to the Home Government and until they should have received a reply from them.

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Somerset replied, however, that by the Royal Commands he was precluded from suspending the operation of the measure but that he would always be willing to submit any representations of the inhabitants to His Majesty's Government provided they were "couched in respectful terms". Although Somerset had made up his mind he was careful enough to have his opinion confirmed by the members of the

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24. Ibid., pp.272-275.

Council.[25] The Chief Justice was of opinion that the execution of the Order, as it related to the discharge of all debts due to individuals would be attended with injurious consequences to the Colonists which it would not be in the power of the Colonial Government to redress, if the order, as was expected, were withdrawn; therefore, if the governor did not feel himself justified in granting the requested suspension, he recommended the adoption of such measures, in the interim, until His Majesty's pleasure on the representation of the inhabitants should be known, as might tend to soften the operation of the Ordinance so as to prevent the impossibility of giving redress when ultimately that representation might meet with a favourable result. The Colonial Secretary thought that the governor ought not to suspend the measure which he had been commanded to carry into effect both by Earl Bathurst and the Lords of the Treasury. They must presume that the British Government would not have adopted it without due consideration of all the interests concerned. As to suspending the operation of that part of the measure which applied to individual debts, and allowing the other part of it to remain in force, it would inevitably lead to general confusion. The only mode which he could point out for preventing any difficulties that might arise from the operation of the Ordinance, should His Majesty's Government deem the general remonstrances which had been made against it by the inhabitants of sufficient weight to induce them to alter the rate at which the British money had been made a legal tender, was by giving public notice that until His Majesty's pleasure on the subject be made known, any persons who might feel themselves aggrieved under the Ordinance would be allowed on application to Government to that effect to deposit such British money in the Commissariat Department

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25. Ibid.

or in the Treasury and to receive back the amount in paper rixdollars at the same rate. The officer next in command to the Commander of the Forces was of opinion that His Majesty's commands on the execution of the Ordinance left no discretionary power in the hands of the Governor-in-Council and that consequently he would not be justified in suspending or even modifying its operation. Lt.-Col. Bell believed that under the existing circumstances the governor aught not to suspend the operation of the Ordinance but that that opinion did not imply his approbation of the measure thereby to be directed into effect. According to the Auditor-General it was not in the power of the governor to suspend the operation of the Ordinance, nor any part thereof, but that at the same time, the sudden though unavoidable adoption of that measure was much to be regretted. Finally, the Receiver-General did not think that Somerset would be justified in suspending the Ordinance; but as the execution thereof would be attended with the most serious consequences to the inhabitants it would be most desirable that such measures should be adopted by which the consequences would be obviated, until His Majesty's pleasure should be known on the addresses which the inhabitants were about to present.

On the same day the Burgher Senate sent in a memorial to Somerset soliciting him to suspend the operation of the measure until "we shall have laid before your Excellency the humble and general remonstrance of the inhabitants of this Town"[26]. Although Somerset would not accede to their request he informed them that His Majesty's Government had adopted the measure with the best intention for the ultimate welfare of the Colony. "It is well-known that no important change can be made in any State without the interests of some few individuals being partially borne upon". He further expressed

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26. Ibid., pp.266-267, 8th June, 1825: Burgher Senate to lord Charles Somerset.

the hope that when this measure was more fully understood that it would appear that the general advantages that must accrue from giving an intrinsic value to the currency of the Colony would outweigh the injuries which it was apprehended individual property might receive.[27]

On Friday, the 10th June, 1825, a large number of the inhabitants and freeholders gathered at the Town House.[28] They drew up a petition which was signed by a number of people and with Mr. J.J. van den Berg placed at their head, requested the members of the Burgher Senate there present to intercede for them and the community at large with the Governor-in-Council, "to obtain, that this Ordinance might at least be suspended in its consequence and effect, until they shall have had an opportunity of laying their grievances before His Majesty in Council, and his pleasure shall then again be made known". Upon this occasion Mr. J.J. van den Berg, in delivering the above petition addressed the members of the Burgher Senate to the following effect:

"Gentlemen,

Allow an aged freeholder, drawing near to his 80th year of age, fifty of which he has passed in the Colony, called forth by the numerous, peaceable, and loyal subjects now assembled here, to discharge the trust placed in him, with the most heartfelt sorrow and concern.

We have all been roused and alarmed by the Ordinance of His Excellency in Council, making our Paper Currency, which we have always looked to as intrinsically worth 4 shillings per rixdollar, now depreciated for ever by two-thirds, and no longer to be valued for more than 18d. sterling. This measure cannot fail to produce the immediate and general ruin of the Colony. I foresee a

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27. Ibid., pp.267-268 10th June, 1825: lord Charles Somerset to Burgher Senate.
28. S.A.C.M.A. 15th June, 1825.

general suspension of all energy, and at my advanced age, I almost regret ever having been industrious to acquire property so precarious. I therefore unite with the inhabitants here assembled, to call your attention to the Petition, which now, with trembling hands, I lay before you; and humbly entreat that your efforts, as Fathers and Guardians to all our Rights, may be forthwith directed to pray from His Excellency's Council, that the above Ordinance may be suspended in its execution, until we shall have had an opportunity directly to address His Majesty on this subject, and rest assured, that our remotest generations will ever waft their thanks to your efforts directed to so general a course."

On the same day the Burgher Senate reported to Colonial Secretary, Plasket, that while they had assembled in their Court Hall on the 10th June, they were "approached by a considerable number of the most respectable inhabitants of this town, headed by a venerable old gentleman, who, with tears in his eyes and with a faultering voice presented a memorial to our Board in the name of himself and those that surrounded him".[29] At the request of these citizens the Burgher Senate allowed them to hold a meeting in the Town House.[30] The Burgher Senate transmitted this memorial, signed by 118 "respectable inhabitants", to the Colonial Secretary, R.Plasket.[31] They were hopeful "that the evil still may and will be redressed". They pointed out that the rixdollar was maintained at its original value by the Dutch Government and that the British Administration by public acts and proclamations persuaded them that 5 rds. were equivalent to one £ sterling.

The Burgher Senate, however, was not satisfied with

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29. C.O.244, no.19, 10th June, 1825; Rec.24, p.268.
30. See also Rec.24, p.270. 11th June, 1825: Colonial Secretary R. Plasket to Burgher Senate.
31. Ibid., pp.269-270. 10th June, 1825.

the answer of Somerset and a few days later[32] they again pleaded with him "to take measures and make such enactments as shall be deemed expedient to counteract at least for the present, the growing and accumulating evils resulting from the Ordinance" until they should have received a final answer from His Majesty's Government upon their representation. They pointed out that an alarming rise in many necessaries of life had already taken place which was likely to entail a total ruin upon the middle classes if the Ordinance was rigidly enforced.

The Public Meeting of 14th June.- A meeting of a "very large body of Freeholders and residents of this Town" was held in the Town Hall on 14th June, 1825.[33] This meeting was "more numerous than any this Colony had ever witnessed".[34] Advocate Joubert,[35] who had opened the meeting, stated that the Ordinance of the 6th had created a general sensation of surprise and disappointment in the community. He pointed to the arms of Van Riebeek (erected in the Town Hall over the place he happened to stand), and remarked that he trusted, it would prove a bond of union, an ensign of fraternity, under which all the good inhabitants of the town would meet as brethren, without any distinction whatever. He expressed the hope that they would merely as townsmen and fellow colonists, meet to deliberate calmly and without confusion on the best means of obtaining redress, in a legal manner, of the grievance which they might feel.

He pointed out that as they had already been informed by the Governor, in a reply to a memorial, that he could not suspend the operation of the measure in question as it had originated in a peremptory order received from

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32. C.O.244, no.20, 14th June, 1825: Burgher Senate to lord Charles Somerset.
33. C.O.226, no.30, 16th June, 1825.
34. Rec.32, p.305.
35. S.A.C.M.A. 22nd June, 1825.

His Majesty, the only legal and constitutional measure they could now take, was to prepare and sign a humble petition to His Majesty in Council, showing their grievances and praying for relief. A number of 15 persons had been proposed, by the gentlemen who had taken the lead in this matter, to form a Committee in order to draw up such a memorial. Joubert felt convinced that if such a memorial were properly drawn up, they would obtain redress. The measure could not possibly have been intended as an injury, but as a benefit to the Colony. "If it had a contrary effect; if it were unjust, as he and many others believed it to be, after giving the subject all possible consideration, after tracing the origin and progress of the paper money circulated in this colony; after reading all the proclamations both of the Dutch and English governments on the subject - that evil was not to be ascribed to any intention of the British government to injure us, but solely and entirely to the want of proper information, and the necessity perhaps of taking a hasty and precipitate step, without having had time first to consult the local authorities. Who can for a moment suppose the reverse? Who can suppose that England would intentionally injure this poor colony, her adopted daughter in order to enrich herself by a few thousand pounds? What! that great, that liberal, that glorious country,- She the Queen of the Ocean, grasping in her right hand Canada and the West Indies, whilst her left holds the richest countries of the East, and her feet are resting on Australia,- will she injure this poor colony? No, do not believe it: do not fear it".

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Advocate Cloete stated that he had sincerely participated in the general consternation and alarm "excited in the breasts of every individual possessed of property in the Colony.....; a measure, which several days of

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36. Ibid.

calm reflection have strengthened me in the consolation, that those inhabitants, who immediately expressed their sentiments on the occasion of the promulgation of that Ordinance, were well founded in their apprehensions, that such a measure was injurious to the Colony at large; and the kind sanction given by the Government publicly to meet within there walls of the Burgher Senate, sufficiently marks the liberal view of this question taken by Government, and vouchsafes to us all a calm, temperate, and candid investigation of so important a subject."

Cloete said that the most attentive investigation of the Ordinance had convinced him that its enactment was unjust in its principles and altogether ruinous to the Colony in its immediate consequences. The paper currency in its first origin and in every subsequent issue, was created, not for the benefit of the public, but to meet the exigencies of the Government, "an admission which is contained in the preamble of almost every proclamation relating to this subject".

He then proceeded to trace the history of the paper currency and stated that it continued current in the Colony, at its standard original value of 48 stivers, for a period of nearly 50 years. The Governments repeatedly guaranteed the value of the rixdollar at this rate in every capitulation. "Although within the last few years, by the redundancy and over-issue of this paper currency, by the stagnation of trade, the competition and interests of parties concerned in the foreign exchange, every person witnessed a temporary depreciation of that calculating medium, in every foreign transaction, and felt and labored under this pressure, which nipped in its bud every expanding blossom of rising prosperity throughout the Colony; they still looked to the enactments of the Government as a pledge and security for their property,

as they had seen that when the Government itself fixed the foreign exchange at 20 Rds: this regulation had never interfered with the standard internal value of the Rixdollar which continued the same; and no one could, for a moment suppose, that any subsequent regulation made to check a ruinous exchange, would, therefore, interfere with the value of their currency in all colonial transactions. Under this, every one was, therefore, buoyed up with the prospect, that things could never be brought to a worse crisis than at present; and that the slightest co-operation of the Government, increased energy of the inhabitants, a gradual and rapid rise in the population, or any other trifling help, would ultimately conquer all the difficulties now pressing upon it". The time was perhaps not far distant when all interests would unite to reduce this exchange and produce a progressive return to the full value of the paper currency, and whenever the riches of the mother country would commence to flow towards this channel, this unfortunate currency, formed and increased in the difficulties of the country, would be exchanged for specie, and in every event, the pledges of the Government so lately confirmed by the proclamation of the 21st June, 1822, would always be fulfilled. When £40,000 now imported into the Colony, were then to be issued to the public, without withdrawing and destroying a proportionate quantity of currency, this guarantee was not only shaken by necessarily producing a depreciation in the paper, but these pledges so repeatedly so solemnly given to the public, were for ever destroyed by the Ordinance, which, previous to the introduction of the silver cash, directed the paper currency to be for ever depreciated five-eighths of its original value. This breach of those assurances was unjust, because it was a breach of that express and inviolable contract that existed in the Colony between the public and the state; but the injustice of this measure

could not even be palliated upon motives of expediency for it was ruinous to the Colony at large.

The capitalist, merchant, tradesmen and the colonial servant, were alike affected. Everyone of them saw that their rixdollar depreciated five-eighths without even the hope that it could ever attain the original issue value again, by which means "every prospect of possessing a competency is destroyed; and every one, in proportion to the quantity of paper currency he is possessed of, finds himself a loser in the proportion of his capital, to the amount issued of Rds. 3,000,000, and which being then equal in value to £600,000, is at once reduced to £250,000,while the value of the remaining £350,000, or Rds. 1,750,000 are for ever swallowed up in the gulph of this Ordinance. This loss which we share in this manner in our currency, is suffered by us in the same ratio, upon our moveable or immoveable property, the greatest part of which was acquired long before any rise in the foreign exchange existed; and with which it was moreover totally unconnected, and yet all that property estimated in the colony at Rds. 62,000,000 exclusive of the property of the merchants here in their warehouses, and then always valued internally at £12,400,000, is found when realized to be worth only £4,650,000.

Cloete pointed out that confusion was thrown into every transaction by this Ordinance, while no provision was made for the copper in circulation. The whole of this measure strengthened them in the belief that His Majesty's ministers at Home could not possibly have foreseen the effects of such a measure, and that in their laudable anxiety to fix the foreign exchange, they had not felt that they were levelling every property and income in the Colony to three-eighths of their real and internal value. These effects have, he trusted, only to be represented to meet an impartial

and liberal investigation and he accordingly proposed the following resolutions:-

1). A memorial should be drawn up and forwarded to the King, praying that the Ordinance of the 6th be rescinded.

2). A similar memorial should be forwarded to the Commissioners of Inquiry whose attention should be called to this subject and to the different documents relative thereto.

3). The Committee of 15 persons to be elected should be charged with the task of drawing up and presenting these memorials, "and watching over the general interests affected by this Ordinance".

4). A subscription should be opened in order to enable this Committee to bring these measures into their fullest effect.

These resolutions were unanimously approved.

Finally Cloete entreated all those present, "to direct your fervent prayers to that Almighty Providence, which ever watches over our welfare, to guide and strengthen our weak but unceasing efforts, to protect the interests of the whole community, and avert from our beloved and unfortunate country, the fatal blow with which it is now threatened".

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A Committee was accordingly appointed for the purpose of preparing a memorial to His Majesty on the subject of the Ordinance of 6th June and generally to substantiate the grievances they anticipate from the operation of that

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37. Rec.24, p.277. W. Hawkins (Chairman); D.F. Berrange, H.G. Muntingh, J.N. Neethling, J.A. Joubert, E. Bergh, J.J.L. Smuts, H. Cloete & Son (Sect.); P.L. Cloete, W. Robertson, Stephan Twycross, C. Matthiessen, H. Ross, J.S. van den Berg, H. Chiappini.

Ordinance, "a trust which we shall endeavour to discharge by forwarding that memorial to His Excellency with as little delay as to important a subject can justify". In the meantime they "cannot cease deeply to lament that His-Excellency-in-Council has been precluded by the Royal Commands from acquiescing in the prayer of so large a proportion of Freeholders of this Town, we cannot but trust that we are also discharging our duties to the Government by informing His Excellency of the immediate confusion and doubt already thrown into every pecuniary transaction by the..... Ordinance, owing to the uncertainty in which every creditor and debtor is placed as to the mode in which the former is to receive and the latter to discharge his engagements; although it be consonant to the first principles of justice that every party in an engagement is bound to the strict performance of the same, without being affected by any legislative enactments which can never be made to have any retrospective application".[38]

The evil consequences attending such a state of uncertainty thus induced them to suggest to Somerset "whether by some explanatory enactment that doubt at least might not be removed in the minds of the public, by expressly declairing that the Ordinance..... of 6th instant, has no reference to, nor is binding upon any obligations entered into previous to that date..... and only provides for every contract or pecuniary transaction formed subsequent to that period.....".[39] The measures of Government relative to this subject which have been the source of regret to that part of the public whose interest the Committee was advocating consisted chiefly in the following:-

1). the excessive over issue of paper currency above the wants of the public;

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38. Ibid., 16th June, 1825: Committee to Secretary of Govt.
39. Ibid., p.277.

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2). the non-fulfilment of the assurances held out to the public to redeem that overissue by destroying it, whenever that money issued should have attained the objects required.

They referred to the proclamation of 14th June, 1810 and the several issues of paper currency founded thereon, by which, "without any necessity being felt by the public", an additional sum of 1,000,000 rds. was added to the paper currency then already superabundant with the immediate result of depreciating the internal value of the rixdollar and to raise the exchange with England from 18 to 60 per cent. "It must be perceptible to every person that such a redundant circulation of paper currency, precisely as with every other article of commodity, must lose in its value in proportion to its excess above the wants or demands of the commodity"[40]. The public, although momentarily suffering under the depreciation of the currency from its superabundance, yet perceived, as the Government had considerable general improvements in view, that their interests might for a moment have been overlooked, since they had obtained the promise that the moment that public benefit was attained, the medium temporarily required would have been redeemed. The proclamation of 21st June, 1822 had confirmed that guarantee. The objects had been obtained and with the exception of a very insignificant sum, the whole of the paper money then issued still continued in circulation[41]. They pointed out that the effects of these measures have mainly contributed towards the unprecedented rise in the exchange from 20 to 25 per cent. to nearly 200 per cent. premium in spite of the increased and universal effort made for the improvement of the Colony.

The Committee was doubtful, however, as to whether the Ordinance of 6th June, was binding upon all obligations

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40. Ibid., pp.278-279.
41. Ibid., p.279.

authorize any deviation from the rate now fixed between the paper rixdollar and British Sterling money. They felt more inclined to recommend the adoption of this measure as it could not be attended with any inconvenience, should no such alteration take place, and might be rescinded without difficulty. The proposal suggested by the Colonial Secretary at a former meeting was accordingly adopted.[46]

Accordingly a Government Advertisement appeared on 28th June, 1825 stating that anybody wishing to exchange silver for paper could do so by applying at the Bank on Mondays and Fridays but not for amounts of less than 100 rds. or £7-10 sterling. In the country districts application could be made to the Landdrosts. Although it was unlikely that this measure would positively counteract the substitution of British currency for the colonial paper money contemplated by the orders of His Majesty's Government, yet it can be said that it would tend to impress the minds of many inhabitants with a belief that His Majesty's Government might be induced by their representations to fix the exchangeable value of the paper rixdollar at a higher rate than that which had been declared by the Ordinance.[47]

The Public Meeting of 30th June.- The following prefatory remarks were made on the proceedings which took place at a subsequent meeting held on 30th June, 1825; in the Commercial Exchange: "Since the days of Admiral Diaz, who discovered the Cape of Good Hope in 1493, and Mr. Van Riebeek's first establishment in 1652, and all the succeeding gentlemen and noblemen who have held the reigns of authority, no event so fraught with interest ever took place in Cape Town as that on[48]

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46. Ibid., p.284; See also Rec.24, pp.272-275.
47. Rec.22, pp.121-122; Govt. Adv. 28th June, 1825; C.O.4853, p.252.
48. S.A.C.M.A., 5th July, 1825: Report of the Public meeting at the Commercial Exchange. B.P.P.438, p.19; Rec.22, pp.141-152.

Thursday last. The assembly, which was convened in the Town House on the 14th ult. to take into consideration the question of the British currency, was presumed to be of a description which did not admit of open and free discussion. To obviate this mistake the Merchants of the Commercial Exchange, with a liberality which is frequently in exercise, granted the accommodations for another meeting, and with the equally liberal permission of Government a very general invitation was given to all ranks in any way interested, to attend for the object of 'a calm and impartial discussion of all points connected with this important subject.' Much speculation was afloat previous to the 30th ult. and at one time, there was a sort of general understanding that it would not be prudent to hear any new arguments - so many opinions having settled the matter before-hand. But the impressions as we understand wore off, and when we entered the Exchange on Thursday we beheld W. Hawkins, Esq. in the chair, supported by very nearly the whole of the original Committee appointed by the meeting of the Town House of the 14th ult. The chairs on each side of the tables and those of three and four rows deep, were also occupied chiefly by the gentlemen of the Town administration and other offices of government, and there again were surrounded by closely wedged phalanx's of promiscuous orders. Soon after twelve o' clock, a vast company had assembled, and the scene in the noble hall was of an imposing description, and presented a beautiful illustration of the value of the British Constitution at the Cape, in giving birth to the freedom of popular assemblies."

Mr. Ingram addressed the meeting with considerable pathos, "which it was easy to perceive in the emotions of various muscular risings, would be productive of no very narcotic effects". He defended the measures of the British Government and adverted to the exalted character of England,

whose name was written in the deeds of light. He could not for a moment believe, that any reasonable fair thinking man would entertain an opinion, that, for the paltry consideration of a few thousand pounds, this character would be risked by any of its operations at the Cape, which, to the British Government, although a mere nothing in the scale, was still the object of paternal regard. He then submitted, in the event of no others being offered, a string of resolutions, which he read to the meeting, and were submitted to the chairman and which were seconded by Mr. Mabille.

Advocate Cloete[49] said, that "after the sentiments of the public, convened on the 19th June last, in the Town-hall, had already been so decidedly expressed on the present subject, that a salutary dissentient voice had there drawn upon itself a general expression of abhorrence and disgust, it is but too evident that the present meeting being called in this place, can only have arisen from that same spirit of opposition to the real interests of the Colony and the dictates of common sense, which still seems to animate a few individuals, whose chief aim it seems to be, to cast a doubt in the minds of the less-enlightened and informed on this subject, as to the injurious tendency of the Ordinance of the 6th ultimo, and especially to impress a belief upon the class of debtors (which the unfortunate State of the Colony has made lamentably numerous), that they would rather be benefitted than otherwise by the operation of this Ordinance, which in fact would only affect a few wealthy capitalists; - an assertion, which.....bears however its own refutation with itself and only exposes the heartless principles of those who would inculcate such sentiments in others". The Cape public knew that it was the mass of additional property combined which constituted the national

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49. Vide S.A.C.M.A., 12th and 19th July, 1825.

wealth and strength of the Colony; the circulating medium, whether it was paper or specie, was a mere representative of wealth and that in the same ratio as that representative was depreciated, in the same proportion would all their property; this representative, therefore, had to be upheld in order to uphold the value of the property which had therewith been acquired." "Every debtor, however much embarrassed, if possessed but of a fraction of property above the amount of his debts, sees that remnant depreciated, and consequently less capable of yielding him a maintenance, and, in one word, that the whole mass of individual wealth must be collectively supported, for the benefit of every member of society, whether he be rick or poor; for although the former may be immediately affected by a general measure, tending to depreciate his property, the latter will perhaps ultimately feel that loss more keenly than the former, by the general stagnation in every attempt to improvement, and by finding himself deprived of the little overplus from the rich, by which he derived his very subsistence."

He pointed out that the Ordinance of 6th June was considered beneficial to the Colony, because the Colony was verging towards a total ruin, by the dreadful course of exchange between the Cape and England. "But when was it ever heard, that any evil or injury being temporary and precarious, became beneficial when rendered general and permanent?" Mr. Ingram admitted that this exchange, by levelling the rixdollar for a time to the value of 1/6 already produced the ruin of half the Colony, and yet would be advantageous when that same relative value was continued for ever.

It was also admitted that the exchange with England had gradually risen to such a height as to have rendered the rixdollar equivalent to 1/6 and even less in exchange in all

transactions with that country. But it was only since the last three and a half years that this exchange had reached that height. A member of causes combined to bring this about, the chief of which undoubtedly consisted in the injudicious and unnecessary over-issue of this paper currency by which 50 per cent. more was added to the circulating medium. Even during this period a fluctuation of more than 30 per cent. was often experienced. "Do we not moreover know, that a foreign exchange is totally unconnected with the intrinsic value of a currency; is entirely regulated by the balance of imports and exports to other countries; and that the present exchange so ruinous with England, is not equally so with other countries; from where the imports are not so considerable, and that even at this period, the Rixdollar in exchange with India, is equal to 2/6 sterling, while it is only 1/6 with England. Where then was it ever before contemplated to benefit a country by reducing its currency, according to the lowest relative value it ever bore in exchange to that of any other country. Did we not experience within a few years, the exchange between Holland and England vary so considerably, as to render the pound sterling equal at one period to seven, at another to fourteen Dutch guilders. Did the politicians of either country, ever dream of reducing the pound sterling or the guilder, in its internal circulation, for ever, according to the relative value they had borne to each other the year before. Did they ever enact Ordinances, which levelled all moveable and immoveable property, bonds, or income, to the worst stage of their exchange. And does it not become apparent to every one, that this was never dreamt of by either country, because it could only tend, without doing any good to any part of the community, to level all property and income to that standard."

He said that they have all experienced at the Cape,

that the rise or fall of exchange had not had the slightest influence upon the value of property "which has continued to rise or fall, according to the improvements it has undergone, or the neglect it has fallen in, without being affected by the exchange, which only extended its influence, whenever that property had to be realised and the proceeds remitted." For example, a property worth 60,000 rds. had continued at value more or less, according to the order in which it was kept for the last 12 years. Such a property, however, would at that time have realised £10,000, while the Ordinance it would for ever be levelled to £4,500 in value. The result was that any individual who at any period prior to the last disastrous 4 or 5 years, had purchased property in the Colony, would find himself a loser in the same proportion. Similarly the income of a civil servant would be reduced from £700 to £300.

He held that the coins themselves would prove the loss of the public. The Dutch ducaton which was issued at 12 skillings or 72 stivers was double the weight in silver of the half crowns which were issued at 13 skillings and 2 stivers. "This may be seen by a comparison of the different coins formerly current in the Colony, with those now to be issued, (which were then exhibited to the public) who will judge for themselves, and see that the value of bullion which being intrinsic, could command that value in every part of the globe, is reduced in the same proportion of $\frac{5}{8}$ th, although the weight of silver in the Cape Rixdollar is perfectly defined, and the public have a right to expect at least an approximating weight; while the fact is notorious, that a considerable quantity of silver sold lately at public sales, for prices which were reckoned reasonable, would by being now paid out by the Vendue Masters in the silver money, its present standard, not render to the vendor one-fourth of the

silver that he gave up!! These losses to be sustained by every individual, in every transaction throughout a country, whenever the token or representative of their property becomes thus reduced, must be sensible to every individual, not determined to close his eyes and faculties of reasoning to every argument or fact advanced; let us, therefore, not be led away into a supposition, that His Majesty's Government at home ever knew, or ever thought, that from this measure such an injury would arise to us all. In a general and comprehensive plan of finance, a most beneficial measure to every part of His Majesty's dominions; and consequently, also, to this Colony, was contemplated; - that, namely fixing a permanent exchange between every colony subject to the British flag, independent of every private interest or combination to raise or affect the same. In this plan our currency has been viewed, as it at present appeared in relation to transactions with England, and not as it intrinsically ought to stand. In their laudable anxiety to alleviate at the same time the distresses of this colony, produced by the present ruinous exchange, His Majesty's ministers have been led to mistake the effect for the cause: and by for ever establishing the effect, instead of removing the causes of this obstress, would for ever injure the colony."

Finally, Cloete proposed the following amendments to the last resolutions, viz.; firstly, "that with reference to the Ordinance of the 6th inst. this meeting declare, that the same affects the whole of the landed and other property throughout the colony, and is destructive of their real and intrinsic value, in proportion to the depreciated rate at which the Cape Rixdollar has been fixed, upon the introduction of silver currency"; secondly, "that every person interested in the welfare of the colony, should thus unite to obtain a repeal of that Ordinance, by an Address to His Majesty." These resolutions, however, were not withdrawn, but only modified

into those subsequently suggested by Mr. Buckton.

Mr. Buckton addressed the meeting in a tone of great mildness and observed that he took a very different view of the subject than that which advocate Cloete had done. The question was not one of law, nor could it be considered as such. The very very proclamation referred to, he would take upon himself to assert, did not bind the government in any manner to redeem the Cape rixdollar at any given price. The proclamation of General Baird, so much relied on, went no further than to prevent cupidity and erroneous dealing, in fixing a certain rate of exchange to be observed relative to the various coins there enumerated. Furthermore, "the paper rixdollars, with regard to Lord Caledon's proclamation, on which so much stress has been laid, it was issued about a week after his arrival, and was for no other purpose but to regulate the practice of the Court of Appeals, at that time created: and went only to say, that no appeals would be permitted, where the sum or value of the case appealed from, does not exceed £200, or 1,000 Rds." The question in Mr. Buckton's view, was solely one of political expediency. "All must feel a necessity of relief from the hitherto fluctuating state of the Rixdollar; its depreciation had been going on for such a length of time, and had so interwoven itself in all dealings, that it might be considered as incorporated in the very circulation of the blood....." The rixdollar could not be redeemed at 4/- sterling without the greatest distress ensuing.

Buckton accordingly submitted two resolutions which he thought would meet with unanimous approbation. Firstly, "that this meeting is deeply impressed with grateful feelings to Our Most Gracious Sovereign, for having taken into His Royal consideration the state of the currency of the

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50. Ibid., 5th July, 1825.

Cape of Good Hope"; secondly, "that this meeting, in thus expressing their sensibility of his Royal act of His Majesty, humbly, though earnestly, hopes that His Majesty will continue His parental solicitude for the welfare of this colony, (in so many ways exemplified), by establishing a fixed and permanent currency, so as to prevent the wide fluctuation of exchange between this colony and the mother country." He would propose yet another resolution but he was not so sanguine as to expect unanimity, well knowing the contrariety of opinions on the subject. However, attending as he had done to the gradual depreciation of the rixdollar, its long continuance and the impossibility of its ever coming to its nominal value, he had looked to this subject as a question of political expediency alone - that of redeeming the Colony from its awkward situation and distresses, "which distresses were greatly heightened by speculators buying up the government bills, and disposing of the same in small sums at a higher premium". He observed that fixed property had nominally advanced in price with its depreciation, but if the rixdollar was made a permanent currency at 2/- sterling, property would then regain its true value.

Mr. Buckton accordingly read his other resolution, viz., "that this meeting cannot separate, without a reference to the Ordinance of His Excellency the Governor-in-Council, for making British money a legal tender, dated the 6th June; and that it is their opinion, that the rate of 1/6 as an equivalent for each paper Rixdollar, would be, in establishing a fixed and permanent currency, too low a price; but attending to all the circumstances, as well as the sales of immoveables as of moveable property, the fixing of the Rixdollar would be, they humbly conceive, a just and fair equivalent for the same".

At the conclusion of this speech, which had greatly

interested the meeting, Advocate Cloete rose in reply and said that he had expected from a lawyer to have heard some more legal reasons advanced, than the doctrine of mere expediency alleged as a ground for the Ordinance in question. The resolutions that Mr. Buckton had proposed were so feeble and so completely a nonentity, that the sense of the meeting ought to be taken, otherwise they might be pestered with resolutions the whole of the day. Mr. Buckton rose instantly, and repelled the idea of pestering an assembly, in which every individual had a right to express his own sentiments, and to have a fair and impartial hearing. The chairman, in emphatic language, called upon the meeting to give way to every gentleman who addressed the chair in a respectful manner, and declared his determination to support a full and free discussion of the subject.

Mr. Buckton's resolution was seconded by Mr. D. Still, who thought 1/6 as a fixed price too low for the rixdollar; the public in general would be satisfied with 2/- which in every view of the subject, he contended, would be honourable to all parties.

Mr. H. Pugh observed that after the declaration made from the chair that the meeting was really open to the observations of every individual present, he would venture to intrude upon the attention of the very respectable assembly in which he had the honour to stand. The first resolution as proposed by Mr. Ingram, declaring, that in the opinion of the meeting 1/6 was a fair and just tender for a rixdollar. "Mr. Pugh, who knew himself to be possessed of but little property, was unwilling to support, as he could not divest himself of the idea, that interference so direct as that, on the part of a man of small capital, in a measure affecting the interests of men of great wealth, was scarcely honest, however satisfied he might be in his own mind, that this sum

of 1/6 was even more than the value of a Cape rixdollar". He would leave the resolutions to support themselves and stand upon their own basis, but could not resist the impulse he felt, to refute the charge of injustice made against the British Government. Advocate Cloete had alluded to the golden times of the silver currency at the Cape, and had stated, that the Dutch Government had issued certain papers stating that the holder was entitled to 48 heavy stivers; that the English Government at the Cape had however increased the issue of paper to a much larger amount, and now, when it suited their convenience, had withdrawn it, or wished to do so, at a discount of 1/6 and this too, even after one of their Governors had issued a proclamation to guarantee 5½ dollars for a guinea. To elucidate this charge, four pieces of silver money had been laid upon the table. "Now, he (Mr. Pugh) had no silver money, but, taking a liberty which many a richer man had done before, would substitute four pieces of paper for this silver, and, referring to these golden times, would the meeting, if, since then, the numbers of the colonists had not progressively increased, - if they had not progressively advanced in the arts of civilization, and in the comforts and luxuries of life. During this progress, was it not evident that the wants of individuals must have increased, and that, to meet these wants, an additional quantity of circulating medium was necessary, - to meet these wants an additional quantity of paper rixdollars were sent into the market, but without, as had been erroneously stated, any pledge of four shillings, or 48 stivers". With this additional circulation, the inhabitants of the Cape Colony had risen from a state of comparative destitution and were now well-clothed, well-educated, well-informed, well-behaved, and the very highly respectable assemblage, by which he was surrounded. With this circulation, the inhabitants of the Colony had traded and speculated, taking every advantage which they could take of the rise and fall of exchange. After

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having thus traded, they now came forward and say, "well, the depreciation of the currency is a melancholy thing, only confirm all the bargains I have ever made, in which I took advantage of this depreciation, and give me four shillings for the dollar which cost me 1/4". In the preamble of the proclamation of Sir David Baird it was stated that to prevent imposition, and so forth, the Governor had thought fit to fix the value of coins, and did therefore, establish the British guinea to be at that time, equivalent to 44 paper skillings "but is this a Proclamation for fixing the value of Currency? Where does it state, that the 44 skillings were of the value of a guinea? No, Sir, it was a measure intended to stop the traffic of Jews in coin, as this present Ordinance was to stop their traffic in paper; and being such, demanded the unanimous support of the meeting".

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Advocate de Wet said that the arguments adduced by Messrs. Buckton and Pugh intended nothing more than to counteract the measures determined upon at a former public meeting. This, however, was quite wrong. De Wet was of opinion that the intention to lay before His Majesty the well-founded complaints of the inhabitants of the Colony, against the Ordinance of the 6th June, 1825, aught rather to be applauded than apposed; "and that he might not but expect from the affection of the Sovereign towards his subjects, from the wisdom of his counsellors from the honour of the British nation; but especially from the just cause of complaint, the best results". All the arguments of former speakers intended to set forth that the Ordinance, instead of tending to the total ruin of the Colony, would greatly promote its welfare. Now, in order to sustain this position, it was wished to treat it as a matter of political economy : others before him had demonstrated, that they erred in this, for that the result of the Ordinance, could not but be highly

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51. Ibid., 19th July, 1825.

detrimental to every class of society. De Wet said he would be glad to hear from those who praised this measure for its political advantages, in how far it was politic to oppose the general good of a community, for he could never call good any measure that was not just.

It would have been much better by the former speakers, to have demonstrated, that the inhabitants unjustly claimed more than 1/6 sterling for every paper rixdollar: the matter was not a matter of political expediency, but only of a legal nature. It ought not to be asked here what might be done for the welfare of the Colony, "but that in exchanging the paper currency, which is in reality not but so many bonds, it ought to be considered, in what manner those bonds ought to be discharged; in short, in what manner an old debit was to be paid, without giving the creditor any reason of complaint". He would be glad to learn, how it could be made to agree with the principles of common justice, that a man who had borrowed 48 stivers, should not be bound farther than to pay 18 stivers - only a little more than a third of what he had received from the lender. This point was subject of so little doubt with every man who had but the smallest idea of right and wrong, that it was needless to dwell any longer on it; De Wet was therefore led to suppose that the Government at Home had been wrongly advised, or had taken a rash step. In order to demonstrate that 1/6 was equivalent to a rixdollar, it had been tried by certain speakers to make the meeting believe, that at the time when those rixdollars were brought in circulation, they were worth far less than 48 stivers, though no real proofs of this were brought forward; "but they had always stumbled on the proclamation of Sir D. Baird, of 8th January, 1806, and that of Lord Caledon, notwithstanding their miserable sophisms which had been exposed.

It would be ridiculous to believe, that Government, at the time of the first issue of paper currency, would have suffered itself to be imposed upon so far as to give bonds for 48 stivers, when they received but 18. Not being able to sustain this, recourse was had to another argument in no way stronger than the foregoing. It was supposed that at least the present possessors of the paper currency for those bonds had not given the full value for them, but received them already in a state of depreciation. But even this being the case, he could not see in what manner this could affect the payment, as long as Government had received the value of this paper currency, or of those bonds; it was the same in whatever hands they were, or under whatever circumstances they had been acquired. That all those reasonings made him believe, and he had no doubt of it, that as soon as the real loss which the inhabitants would suffer by the Ordinance, should be made respectfully known to His Majesty, it would be rescinded even unsolicited on the part of the public. Finally, he would willingly join those who would testify their gratitude to His Majesty for taking into consideration the state of the paper currency in the Cape Colony, because the state of the country imperatively required it and grateful thanks consequently were due for it to the Sovereign, and with this conviction of duty, he would be the last to subscribe his name to any address of thanks, for the decrees contained in the Ordinance of the 6th June.

After some desultory conversation, Mr. Buckton stated, that with a view towards unanimity so much to be desired in the present instance, he would leave out part of his resolution. With a view to a similar object, Mr. Ingram declared himself willing to withdraw his motion, provided Mr. Mabille, the seconder, would agree to this proposal.

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This gentleman immediately acquiesced, and the names of certain gentlemen were proposed to act as a Committee, to prepare an address to His Majesty, including that of Mr. Buckton. The motion having been put and carried, a gentleman exclaimed that the question was not understood. It was read again, with the names of the Committee, when a gentleman proposed, in addition, that of Mr. Ingram. Mr. Ingram signified dissent, when Mr. Smuts made some observations which were not of that description likely to dispose to harmony. The meeting, which was just on the point of separating with much good-will, became a scene of wild uproar and a confusion of tongues was heard on all sides. In the midst of this trying scene, the chairman arose, and produced order; a new motion was submitted to the meeting to preserve the original Committee of the Town-house, with Mr. Buckton as an additional member, which was carried unanimously.

The meeting was then dissolved, and every man seemed to return to his own home in peace.

Thus, the opinion of some of the inhabitants appears to have undergone a material change, and a compromise was proposed between the parties who were variously interested. Later, in their Report, the Commissioners of Inquiry incorrectly concluded that this meeting "led to the adoption of a modified resolution and to the appointment of a committee for preparing an address to His Majesty, which should be limited to the object of obtaining repayment of the debt at a medium rate of conversion". What really took place at this meeting was that an attempt was made by a few individuals to defeat the object for which the Committee had been deputed, but the decided manner in which the resolutions submitted by them were rejected only tended to confirm the

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52. B.P.P.438, p.19 5th July, 1825. Letter of Commissioners of Inquiry to Secretary of State lord Bathurst.

general feeling and the appointment of this Committee by the first. At the suggestion of one of the members, one of the individuals alluded to (Mr. Buckton) was added to the Committee and this step was taken in order that every measure they should adopt might undergo the fullest and fairest discussion.[53] From the opinions that seemed to prevail at this meeting, it may be inferred that the redemption of the rixdollar at 2/- sterling would have been generally satisfactory to the persons who had been most active in promoting the objects of the public meeting. However, such a compromise would imply the abandonment of all claim to the redemption of the rixdollar at 4/- sterling, and a virtual recognition of the right of the British Government to fix it as such reduced rate as would be just to the public and least injurious to the majority of individuals interested in the question. The Committee representing the Freeholders and Others had adhered to their original decision that the rixdollar should be redeemed at the rate of 4/-. It is, however, probable that those who compromised had forwarded their own opinion to England although no record could be traced of such a step.[54]

On 6th July, 1825, Somerset forwarded a petition[55] from the Committee representing the "Freeholders and inhabitants of Cape Town" to lord Bathurst in which they humbly implored His Majesty's attention "to the grievous distractions which it is concerned will arise to the Colony at large, should this measure of Your Majesty's royal wishes be established as a fixed and permanent currency". On account of the distance of the different districts of the widely

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53. Vide Rec.32, pp.305-306.
54. G.H.1/11, 11th Sept., 1826; Ibid., no.812; S.A.C.A., 6th Feb., 1827.
55. G.H.23/7, p.288, 6th July, 1825. Lord Charles Somerset to Secretary of State lord Bathurst.
Rec.24, pp.291-293; Rec.22, pp.130-131, 4th July, 1825.

extended Colony they were as yet unable to collect all the information and therefore asked His Majesty to suspend the operation of the Ordinance until such time they should have opportunity to lay the memorial before His Majesty.

In the meanwhile the tension in the Colony was very high. Generally the colonists considered the Ordinance of 6th June as a breach of faith and blamed the British Government for it. "The hostile feelings of the inhabitants towards us nationally never have been so loudly or so generally manifested since I have known the place. I hear that in Graaff-Reinet district the sentiments of the Boers have been warmly expressed and that apprehensions one felt that they may be misled into violence. We may despise these ebullitions, but it is sad to know the feeling has been excited by our injustice".[56]

Petitions.- On the 2nd August, 1825, the Memorial of Thomas Rowles was sent to England, because Somerset did not feel that he could "consistently with what is due to the interests of any individual, withhold from your Lordship the loss supposed to be sustained from the effects of the Ordinance".[57] This memorial of Thomas Rowles is of much significance because it throws some light on the losses suffered by a certain class of citizen. He became domiciled at the Cape in 1811 and was induced to withdraw his property from England for the purpose of investing it in the Cape Settlement. He was so induced from the reputed solidity and credit of the Colonial currency. He was further convinced of the solidity and credit of such currency from the same having been guaranteed on the surrender of the Colony to the

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56. Rec.23, p.411, 5th Aug., 1825: Letter sent to John Barrow in England.
57. G.H.23/7, pp.325-326, 2nd Aug., 1825: lord Charles Somerset to Secretary of State lord Bathurst.
Rec.22, pp.3-4, Memorial of Thomas Rowles dated 15th June, 1825.

British forces, as well as by the proclamation by Sir David Baird on 23rd January, 1806, and from the prevailing report that the paper money just created and issued would be destroyed after it had returned into the Colonial Treasury. Rowles therefore did not hesitate to draw on Messrs. Thomas Coutts & Co. for nearly the whole of the funds which they held belonging to him in exchequer bills, to the amount of £7,500 sterling. For this amount he passed his bills on that banking house in favour of Messrs. Simpson & Co., and Messrs. Ebden and Watts and received the currency at 55,500 rds.which he invested in the Cape Colony. By the Ordinance of 6th June he lost upon the aforesaid amount £3,337.1.10 sterling, if the rixdollar had been fixed at the same rate as when he had drawn his funds into the Cape. By this heavy loss, which Rowles regarded was without parallel in the colony, he was debarred from ever returning to his native country, or sending his children there for education and maintaining his family connections. Finally he asked for relief to the amount of his loss "in this singularly severe and unfortunate case".

The petition of the "Freeholders, mortgagees, Planters and others interested in fixed and other property" was ultimately sent to England on 21st September, 1825, bearing 2115 signatures.[58] They referred to the terms of capitulation of 16th September, 1795. The 495,000 rds. created by the British authorities were issued under the same pledges and conditions as the former had been issued by the Dutch Government, and the aggregate continued to maintain its original standard value at the restitution of the Colony to the Batavian Republic. The Batavian authorities

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58. G.H.23/7, pp.340-341, 21st Sept., 1825: lord Charles Somerset to Secretary of State lord Bathurst.
C.O.485, p.384, 5th Aug., 1825; C.O.226 no.46, 11th Aug., 1825; C.O.226 no.60 20th Sept., 1825;
Rec.23, p.103; C.O.4853 pp.573-574, 26th Sept., 1825;
Rec.24, p.178, 26th Dec., 1825.

also created sums for specific purposes with a pledge of redemption on the fulfilment of the objects for which the same had been designed.

By his proclamation of 23rd January, 1806, Sir David Baird had confirmed the credit of the Colonial paper currency whereby the Cape rixdollar of 48 Dutch pence was proclaimed as being equivalent to 4/- sterling. From this period the value of the Cape rixdollar, upheld by the proclamations of every succeeding governor of the Colony, continued in every transaction, foreign as well as internal and in exchange for bills negotiated, uniformly to represent and was received at 4/- sterling, although the balance or rather what through competition was considered to be the balance of trade, produced a premium on bills of exchange in relation to sterling money fluctuating between 1806 and 1810 from 15 to 25 per cent. in transactions with Great Britain, although in commercial intercourse with other countries the rate of exchange was not so high or so much to the prejudice of the paper currency.

The facility of thus creating a circulating medium to meet any real or supposed exigency of the Government, soon led to the creation of an additional 80,000 rds. for the Colonial granary, under the express declaration that the same would be destroyed by half yearly payments until the whole amount become effaced from circulation "but we have nowhere found that this has been attended to". Between 1806 and 1810 certain small sums were issued which brought the total then in circulation up to Rds. 2,171,082-38. "Even this amount, although it had not received the advantage that would undoubtedly have accrued from the annihilation of the creations of the years 1802, 1804 and 1806, and from the redemption and extinction of that part of the circulating

medium comprised in the several creations to meet temporary exigencies, yet, if it had not been further increased, we cannot doubt would, by a progressive redemption of the existing pledges not fulfilled, even in all transactions of a foreign or external nature, have been revived, if not restored, as its exchangeable value continued to improve by a gradual declension of the premium in exchange with England to 15 per cent."

Notwithstanding that the amount of paper currency was at this time larger than it had ever been before and "fully ample to the wants of the country", yet Government resolved to create an additional million rixdollars, and by proclamation of 14th June, 1810, 500,000 rds. were issued. "The disadvantage of such an addition to a circulation already superabundant, was immediately indicated by a sudden and continued rise in the foreign exchange from 15 to 45 per cent. and upwards, which not only raised the prices in currency of all imported commodities indispensable to the cultivator, thereby increasing the cost of production, but lowered the value of all colonial produce, of all species of property, the wages of labour and the salaries of the great mass of civil servants paid in a fixed colonial currency, while it pressed heavily upon the revenue of the Colony by the increase of all those high salaries paid in sterling value". The remaining 500,000 rds. were issued gradually in 1812, 1813 and 1814 and the baneful effects of this over-issue became still more apparent. This caused an addition of 50 per cent. to a currency already excessive, thereby temporarily diminishing the value of all property throughout the Colony and producing a concomitant depreciation, which, in exchange with the mother country advanced the premium progressively from 45 to 80 per cent.

Thus circumstanced the inhabitants of the Colony

looked forward with a confident hope that as soon as the 500,000 rds., invested in the Bank fund and which had for years yielded a very considerable annual interest to Government should be repaid, such amount, if not more, would at least be redeemed and withdrawn from circulation - a promise reiterated by Somerset's proclamation of 22nd June, 1822. In this hope they were, however, not only disappointed "but had moreover to lowest that in a series of years, by withdrawing the greater part of the military forces from this colony and the island of St. Helena, by the stagnation of all commerce, the fall of prices in the chief articles of export and the destruction of crops during three succeeding years, the balance of payments became so unfavourable as gradually to increase the exchange to near 200 per cent. premium with Great Britain; thereby aggravating those evils which we before had experienced in a minor degree, and rendering the revenue of the colony so inadequate to meet a most enlarged public expenditure as to entail a system of taxation more oppressive than any ever before experienced in this colony".

They expressed the opinion that the Ordinance of 6th June not only depreciated a coin which was always recognised as equal to 4/- sterling in every colonial transaction, to $\frac{3}{8}$ of its original value, but forever reducing in the same ratio the whole value of the moveable and immoveable property, "as well as of mortgages through the Colony, represented by this standard, and thereby also rendering permanent and general the evils which before had been temporarily felt and had been confined to commercial transactions only." They were of opinion that "had the redundant currency of this Colony been annihilated in the spirit of the several proclamations that gave rise to the same, the paper would have recovered from its depreciated value". But

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by the measure of 6th June "the colony would be subjected to a loss of $\frac{5}{8}$ of the whole of its general wealth". They pointed out that "in the present state of affairs, doubts and apprehensions have generally spread throughout the community, who now unite to implore your Majesty's protection of their property, as it cannot but be obvious that any standard for the existing colonial currency different from that at which it has always been valued and recognised must affect every interest from the wealthiest proprietor to the poorest orphan, who would all participate in a loss of nearly forty millions of rixdollars, or £8,000,000 sterling, of the property of the Colony, swallowed up in the gulf of this Ordinance". They prayed that the Ordinance be repealed and that the various pledges under which the paper money was issued be carried out; "and that in the meantime the silver and other specie of the British Empire introduced into the Colony may be left to seek and maintain its relative value in Colonial transactions, until the whole of the paper currency be withdrawn and effaced from circulation".

This petition was supplemented by a letter to Bathurst on 22nd September, 1825[59] owing to "the multiplicity of documents and the references connected with this subject and the impossibility of submitting all those considerations within the accustomed limits of a petition to His Majesty". In this letter they again traced the origin of the paper money and came to the conclusion that there could be no doubt in the mind of any impartial person, "but that the full value which the public gave to this currency upon the pledge and guarantee of the government, should be recognised as long as any part thereof continued in circulation, particularly when it is considered that nothing but the over-issue of this currency by the present British Government

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59. Rec.23, pp.118-126, 22nd Sept., 1825: Committee to Secretary of State lord Bathurst.

constitutes the primary cause of its present depreciation".

They pointed out that the comparative rate of foreign exchange with other countries, although no precise, yet in some respects an infallible sign of the relative value of the circulating medium of the different countries, would show that in the year 1809, and thus for several years after the possession of the Colony by the British Government, the currency not only continued to maintain its credit but was even fast approximating that full value at which it was originally issued and received by the public. The addition of 1,000,000 rds. to the circulating medium was a measure not only contrary to the first principles of upholding the value of a currency but also contrary to the opinion given by the Committee[60] expressly appointed by the Government to inquire into and report upon the state of the currency. The rise of the exchange proved the depreciation and continued to rise in proportion to every succeeding issue. "The reasonable and only conclusion must necessarily follow, that a gradual destruction of the overplus of that currency can alone, and certainly will, restore the value of the remainder."

Although the excessive issue of this paper constituted the primary cause of its depreciation, it was not the only one. In fact, the currency was not depreciated to the full extent as shown by the rates of exchange which had only been a nominal and not a real exchange as regards the internal value of the currency of the Cape compared with that of Great Britain. The value of all property within the Colony, although partially affected by the depreciation of the currency, had by no means risen in nominal value in proportion to the rise of exchange, but had been affected solely by the general state of prosperity or distress within the settlement without varying with the

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60. Report of Committee on 18th January, 1808.

fluctuations of the foreign exchanges. These fluctuations had been so considerable, often varying 30 or 40 per cent. within a month, as clearly to indicate that other causes must have influenced the same. As a striking proof of this the following case could be noted: in the month of June, 1822 at a public tender for £10,000 by the Commissariat, some tenders were made at 205 per cent. premium and those of course accepted; while tenders at the same drawing which had been sent in at 101 per cent., premium, were refused, although there were not sufficient tenders above that premium for the £10,000 tendered which the Commissariat consequently did not obtain, although it must be supposed that the sum had been required; the effect was such that, although no tenders were made for some weeks after, a fall in the average exchange was still perceptible of nearly 40 per cent. at the following drawing.

That this exchange was not a true criterion of the internal value of the currency, was moreover apparent from the very different rates of exchange existing with other countries, as with Holland, the continent of Europe and India, that with the former having generally 30 or 40 per cent. less than with England, and that with India only 60 or 70 per cent. to the discount of the rixdollar. Stronger proof need not be alleged to show that other causes combined to keep up that high exchange with England "and we should be ill discharging our sacred duties to the public, whose interests have been confided to our exertions, were we to deny that the method pursued by the Commissariat of disposing publicly of their bills on England to the highest bidders and that of paying the high officers of the colonial government in sterling money according to the highest average rates of that exchange, have mainly contributed to produce this depreciation, and have thereby

swallowed up all the resources and revenues of this colony." The salary, for instance, of £10,000 attached to the post of civil governor of the Colony, had increased since the last 15 years from 60,000 rds. to 136,250 rds. per annum, and the sterling civil establishment of the Colony (exclusive of the Cape Corps) instead of requiring 156,931 rds. which at that period met all the expenses of that establishment, now drew 360,000 rds. annually from the revenue of the Colony.

This evil was further increased by the regulation which fixed the payment of there salaries, not at the average of the whole of the public tenders for bills, but the average of the three highest tenders by which means any small tender for any insignificant sum fixed the payment of sums which absorbed the chief revenue of the Colony. However, this regulation was rescinded by the governor who had fixed the payment of those salaries at the average of the tenders accepted. These salaries, added to the establishment of a most expensive colonial corps, both of cavalry and infantry, also paid out of the Colonial revenue in currency according to the high exchange, "has so absorbed the income of the colony, that the taxes upon the inhabitants.....from 350,000 rixdollars, which in the year 1806 were fully ample to meet all the expenses of the colonial government, have now been increased to nearly two millions of rixdollars per annum, and have yet been found during the last two years totally inadequate to answer the demands upon the treasury for the payment of those high sterling salaries of a daily increasing civil establishment, of a most expensive colonial corps and of enormous contingent disbursements". Although the Government had already absorbed 1,143,678 rds. of the surplus revenue which appeared to have accrued from 1806 to 1824, it was yet obliged to effect loans from various quarters to meet its most pressing wants.

Several other causes, they maintained, had also served to increase the evils arising from the high rate of exchange with England and the consequent depreciation of the paper currency. One of them consisted in the method adopted by the Commissariat to make their bills payable only to persons in England, although they were paid for by the persons at the Cape and therefore aught to be considered as the unquestionable property of the tenderers, by which the means of keeping down the exchange by enabling the persons receiving bills to accommodate third persons in the Colony, was effectually and unfairly prevented. These measures, together with the stagnation of all trade, the restrictions on some articles of commerce, "and various other causes arising from the distressed state of this settlement within the last few years", have considerably increased these evils. Although the causes of depreciation could not be ascribed thereto only, for the exchange with England had already risen to 130 and 140 per cent. during the years of greatest prosperity of the Colony, but nevertheless they have undoubtedly co-operated to bring the Colony to a condition which called for the immediate assistance of His Majesty's Government.

As far as they could see the evil could be remedied in the following way:

(i) a speedy destruction of the currency created since the year 1806, pledged to be destroyed, and the subsequent annihilation of the payments of interest and instalments as they become due by individuals to the Government Loan Bank, after defraying the expenses of that establishment;

(ii) by fixing the salaries of the civil servants paid in sterling at a definite amount in Colonial currency and

(iii) in relieving the Colony from the burden pressing upon it by the payment of the Colonial corps out of the revenue of the Colony.

Protests were also received from the President and Members of the Orphan Chamber[61] and their letter was sent to England along with the petition of the Freeholders and Others. They have carefully examined the report of their two commissioners who inquired as to how far and to what extent the operation of the Ordinance was liable to prejudice the administration of the Board itself, and those whose property and moral education had been entrusted to the care and protection of the Board. The Board pointed out that "as regards the immediate effects of the.....Ordinance, that if a proper distinction be made.....between the fluctuating course of a foreign exchange, and the value of the circulating medium in colonial dealings not connected with foreign trade, whether that circulating medium be gold, silver, copper or paper, the foreign exchange only affecting the merchant or tradesman, whereas the value of the circulating medium, if metallic, is regulated by the value in bullion, and if paper currency, by the existing security for its ultimate redemption, a distinction of which the precise or inaccurate determination is inseparably connected with and acts upon the prosperity of misfortune of every individual, be he rich or poor, high or low". In addition, if it was considered "that the paper currency actually in circulation is abundantly secured, not only by the guarantee of government, but for the greater part also by the mortgages on the real property of the inhabitants of this colony, and that this currency has from the beginning to the last been received at 48 Dutch stivers, or English pence, by the inhabitants of this colony confiding in the various assurances and

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61. C.O.227, no.44, 2nd Sept., 1825; G.H.23/7 pp.340-341, 21st Sept., 1825: lord Charles Somerset to Secretary of State lord Bathurst.

proclamations given and issued by the successive commanders in chief, in the name and on the authority of their respective Sovereigns in Europe", they must candidly confess that by the operation of the Ordinance, those interested in the capital 62) of the Orphan Chamber would suffer a loss of 62½ per cent. or five-eighths of their property and that no more than 37½ per cent. or three-eighths would be reserved for them.

The result of this sudden reduction in property would naturally be that the rich "whose possessions amount to more than all the money in circulation" and who in the first instance suffered by the depreciation, would exert their endeavours to cove that loss by other means. They would probably commence to raise by five-eighths the rent of the houses which the poor had taken on lease, gradually call in their capitals, and not suffer mortgages to remain on interest on the sale of immoveable property. So, the measure strictly taken, would prejudice those chiefly who at the moment could scarcely support themselves. In the meantime it was this comparatively poor proportion of the community, who supported and educated the destitute orphans who scarcely possessed 30, 40 or 50 rds. in interest annually and constituted the greater part of the number in charge of the Orphan Chamber. It could not be expected that such persons who were already necessitous and were likely to become more so, would continue to shelter those orphans, when they would have to receive only three-eighths of that which they formerly enjoyed and so pay five-eighths more for house-rent.

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62. C.O.227, no.44, 2nd Sept., 1825.
On 31st Dec., 1824 the capital of the Orphan Chamber amounted to Rds. 2,766,531-1. Amongst those interested were about 2,000 orphans, who, not being capable of managing their own affairs, had been entrusted to the protection of the Orphan Chamber, besides a number of persons residing abroad, either in Great Britain, or subjects of foreign powers whose respective interests had also, by their deceased parents or relatives, been confided to the Board of Orphan Masters.

Furthermore, the prospects of the Orphan House, founded out of private funds would be no less baulked by this Ordinance. The Orphan Chamber, seeing that in proportion as the population increased the number of orphans would become greater, had intended to appropriate the surplus of their revenues to the maintenance and extension of this institution whenever the private funds of the Chamber had accumulated in the measure they deemedfit to guarantee its administration. If the Ordinance be carried into effect, however, these prospects could never be realised. "The private funds of the Orphan Chamber (which are considered as security for all monies placed under its administration, and which indeed increases the confidence of the public in the transactions of the Board) will have received a shock, which would reduce the same to the state in which it was 13 years ago. Independent of which, the responsibility of the members of the Board has been rendered by the Ordinance equally as great as it was at the period to which we have alluded". As the fate of thousands of innocent children entrusted to their care would be affected by the measure, the Board humbly requested His Majesty to make such alterations in the Ordinance as should be considered just and reasonable for the interests and happiness of the orphans of the Cape Colony.

The Freeholders even went to the extent of sending Lt.-Col. C. Bird, a former secretary of the Cape Colony, to England to convey all the information obtainable on this subject and, "in whose talents and knowledge of these matters we have placed the most implicit reliance"[63]. The Committee deemed it advisable to send such a competent person, who, with the London Cape of Good Hope Committee, would confer more fully with His Majesty's Ministers.[64] This gentleman,

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63. Rec.23, p.126, 22nd Sept., 1825: Committee to Secretary of State lord Bathurst.
64. S.A.C.A. Advertisement, 24th Sept., 1825.

of course, had always exerted his influence in favour of more inflation.

There was general agreement that so long as the quantity issued had been limited, the value of the paper "was maintained without the prop of the precious metals" and that the subsequent depreciation was due to over-issue. The only objection that could be raised against this statement is that it was not recognised how early depreciation had set in. It was also stated that the proximate cause was the great excess of imports over exports.[65] Professor Leslie pointed out, however, that the Quantity Theory of money shows that the value of money depends both on the quantity of money and the quantity of goods offered for sale. Other things being equal, an increase in the quantity of good would have resulted in a fall in prices or an appreciation of money. It was only because of the excessive issues that this result was not obtained. It certainly did operate to check the rise in the price of commodities, though the rise in the price of bills was accelerated. He pointed out that those were undoubtedly correct who stated that the internal depreciation had not been nearly as great as the external, if one confines attention solely to prices in the Cape Colony. A point which seems to have escaped attention was that in a system of countries connected by commerce, one has to deal not only with the forces operating in one country, but also with the more general forces which affect all countries. This period of rising prices at the Cape was a period of falling prices in the countries with which the Cape traded. In 1800 the index number of prices in England stood at 235; in 1824 it was 147; in 1825 there was a temporary rise to 172, but thereafter there was a steady fall. Where trade was established, prices tended to move in the same direction. In the absence, therefore, of an inconvertible and excessive

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65. Leslie : Op. Cit., p.163.

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currency, prices, instead of rising, would have fallen in the Cape Colony. The internal depreciation was therefore much greater than appeared. With regard to the statement that the calling down of the rixdollar to 1/6 had reduced the wealth of the colonists to three-eighths of its original amount, Professor Leslie pointed out that this was simply a confusion between money and wealth. So far as internal trade was concerned, if a person sold his goods for 1/6 instead of 4/-, he also bought at the same rate. The actual commodities remained the same as before and in the external trade the dollar had in any event to be given to obtain 1/6 abroad. The evil lay in the depreciation of the money and not in the official recognition of that depreciation. The only just ground for complaint was the additional 3 per cent. charge on bills. This was however soon reduced to 1½ per cent. as the charge was merely to cover costs.[66]

In some of the memorials that had been sent in relative to the effect of the Ordinance, reference was made to the pledge of Government for annulling the 500,000 rds. issued by lord Howden as fast as it should be repaid into the Treasury which had not been fulfilled. In defence of his policy Somerset[67] maintained that a large sum had been sunk in the building of public offices which the Colonial Treasury had not yet been able to refund. "I can only adduce as my reason for reissuing a portion of this fund, instead of cancelling it as it came in, that, understanding that it was created for the purpose of carrying into effect public buildings and other works tending to the general improvement and future prosperity of the Colony, I conceived that as long as it could be employed (when the works first undertaken had been completed) it would be most beneficial to the interests of the Colony to re-employ those sums on the

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66. Ibid., p.164.
67. G.H.23/7, pp.313-314, 23rd July, 1825, Enclosure 28/11.

public account, rather than destroy them and relinquish objects of general importance".

When forwarding the petition of the Committee of Freeholders and that of the Orphan Chamber on 21st September, 1825, Somerset also included a copy of the Government Minute of 28th June, by which the Bank and local authorities of several districts were authorised to give Rixdollars in exchange for silver money at the rate fixed by the Ordinance.[68] He further informed Bathurst that "this measure, as I anticipate, although attended with most beneficial results as to calming the minds and feelings of the inhabitants has had no other consequences. I now allude to it with a view of pointing out to you if His Majesty's Government feel disposed to make any alteration whatever in the rate at which the Rds. has been fixed, the provisions of the Minute will prevent any claims being set by individuals on account of supposed losses or hardships sustained by them during the period intervening between the Ordinance and the Act which may promulgate any change His Majesty's Government may determine on".

Report of the Commissioners of Inquiry.- On the 25th July, 1822, an address to the Crown was presented by the Commons, which resulted in the appointment of Major William Macbean, George Colebrooke and Mr. John Thomas Bigge as Commissioners[69] for inquiring into the state of the Colonies of the Cape, Mauritius and Ceylon. These gentlemen arrived at the Cape in July, 1823, and spent more than three years at the Cape. "In consequence of the sensation that has been created in this Colony by the publication of an Ordinance by His Excellency the Governor-in-Council.....we deem it our duty to bring concisely under the consideration of your Lordship the

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68. Ibid., pp.340-341, 21st Sept., 1825: lord Charles Somerset to Secretary of State lord Bathurst.
69. Rec. 15, pp.237-242; Theal: History of South Africa, 1795-1828, p.337.

result of our inquiries into the progress of the public debt, and the nature of the obligation arising from the security that had been pledged for it"[70].

They pointed out that the engagement of the British Government to discharge the debt of the Colonial Government that existed at the period of the surrender of the Colony in January, 1806, would appear to be comprehended in the tacit approval by His Majesty's Government of the terms of a capitulation that was signed by General Sir David Baird on the 10th January, 1806. By the 9th article it was agreed that "the paper money actually in circulation should continue current as heretofore, until the pleasure of His Britannic Majesty should be known ", and by the 10th article it was agreed that "the lands and houses, the property of the Batavian Republic, should remain as a security for that part of the paper money which was not secured by mortgage upon the estates of indivuduals". The debt had thus been conditionally acknowledged.

The exchangeable value of the paper rixdollar at the time of the capitulation could be considered to have been much depreciated. After the report of Cradock's Finance Committee on the paper currency, Earl Bathurst had communicated his opinion "that the paper in circulation was redundant and tended to depreciate its value in exchange. The Government was then instructed to reduce the quantity, and to make quarterly reports to your Lordship, of the amount of paper destroyed".

The reduction of the military and naval expenditure, consequent upon the restoration of peace, led to a further depreciation in subsequent years, to which the measures of the Colonial Government might be considered to have further tended.

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70. Rec.22, pp.141-152, 5th July, 1825: Com. of Inquiry to Secretary of State lord Bathurst.

One of the earliest measures of Lord Charles Somerset's administration was to discontinue the payment of interest upon the annual deposits of paper money with the Discount Bank. As the transactions of that bank were increased rather than diminished in subsequent years, the paper currency was forced into active circulation and further depreciated in exchange.

"The entire neglect of your Lordship's instructions in 1814, for the destruction of the paper currency created for the execution of public works, the re-issue of that paper on subsequent occasions, and the employment, in the shape of revenue, of the whole of the interest of the loans from the Lombard Bank, of the interest taken upon the fund for public works, and of the profits from the discount bank, must be considered to have tended, in a primary degree, to the depreciation of the currency, and the long continuance of the evil, as affecting the interest of the Colony, has rendered it impossible to avoid the inconvenience that would have resulted from any measure for the settlement of the currency upon sound principles".

The fluctuating value of the currency previous to the capitulation of 1806 was not subsequently adverted to, as the sudden rise in its value at that period produced gain to individuals; but subsequently to that period progressive losses had been sustained which had fallen upon the Colonists while the merchants alone had had the means of compensating themselves. "The enhancement of the currency prices of all imported articles has subjected the consumers to proportionate expenses; and as paper was the only medium of circulation, the effect has extended (however imperceptibly to the great body of the colonists) in enhancing this currency price of articles the produce of the Colony".

They pointed out that "had the measures directed by your Lordship in the year 1814 been duly effected, and restrictions imposed by the colonial government upon the issues of the bank, the paper currency would have regained its value in exchange at a time when these effects had been but partially produced, and when many of the parties who had sustained loss might still have been indemnified, but the circumstances of the Colony have so considerably changed, that to have abruptly enforced, at the present moment, the payment of currency debts, by proclaiming the rate of 4/- as the nominal par of the paper rixdollar, would have brought ruin upon many individuals who had borrowed at successive periods when the paper had become depreciated, and who had paid interest on the amount of their debts of not less than £6 per cent per annum, and in many instances more, according to the security they could offer".

"As the average exchange has not materially varied from the rate at which it has been lately fixed by His Majesty's Government, it is to be concluded that the paper in circulation has passed into the hands of the present holders at that average rate; and that even had not 1/6 sterling been declared a legal tender for the paper rixdollar, there is every reason to conclude that the means afforded, of remittance through the Commissariat, would have led to its absorption nearly at the same rate....."

The paper currency being in itself unproductive, and at the same time redundant, they did not suppose that it had in any instances been hoarded, or that it had remained in the hands of those who could derive a profit from disbursing or lending it. "Indeed the encouragement that had been given to its circulation by the operation of the banks, had tended to produce an extended system of credit, and the

creation of debts and obligations to an amount that at present constitutes a heavy and general charge upon the colonial property".

"It has been found difficult to arrive at a correct knowledge of the amount of the mortgages and obligations for which real and personal security have thus been given, but from the records of the colonial office, where mortgages are registered, it has been generally estimated that the amount of the uncancelled mortgages in 1823, was Rds. 17,353,407, and of outstanding bonds Rds. 9,365,677; and although some of these obligations have been contracted in specific terms, and the amount of bonds made payable in rixdollars at 48 stivers Dutch currency, the greater number contain no more specific engagement that the current rixdollar and guilder,- a medium that had constantly fluctuated in exchange, and that had progressively depreciated in 20 years from its nominal par to 62½, and at one time to 70 per cent. discount".

"The system of credit to which we have adverted, and which has been encouraged by the accommodation afforded by the Bank, has led to great irregularity in the repayment of debts, and we do not doubt that a considerable part of those which are still due, have been contracted at periods when the paper had not attained its present depreciation in exchange. The equitable claim of the parties could only extend to repayment according to the value of the currency at the time when the loan was negotiated, and the successive rates of exchange may be generally stated according to the average of five years.....that has elapsed since the capitulation. The claim of the government to repayment of the debts due to it at these rates, is abandoned by the publication of the late Ordinance, and which has also determined the sterling rate at which the land rents are in

future to be taken".

"We conceive that His Majesty's government has in these respects made a large concession in favour of the colony, and has relieved the parties that are indebted to it, from the consequences of an enforcement of the public claim at a higher rate of exchange".

"The failure of the Colonial Government to carry into effect your Lordship's instructions for the reduction of the amount of paper in circulation has not been unattended with profit to the Government, as well as to the public servants, who have been paid in sterling at the current rates of exchange; while it has been proportionately injurious to the greater number of the public functionaries, who have been paid in a fixed amount of depreciated currency".

"The profits derived by the colonial government through the medium of the banks have been considerable; and on this subject we must remark, that interest has been taken upon the sums advanced for the execution of public works, in the districts contrary to the original intention, as declared when those advances were made; nor have the sums thus received on account of interest, been applied to the extinction of the paper which was pledged to be withdrawn from circulation, but have been applied in aid of the revenues of the colonial government".

"The punctuality that has been observed in discharging the obligation of the Batavian Government by the destruction of the several instalments of the loan of Stellenbosch.....is contrasted with the neglect of the obligations of the British Colonial Government in respect to the largest portion of its own issues".

In consequence of the demand of interest from the

districts for sums applied to the erection of churches and civil buildings, the greater part of those debts were unextinquished. These debts had borne heavily upon the inhabitants of the country and those of Cape Town had been relieved from the payment of interest upon advances from the same fund for the purpose of laying water pipes, although these works had contributed much to their accommodation as the erection of churches and drostdies could be considered to have done to the inhabitants of the districts. "We are therefore induced to recommend to your Lordships that the sums payable by the districts on account of interest upon those advances, may be remitted by the colonial government, and the interest already paid carried to account of the principal redeemed; and that a fund may be erected, to which all future repayment of principal will be added, and to be applied to the execution of those public works which may be required to complete the establishments of the colony, and to restore those buildings which have been destroyed or injured, owing to the defective manner of their execution".

They were of opinion that no class of the community had suffered so much from the effects of depreciation than those public servants who had been paid in depreciated currency. It was this class who "possess the strongest claim to the liberal consideration of the government" and the Commissioners were prepared to recommend an increase to their salaries in all instances where the office might be continued on the same footing.

It was in the contemplation of the Commissioners to have recommended as a preliminary measure, the punctual fulfilment of the pledges successively made by the colonial government for the redemption of those portions of the paper currency that were issued for the execution of public works

and in support of which Bathurst had given distinct and positive instructions. "This object might have been advantageously effected by a permission given to the local government to draw upon His Majesty's Treasury at the current rate of exchange, and the transmission of specie for payment of the troops would have facilitated the extinction of the smaller denominations of colonial currency. The reduction of the paper currency to this extent would have made a partial alteration of the value of the rixdollar in exchange, at which rate the remainder of the debt might then have been redeemed and the British currency have been issued and declared a legal tender. We are aware that in the operations of this measure an increased burden would have been imposed on the numerous individuals who are debtors, and some gains would have accrued to those who had not sustained the loss, an inconvenience which has been entirely avoided by the operation of the late ordinance; but viewing it as a consequence resulting from the discharge of an obligation contracted by the government, we should not have felt ourselves justified in overlooking the nature of the pledge to the public, the orders that had been given by your Lordship, nor the circumstances render which the funds had been applied by the colonial government; and we should have proposed to meet the inconvenience of disturbing the exchange value of the currency, by a gradual negotiation of bills upon His Majesty's Treasury, to the extent required for the absorption of such portions of the paper".

"Considering the conduct and transactions of the Batavian government, and the nature of the obligation contracted by the terms of the capitulation, we are not of opinion that it would have been incumbent on the British government to have redeemed that debt at the rate of four shillings sterling the rixdollar. The fluctuating value of

the Cape rixdollar antecedent to the capitulation, the absence of all pledge for its redemption at any specific rate, the failure even of the Batavian government had fully accounted to them in 1803, the sale of part of the lands and buildings which at that time constituted a security to the public for the debt, and the application to military and hostile purposes of sums created for the erection of the public buildings in 1804 (some of which have still to be erected at the expense of the govemment) are all circumstances that may be stated in support of our conclusion, that the obligation of the British government have been amply fulfilled by the redemption of the original debt at the current rate of exchange, after the destruction of such portions of the currency as had been created and applied to public purposes subsequently to the capitulation in 1806. We are equally convinced that to have redeemed it at a higher rate, after the paper had reached so great a depreciation, would have been productive of great distress to the community at large, and even of injustice to a large majori ty of individuals who have been relieved by the operation of the late ordinance".

With regard to the Government lands and buildings which were pledged as a security for that part of the debt which was not secured upon private mortgage, the Commissioners recommended, that as the property might have improved in value with the progress of the Colony, "it be carefully appraised by a competent board, and that if it should be found to exceed in value the amount that would indemnify the British government for the extinction of the portion of the debt for which it was pledged as a security by the capitulation of 1806,.....such surplus, if raised upon the sale of land or buildings not required for public purposes, may be applied to the execution of public works for the improvement of the colony".

In brief, therefore, the Commissioners of Inquiry supported the contention of the Committee representing the Freeholders and others that the paper money had depreciated from redundancy, caused by a breach of faith and disobedience to orders from the Home Government. They differed, however, from the Committee on the rate at which the paper money was to be redeemed.

Opinion of Lt.-Col. C. Bird. - As we have seen before, it was the general contention of the Committee representing the Freeholders and others that the British Government had been pledged to redeem the paper at 4/- sterling per rixdollar. This impression had been long entertained by the principal capitalists of the Colony who were chiefly resident in Cape Town. This impression had been strengthened by the opinions of Lt.-Col. Bird, a former Colonial Secretary of the Cape Colony. His opinions would undoubtedly have carried much weight and would certainly have influenced the general opinion.

He maintained[71] that the declaration of Sir David Baird in the articles of capitulation of 10th January, 1806, should not be considered in the insulated light in which it appears "but as expressive of the policy which the British Government had avowed during the period in which the Colony..... ..... was in its possession, during the eight years which preceded the year 1803, - a policy fresh in the memories of those who capitulated in 1806 - and one calculated to ensure their confidence in British faith, and to reconcile them to the second charge." During the period 1795 to 1803, specie and paper were nearly at par in all ordinary transactions, and coin was only received at the public offices at rates (fixed by the Dutch tariff) which had their basis in the consideration of the rixdollar representing "48 full weighted pennies of Holland". The English guinea in the tariff referred to was

71. Rec.19, pp.401-403, 9th Jan., 1825; Rec.19, pp.440-443, 14th Jan., 1825.

considered to be equal to 4¾ rixdollars. That British Administration had likewise issued, on its even guarantee, 250,000 rds. as an addition to the paper currency, and had redeemed the pledge by paying the amount at par to the Batavian authorities. For the greater part of the 8 years alluded to, bills of exchange and currency were also at par, or nearly so. Bills only rose to 20 per cent. premium when the surrender caused a great demand for them, as the only medium for realising the property of those who were obliged to return to Europe; "consequently it may be asserted, that the British government recognized the value of the rixdollar.....to be equal to 48 full weighted pennies of Holland, which make something more than four shillings sterling". The article in Sir David Baird's capitulation should therefore be viewed in reference to this state of things which was known to all the inhabitants of the Cape Colony. But, lest there should have been a doubt on the subject at that time, Sir David Baird published a tariff at which coin should be thenceforth current; and though it differed in a trifling from the former one, yet it appears to have been grounded on the same basis as the one publish by the Dutch Government,- the consideration of the rixdollar as of the value of "48 full weighted pennies of Holland".

"I am not aware that there was any subsequent public declaration, by which the British Government officially fixed the value of the paper rixdollar; but I conceive many of its acts to have recognised the value which the rixdollar antecedently had in public estimation". The paper issued by the Batavian Government, the only currency in circulation in 1806, certified upon every note that the holder was proprietor of so many Cape rixdollars as the note itself specified. "When, therefore, the British Government

increased the amount of Cape currency by an issue of one million of rixdollars, unless it can be shown that it then affixed and declared a new value to the Cape rixdollar (which it is clear is not the case) it must be acknowledged to have avowed that the one million so issued, was to be considered and taken at the same rate at which the Cape rixdollar was issued and circulated previous to the adoption of this measure; it was, otherwise, a gross fraud, the more condemnable as it was effected by trick".

He pointed out that notwithstanding the ruinous fluctuations of exchange which had rendered living very expensive in the Colony, and the purchase of all imports so exorbitant to the Colonists, the value of landed property had not proportionally varied (except perhaps in Cape Town and its immediate vicinity) neither had articles of the first necessity. But these had been transferred from the holder or grower to the purchaser or consumer, at prices comparatively stationary; "so that it may be inferred that the rixdollar continues to be considered by the public as the same measure of value in colonial transactions as that at which it was originally issued, to which the holders consider the British Government to have given its sanction".

In short, the British Government had been held to be publicly pledged to the redemption of the whole of the paper currency debt as it existed at the period of the surrender of the Colony in 1806, as well as to that of all subsequent augmentations to it, at the rate of 4/- per rixdollar.

CHAPTER III.

EFFORTS IN ENGLAND.

Eventually all the petitions and memorials received by Bathurst from the Cape Colony were transmitted to the Lords Commissioners of His Majesty's T reasury by December 1825.[1] On the 3rd January, 1826, Bathurst drew their attention to the urgent necessity of arriving at an early decision.[2] Nothing could be more detrimental to the prosperity of the Colony or more injurious to the interests of the individuals than to allow the present state of suspense to exist any longer than was absolutely unavoidable.

The Cape of Good Hope Trade Society.- It had long been considered by many of the merchants and others in England concerned with the Cape trade that it would be very useful to establish a society for the purpose of attending to the general interests of the trade and particularly to form a proper channel of communication with the Government. Early in March, 1825, such a society was established which was under the management of a Committee with Mr. A. Borradaile as chairman.[3] A certain Mr. J.B. Ebden, who was on the point of leaving for the Cape Colony, was requested immediately on his arrival either to form a society at Cape Town or to urge any commercial society already formed there to communicate with the society in London upon all subjects of general interests to the trade of the Colony.[4] In a letter addressed to a certain Mr. J.J. Merrington at

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1) Rec. 23 p.159 25th Sept., 1825; Ibid., pp.182-183 29th Sept., 1825; Ibid., p.418 10th Nov., 1825; Ibid., p.451 19th Nov., 1825; Rec.24 p.178 26th Dec., 1825.
2) Rec.25 p.244 3rd Jan.,1826 Lord Bathurst to Lords Com. of H.M. Treasury.
3) C.O.117 2nd March, 1825; C.O.117 12th March, 1825.
4) Ibid., 2nd March; C.O. 6th May, 1825.

the Cape, the chairman outlined the objects of his society and added that "it is the sincere desire of the Committee of the Cape Trade.....to use their best endeavours to forward the interests of the Trade of the Colony by all means in their power, and they think one way of doing so very effectively is the opportunity which they possess of supporting any measures that may be thought adviseable by direct and personal communication with the Heads of His Majesty's Government".[5]

As early as May, 1825,[6] Mr. A. Borradaile wrote a letter to the Lords of the Treasury and requested to be informed what steps had been taken with respect to the currency of the Cape Colony. This was of importance to the merchants and others interested in the trade of the Cape. On the 4th, June, 1825,[7] they received a reply to the effect that an Order-in-Council had been issued that British silver money had been introduced into the Cape and that the rixdollar was fixed at 1/6 per paper rixdollar. Subsequent to this date, however, the merchants had heard it circulated on high authority that in consequence of representations received from the Cape the value of the rixdollar was again to be altered to 2/-. It is obvious, however, to point out the importance to the merchants and others interest, of a question of this nature being set at rest.

This incidence merely serves to illustrate the fact that in England there was a certain group of people who kept a vigilant eye on the affairs of the Cape Colony so far as their interests were concerned. This body of people was later to render valuable services in advocating the cause of the grieved colonists.

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5) Ibid., 6th May, 1825. Mr. A. Borradaile to Mr. J.J. Merrington.

6) Rec. 23, pp.230-231 4th Oct., 1825. Mr. A. Borradaile to Lords Com. of H.M. Treasury.

7) Ibid.

In the meanwhile Lt.-Col. C. Bird had arrived in England with his documents bearing on the Colonial currency, and made contact with the Trade Society. Accordingly, Messrs. Borradaile, Lt.-Col. C. Bird, and McDonald had interviews with lord Bathurst in January, 1826.[8] Bathurst promised them that he would address the Treasury on the subject of the currency of the Cape. On 1st February, 1826,[9] in submitting the letter of the Committee reprecenting the "Freeholders and Others" at the Cape elaborating their petition, Bathurst suggested that the Treasury should allow Messrs. Borradaile, Bird and McDonald to attend at the Treasury Chambers to submit whatever explanations they might have to offer. It was his earnest and strong desire that the question should receive immediate attention. Two months later, however, he again had to repeat the request.[10]

The Currency Case before Lawyers.- The opinions of the most eminent lawyers in England had also been taken on the legal claim which the inhabitants of the Cape might have to a repeal of the Ordinance of the 6th June, 1825. The case[11] put before them were as follows:-

1. The Dutch Colony of the Cape of Good Hope surrendered by capitulation to His Majesty's arms, for the second time in January 1806.
2. At the period of the capitulation there was a Government paper currency in circulation amounting to about 2,000,000 rds.
3. An article of the Capitulation (the 9th) guaranteed to the inhabitants the continuance

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8. Rec. 25 p.380 26th January, 1826; Rec.25 p.376 28th January, 1826; Rec.26 pp. 215-216.
9. Ibid., pp.391-392 1st Feb., 1826. R.W. Hay to G.Harrison.
10. Rec.26, pp.215-216 1st April, 1826; Rec.26 p.237 6th April, 1826.
11. S.A.C.A. 7th June, 1826.

of this circulating medium "as heretofore", and

4. Another article of the Capitulation (the 10th) pledged all the Government houses and lands as security for that proportion of the paper currency, which circulated on the faith of Government, - the remainder being amply secured by private mortgages.
5. The terms of Capitulation were approved by His Majesty.
6. Colonial accounts are kept in rixdollars and guilders, and the sub-division of each into stuyvers or pennies.
7. 48 Full weighted pennies of Holland, or 3 guilders of 16 such pennies, each (called guilders of Indian valuation) make one rixdollar.
8. The paper money was issued originally in exchange for coin, which the Colonial Government borrowed of the inhabitants, and pledged itself to redeem as the rate at which it had taken from them the coin.
9. It was imperative upon the inhabitants to receive the paper currency in all internal transactions, at 48 stuyvers to the rixdollar.
10. A tarif of the rates at which the coid of different nations should pass, or be exchanged for paper currency was officially promulgated.
11. The English guinea is estimated in that tariff as $4\frac{3}{4}$ rixdollars.
12. Similar tariffs were issued by the British Administration, in the years 1800 and 1806:- the English shilling was therein declared to be a legal tender for 12 Dutch stuyvers.
13. The British Colonial Government with the sanction of the Government at Home, added 1,000,000 rds. to the circulating medium at the period of the

Capitulation on its own guarantee, and under repeated promises to uphold the value and to redeem the issues, the last of which was contained in the proclamation of June 1822.

14. It is stated in paragraph 6 (above) that all Colonial accounts were kept in rixdollars or guilders - all colonial money transactions were so kept.

15. The Colonial Government had repeatedly, officially recognised 5 rds. to be the equivalent of the pound sterling.

16. The Cape not being a commercial country, and there being no public securities, the wealth of its capitalists consisted in mortgages and bonds, all purporting to be in rixdollars of 48 full weighted pennies of Holland, or in guilders of Indian valuation that was of 16 such pennies each.

17. The value of the landed property and agricultural stock of the inhabitants, taken from official documents shortly after the capitulation, amounted to 61,000,000 rds.

18. The value of the lands registered in the Government S ecretarial, amounted in 1823 to the sum of 30,000,000 rds.

19. The Cape is not a commercial country, having very few articles of export; and those few not being of a very valuable description.

20. But a great quantity of British merchandise had been imported into the Colony.

21. Return for these importations had been difficult to procure, and this circumstance, amongst others, had caused Commissariat bills on the British Treasury, to sell by public competition at very high rates.

22. Thus in these calculations, such bills gradually rose in price from par or 5 rds. to the pound sterling to £205 per cent. or 15¼ rds. to the pound sterling.

23. Bills, however, had fallen considerably below the price above quoted; and it was confidently expected, that the rixdollar was about to regain its equilibrium in exchange.

24. It was only with England where a great mercantile debt was due, that the exchange was so unfavourable to the Colony; with Holland it was more advantageous; with India the rixdollar almost retained its value in exchange.

25. The amount of Commissariat bills negotiated in England had been inconsiderable for some years, not exceeding £120,000 per annum, consequently no fair criterion of the value of rixdollar in exchange is deducible from transactions so unimportant.

26. Had the Colonial Government redeemed its pledge by taking out of circulation the sums it had issued for its necessities, the value of the rixdollar in exchange, it may be confidently ascerted, would have been that at which it was originally fixed.

27. Under all circumstances it was contended, that the rixdollar did not lose its value in internal transactions; land, stock, and articles of the first necessity had remained at prices either stationary, or with variations traceable to other causes.

28. In this situation of the money affairs of the Colony, the Colonial Government had issued an Ordinance dated 6th June, 1825, fixing 1/6 sterling as the value of that rixdollar, which it had issued or guaranteed at 48 stuyvers of H olland and

making such 1/6 " a legal tender" in all antecedent Colonial money transaction, whether ariving from mortgage, bonds or other debts.

29. It is to be noticed that one shilling had been previously declared to be "a legal tender" for 12 stuyvers, and that the same shilling and one half are here made a "legal tender" for 48 stuyvers.

30. The Colonial Government had itself wavered, as to the justice or expediency of the step taken, it having adopted measures to counteract the Ordinance of the 6th June, 1825, until the whole should have been considered in England.

The following queries, therefore, arise in the consideration of this Ordinance upon which the opinion of the lawyers was solicited:

A. "Is the quarantee given by the 9th article of the Capitulation of the 6th January, 1806, so binding upon the British Government, as to render it legally compellable to redeem the debt then due to the public by the Batavian Government, and circulating in the shape of paper currency?"

B. "If the affirmative be the reply to the former query, what is the mode by which the inhabitants, proprietors at the Cape of Good Hope, should proceed to bring the question to issue?"

C. Have the papers submitted, sufficiently proved the value of rixdollar to the 48 Dutch stivers, if not, what more is requisite to establish it as of that value?"

D. "Is an order from a Secretary, or an order from the Board of Treasury, or even an order of Council, communicated to the public of a Colony by an Ordinance of a Governor-in-Council, to be esteemed

legal and binding upon the inhabitants, so as to annul all the previous private engagements, and to give a different value to their antecedent pecuniary transactions: that is, all transactions at the Cape of Good Hope by mortgages or bonds previous to 6th June, 1825, specified the engagements to be in rixdollars of 48 full weighted pennies of Holland, the Ordinance of the 6th June explained by the Governor-in-Council on the 28th June, makes it compulsory on the inhabitants, holders of such contracts, to take 18 pennies sterling in lieu thereof. Is such order a legal order; according to the known laws of the British Empire?"

E. "Should the court of the Colony support the aforesaid Ordinance of the Governor-in-Council and to exonerate a debtor an engagement entered into previous to the 6th June, 1825, by decreeing that a payment made of 18 pennies sterling is a sufficient discharge of a bond executed in rixdollars of 48 stivers Dutch each, would an appeal in due course to the King-in-Council be likely to afford redress in the case? or by what other mode is redress to be obtained".

F. "It appears that the Colonial Government added to the paper currency in circulation at the capture for its own necessities and on his own credit, to a considerable amount, by no act of that Government; is any difference in value declared between the latter and the former issues; is not that Government, therefore, bound to redeem, that issue at the same estate at which the value of the first issue has been established?"

G. "An article of the capitulation (the 10th) binds

the Government lands and houses as security for the paper currency, is not that article an acknowledgement of the debt due by the Government to the public of the Colony? and how can that pledge be enforced?"

The British law advisers[12] were, however, unanimous in their opinion "that the Crown has the power, by proclamation, to reduce the value of the rixdollar, in the Colony of the Cape of Good Hope, in the manner in which it has exercised that power as is above stated; and we think the inhabitants of that Colony have no legal remedy for any injury they may have experienced in consequence of the charge; but that their only means of obtaining redress, is by petition to the King-in-Council".

Further Efforts.- On 16th February, 1826, Lt.-Col. C. Bird accordingly, presented a petition[13] of the Freeholders and others to the King-in-Council and be prayed to be heard by Council. His object was to bring all the arguments in support of the petition of the proprietors and capitalists into one focus, so that by an Order-in-Council from that quarter such redress as could be given, might be speedily obtained. This petition, however, instead of meeting with the reception that Bird had expected, was referred to the Secretary of State for the Colonies, who had formerly informed him that the Order-in-Council of 6th June, 1825, was not a measure which had originated in his department but that it was a Treasury regulation and that he should refer all the papers relative to this Colonial claim to that Board. His petition having, however, been referred by the Secretary of State for the Home Department to

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12. Ibid., J. MacKintosh, H. Brougham, N.C. Tindal, S. Lushington. They gave their opinion on 6th, Jan., 1826.
13. Rec.26 pp.30-36 16th Feb., 1826. Memorial of Lt. Col. Bird to the King.

Earl Bathurst, Bird made application to him for a consideration of his prayer, and was informed, as before, that the measure, being a Treasury one, the petition would be submitted to that Board to which Bird was of course again referred.

Week after week now passed in fruitless applications by Bird and some friends for its consideration. At first no answer could be obtained but at length he was circuitously informed "that neither explanation nor discussion would be permitted, as the measure had been determined upon."[14] Discouraging as this was, Bird thought it nevertheless due to the capitalists not to relax in his exertions. He therefore addressed a letter on 16th March, 1826,[15] to Mr. Herries, one of the Secretaries of the Treasury, together with a minute to be brought to the cognisance of the Lords Commissioners. "The question is of immence importance to all concerned - it being, in fact, to ascertain whether the securities, which the capitalists have considered hitherto of, to them, the value of £12,000,000 shall be reduced to that of £4,500,000."[16] Having been advised that an order of the

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14. S.A.C.A. 3rd Oct.,1826 Letter of Lt.Col.C. Bird to W. Hawkins July 1826.
15. Ibid., 7th Oct.,1826. Letter of Lt.Col.C. Bird to J.C. Herries 16th March, 1826.
16. Ibid. See Minute. "It will be seen by the Public Registers, that the registered mortgages amount to 30,000,000 rds. It is known, from statistic details, that the value of the occupied lands and agricultural stock of the Colony was, at the period of the capitulation, or shortly subsequent to it, 61,000,000 Rds; now the mortgages upon there 61,000,000 rds. are either the identical mortgages which existed at the capitulation, or they are chiefly those which have been renewed, according to local custom, when sales of estates have taken place, so that in fact they are the same mortgages, though the dates of the deeds vary, consequently these 61,000,000 rds. existed at the capitulation, at the value of £12,200,000, for exchange was then at par of 48 pennies each, and this value of £12,200,000 is now to be reduced to £4,575,000 by the consequence of the measure complained of".

King-in-Council could only be rescinded by a like authority, Bird asked permission to be heard by counsel on this important subject -" a measure which would not fail to bring the most deliberate reasoning forward which could be applied to it, and which course of proceeding would under any circumstances, be most agreeable to those capitalists and proprietors who are so deeply interested in the question". Intimately impressed with the justice of the pretensions of the Cape capitalists Bird continued to view the prayer of the petition as the most equitable course which could be taken in this regard. Bird expressed the hope that the minute which he had enclosed would perhaps induce the Lords of the Treasury to view the measure differently from what had hitherto been the case, "and I may perhaps be permitted to add, that as great anxiety is felt on the subject, in the Colony in which I reside, If an early decision could be had on the subject, it would seem to be highly desirable".

In the Minute Bird stated that there were three grounds on which the capitalists chiefly relied for proof of error which had been committed in fixing the value of the rixdollar of 48 Dutch stivers, at 18d sterling. The first was, the various unequivocal pledges given by the Colonial Government, to satisfy the inhabitants, that the value of the currency should be maintained. But if it be said that the rixdollar was depreciated in exchange the capitalists would in the second place "deny that there was any exchange with England properly so called; for that the mode adopted by the Commissariat for negotiating the Bills upon the Treasury, was not a fair mode of striking the rate of exchange; many circumstances have tended to enhance this rate....." He inferred, therefore, that the exchange was not a fair critenion of the value of the rixdollar. Besides, as the exchange with other parts of

Europe and with India were much more favourable to the rixdollar, these also should have been taken into account in the consideration of the intrinsic value of the rixdollar, which they were not. Moreover, on the day of the issue of the Ordinance, a transaction had taken place with Madros in which the rixdollar obtained 2/8 sterling. Should it, however, be said that the currency was redundant and that that circumstance had reduced the value of the rixdollar, the capitalists, without admitting the fact, would reply, thirdly, that if a depreciation had arisen from this cause, it was not fair to throw the loss upon them, since they had no concern in the issues, which were said to have caused the redundancy. The Colonial Government made the issues and pledged itself at every issue to recall the amount, destroy it, and uphold the value of the currency. Under such circumstances and pledges, the new paper obtained a similar credit with that which had preceded, nor was any depreciation felt in the ordinary transactions of the community. It has been said that the capitalists had no better or more favourable mode of remittal than at the rate which had been now fixed, and that consequently he suffered no immediate loss. To this statement Bird replied that few of the capitalists availed themselves of the Commissariat Bills, to remit. Those who wished to do so, waited for better times.[17] Finally he added

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17. Ibid. See Minute. "It was known that the British agents, the chief or only purchasers of bills, had ceased to import merchandise into the Colony, where it no longer obtained a market, and that consequently their demand for bills was fast subsiding. It was known that the errors in the mode of negotiating the Commissariat Bills had been brought to the cognizance of the Commissioners of Inquiry, and that there was every prospect of its being redressed. It was known that the exports of the Colony were increasing, by the opening which the merchants and settlers had effected with the Border Tribes, and consequently that at the very moment of the issue of this Ordinance, there was a far better prospect for the capitalist wishing to remit to Europe than there had been for a long time antecedent: he saw that his rixdollar was returning to its value in commercial estimation, but that favourable moment was unhappily selected to crush his nascent hopes".

that "the colonists will gladly see British silver and gold substituted for the proportion of paper which may appear to His Majesty's Government to be redundant. They will see with indifference accounts kept in pounds, shillings, and pence, instead of in rixdollars and stuyvers:- all they ask is, that they may not be stripped of their property by a hasty or erroneous view of the nature of their claims".

Bird had hoped that this would have awakened their lordship's attention the distressing position of the proprietors and capitalists. He was the more sanguine in this expectation as he received from many quarters assurances that the case he had advanced was a just one and would ultimately meet with attention and support. From the further delay which took place, it became evident that he should, as a last resort, have to bring the case before Parliament. This was a step which, for many reasons, he was anxious to avoid, but it was what he had undertaken to do, and he did not therefore hesitate as to the course he should pursue.

The Trade Society again.- Bird deemed it, however, consonant with the wishes of the Committee that he should apprise the gentlemen of the Trade Society of the step he was about to take and solicit them to join in the application.

The chairman, Mr. A. Borradaile, informed him[18], that as the official communication from the Treasury to the Colonial Office did not appear forthcoming, he had written to lord Bathurst on 1st April, 1826, urging him to endeavour to extract it. The Colonial Office still having received no reply from the Treasury, Borradaile again wrote a letter to the Colonial Office on the 15th April[19] which he had personally delivered to them to be forwarded to the Treasury.

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18. S.A.C.A. 7th Oct., 1826. Letter from Mr. A. Borradaile to Lt. Col. C. Bird 17th April, 1826.
19. Ibid. ; See also Rec.26 pp.256-257 A. Borradaile to R.W. Hay.

The Committee, in considering the expediency of joining Lt.-Col. Bird in any representation of the currency case to Parliament were of opinion that it would be entirely hopeless that Government would be induced to make any alteration in the value of the Cape rixdollar and therefore thought it inadvisable to join him in a petition to Parliament. The Chairman wrote to Bird the feelings of the Trade Committee in more detail in a letter[20] in which he observed that [21] "it would be injudicious in them (particularly in a case acknowledged to be hopeless) to run the risk of diminishing the usefulness by joining in a representation to Parliament, which, however, respectfully worded, will not fail when once it gets into the debatable ground of the House of Commons, to be treated as a Political matter, and visited upon all the actors in it accordingly".

Bird meets Mr. A. Baring.- The determination of the Trade Committee deprived Bird of assistance which would have been highly valuable but it was nevertheless incumbent upon him to proceed. He therefore prepared a petition and consulted those whose knowledge enabled them to give the best advice in the matter as to the person he should contact to bring the case forward. It was not solely necessary that a petition should be presented to the House of Commons, but it was essential that the case of the capitalists should be there stated by some person whose talents and character would command the attention of the House. Fortunately such a person was found in Mr. Alexander Baring,[22] "a gentleman of well known transcendant abilities, and so perfectly conversant in all questions of finance and commerce, that the most profound attention is insured to

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20. Ibid., 7th Oct.,1826. Meeting of Trade Society on 5th April, 1826.
21. Ibid., 7th Oct.1826. Letter of Mr. A . Borradaile to Lt.Col. Bird. 17th April, 1826.
22. Ibid., 3rd Oct.,1826. Letter of Lt. Col. Bird to W. Hawkins July, 1826.

every single motion given by him in Parliament". This gentleman immediately saw and felt the injury which had been done to the capatalists and readily undertook to advocate their case should it be ultimately decided to bring it forward. Bird was also infinitely indebted to Lord Caledon[23] "for the warmth with which he entered into the feelings and interests of the Colony" and it was he who had introduced Bird to Mr. A. Baring.

Alexander Baring, first baron Ashburton (1774-1848)[24], was a financier and statesman. A s his elder brother received an appointment in the service of the East India Company, Alexander was trained from early life in his father's financial house. The firm had numerous connections with the United States, and he was sent thither to strengthen and extend its business operations. He continued to assist in the management of the house and became head of the firm of Baring Brothers and Company in 1810. He also took active part in the debates in the House of Commons on commercial matters. He was also a member of the Select Committee which brought out the Bullion Report in 1810. It was said of him that he was "a good man to deal with, who could see that there were two sides to a question".

Bird at the Treasury Chambers.- In the meanwhile Mr. Herries had requested an interview with Bird on the subject and he met him at the Treasury Chambers on 10th May, 1826.[25]

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23. Ibid.
24. In Sir Robert Peel's first administration (1834) he was president of the Board of Trade as well as Master of the Mint. Vide Chamber's Encyclopedia, 1, p.668; Webster's Biographical Dictionary p.102; Hidy: The House of Baring in American Trade and Finance pp.38, 43; Dictionary of National Biography, 111, pp.190-191; Burke's Peerage Baronetage and Knighthood p.90.
25. S.A.C.A. 10th Oct., 1826. Minute 11th May, 1826.

26) Mr. Herries endeavoured to explain to him the circumstances under which the Treasury had adopted the measure of introducing British silver into the Colonies generally. They had only one thing to consider at the Cape,viz., the actual value of the rixdollar which they had to exchange; that value was fixed at the average of the exchange of the last three years. They therefore considered that average to be the price the rixdollar was worth and no more. The Treasury had sent £40,000 in silver and copper to the Cape and were preparing to send more. This was a great sacrifice on the part of England to the Cape Colony, as they did not consider themselves bound to discharge any Colonial debts, or to defray any Colonial expenditure; nor had the Treasury anything to do with the engagements entered into by the local Government, therefore the Treasury did not take into consideration the pledges of that Government as to the value of the rixdollar, nor as to it redemption; neither did they consider the question of the mortgages of the Government lands - these were arrangements with which the Treasury did not concern itself. Besides, Mr. Herries observed, supposing the lands and houses to have been given up, what would the people have done with them?

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26. John Charles Herries (1778-1855), became private secretary to Vansittart, the Secretary of the Treasury, in 1801. Later he was appointed private secretary to the Chancellar of the Exchequer. On 1st Oct., 1809, he was appointed Commissary-in-Chief, the duties of which office were extremely onerous. This office was abolished, however, on 24th October, 1816. After holding numerous important positions, he was appointed financial secretary to the Treasury by Lord Liverpool on 7th February, 1823, and at a by-election in the same month was returned for Harwich. As Secretary to the Treasury his wide knowledge of financial details was frequently of much service to the Government. He became Chancellor of the Exchequer in Lord Goderick's ministry. Vide Dictionary of National Biography vol. 26 pp.255-257.

The Treasury left individual claimants to establish their claims where they could obtain redress and they did not pretend to interfere with them. Bird then asked if it was then meant to say that the price fixed on the rixdollar in June, 1825, was not intended to have a retrospective effect. Herries replied that it was certainly intended to act retrospectively; it could not otherwise be understood. Bird then observed where were the claimant to obtain the redress spoken of: in the Colony, in the face of the law as it stood by their order, it was not to be obtained; to apply to England was of no avail. To this remark Bird received no answer.

When Bird urged the unfairness of the mode of fixing the rate of exchange in the negotiation of Commissariat Bills by tender, Mr. Herries said that the only thing the Treasury looked to was the gross average of the sums they had received for Bills; they did not look at the tenders as they were quite immaterial; they knew that such a number of rixdollars was paid for such a sterling sum, and they assumed that not more was given for that sum than was to be considered its value. Mr. Herries observed that the Commissariat had withdrawn from circulation 650,000 rds. which was in the Commissariat chest when they last heard from the Cape. It was not, however, alleged that it was not intended to re-issue the sum, it was only said that notes under 10 rds. were not to go into circulation.

Bird observed that the case of the Cape paper money was different from that of any other in the world. There was no example or precedent of such a case; it would be different if the currency were private paper; but whatever inconvenience might arise, as the cause pursued was a series of Government measures, Government was responsible to the public for them; Government had forced the paper upon the public at a fixed value, made it

imperative upon the public to take the paper, made 12 stuyvers a legal tender for a sterling shilling, and constantly pledged itself to redeem its issues, and that therefore it was hard upon the public to be now told they were to seek redress where they could find it.

Mr. Herries laid great stress upon the Report of the Commissioners of Inquiry which took the same average the Treasury had. To this Bird replied that he attached no value or consequence to that circumstance, as their Report, was written after the Treasury order was known and that it was evident that it became their object to conform to it and to support it.

The above is the substance of what passed and nothing could have been more unsatisfactory. The arguments used by the Cape capitalists remained unrefuted and a distinction was now made between the acts of the Treasury and the acts of another branch of the Government which could not be equitably understood. The public suffered from the measures of Government which were not to be defended upon common principles, and the claimants were told they might seek redress where they could find it. Bird, however, did not feel at all happy with the state of affairs. "I own that the result of this interview is mortifying to me beyond what I can express; because it stamps our administration with injustice, and there is no escape from the sneer and just reflections foreigners cast upon our want of faith"[27].

Bird had prepared a Memorandum[28] in reference to his conversation with Mr. Herries. He pointed out that the Treasury had laid great stress upon the necessity it was under of fixing a value on the rixdollar to complete

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27. S.A.C.A. 10th October, 1826 Memorandum.
28. Ibid.

the system which it had been found expedient to introduce into all Colonies, that of keeping all accounts in pounds, shillings and pence and making British silver the standard thereof and current alike in all. Bird maintained that the Colonists of the Cape rejoiced in the measure but that they hold it not to have been necessary to have done this at the heavy loss to them which was the effect of the measure of which they complained, or at the expence of national faith which was closely compromised by it. The Colonists considered that had the troops been paid constantly in this silver the effect would have been gradually produced; and that if the paper currency, which the Colonial Government had issued for its necessities at a fixed and determinate value, imperative upon the inhabitants to recognise, had been at the same time gradually withdrawn from circulation, the value in exchange of the remainder, secured upon mortages, would have been re-established, and then the Treasury measure would have been completed without injury to any party.

The Treasury maintained that it had nothing to do with the mode by which the exchange was struck. A gross sum in rixdollars, was paid into their Commissariat, for which a gross sum in sterling was given in Bills from which they had formed their average. Bird said that the Colonists did not admit this to be an equitable principle, because, if they could show that improper means were used to enhance the price of the few bills of exchange which, in the late years, were negotiated at the Cape, it would follow that the average could not have been a fair one. Since the peace the merchants trading with the Cape Colony had been most strenuous with their agents to send them bills in return for investments in preference to anything else. As a result a great competition ensued for these few bills. But,

when even under such circumstances, the price did not rise sufficiently high in the estimation of the Commissariat, the tenders were not received, and the Commissariat either borrowed the money required for their expenditure, or waited for a more favourable opportunity of again advertising for tenders. When, on the other hand, large tenders were made at high rates, in consequence of the pressing necessities of principals in England, then the Commissariat accepted these tenders, and issued bills to a far greater amount than that for which they had advertised, thus completely baffling mercantile calculation. Bird further observed that it was the interest of all those who drew sterling income from Government to enhance the rate of exchange as a result of which they would receive more rixdollars in salary or allowances; and, as prices of necessaries did not increase with the exchange, there salaries were ultimately more than doubled in their original amount. The negotiation of Government bills was entirely a military measure.

A remark was made that by the Capitulation Government only pledged itself to continue the currency in circulation and during His Majesty's pleasure. But Bird maintained that the words of the Capitulation were as follows: "The paper money actually in circulation shall continue current as heretofore, until His Majesty's pleasure is known". The word "heretofore" evidently alluded to the value at which it circulated at the cession to the Dutch in 1803. There could be no other meaning attached to that word. The King having approved the Capitulation, generally, confirmed by that act, that the paper money should circulate at 12 stivers to the English shilling. The tariff of Sir David Baird confirmed this view.

As we shall see later the above arguments were the same by which the Government measure was subsequently

defended in the House of Commons by the Chancellor of the Exchequer and from which he was afterwards compelled to recede.

Petition to Parliament.- There was now no alternative left to Bird but to present the petition which he had prepared on a former occasion. On 19th May, 1826, he presented the petition[29] which ran in his own name in pursuance of the forms of the House of Commons. He prayed the House "to take into serious consideration the injury he, together with the whole of the capitalists and proprietors, have sustained by this erroneous measure; a measure, moreover, which the inhabitants consider to be a breach of national faith towards them, and to afford such redress herein as to the House, upon full consideration, shall seem equitable and reasonable".

The debate in the House of Commons.- Mr. Baring[30] rose[31] to present the Petition from Lt.-Col. C. Bird. He entered into a consideration of the various changes which had been effected in the currency of the Cape Colony by the Dutch Governors while it was in the possession of the United Provinces. By the proclamation of Sir David Baird the value of the rixdollar had been fixed at 4/- and from that period to the present it had been successively reduced to 3/-, 2/6, and finally to 1/6. "Nothing could be more arbitrary, unprincipled, nor more injurious in its effect, than this unjust alteration in the currency of any country." He begged it to be understood that the petition made no

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29. Rec.26 pp.359-362 Petition to Parliament 19th May, 1826. This petition contained the same facts as outlined in the currency case laid before the lawyers. See also S.A.C. A. 7th Oct., 1826.
30. Rec.26 pp.375-380 19th May,1826; S.A.C.A. 9th Sept.,1826.
31. Rec.26 pp.375-376 19th May, 1826.

complaint whatever of the Government of the Cape, and particularly that the present application had no reference whatever to the noble person who held the chief office there; he only wished that the House should be made acquainted with the actual effect which had been produced by the changes of which he complained. This would be best understood by means of a statement of the times and manner in which the various alterations had been made. In 1806, the rixdollar was current at the value of 4/-. From that year to 1810, its average value was 3/-; from 1811 to 1816, it was 2/6; from 1816 to 1820, it was 1/10; and from 1821 to 1825, it was 1/6 at which rate it now continued. All of these depreciations had been occasioned by the extensive issues of paper money, and exemplified a curious fact, into which he would not now enter, respecting the influence which paper money has upon the value of a metallic currency. He knew it would not be easy to return at once to the state of the currency before these changes, nor would it be consistent with justice to do so indiscriminately, even if it were practicable. This, however, might be done, and was quite fair - a graduated scale might be made of the various engagements which had been entered into, and of the value of the currency at different times. It was obviously necessary that some such measure should be adopted; because, as he had been informed from unquestionable authority, many individuals had been ruined by the effect of these changes. He was sure he had underrated the amount of the disadvantages to which the inhabitants of the Cape were exposed, and a one instance particularly, as to the coin which was sent thitherby the Government. That coin was produced at a gain of twelve per cent. beyond its real value, and thus the currency of the Cape suffered this loss in addition to the others. If he had heard, and has these things had

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been practised in a barbarous country, he should perhaps have felt no great wonder at it; but when he knew that the subjects of the British Empire were exposed to their effects, he could not hesitate to express his decided censure of them. He informed the House that the petitioner had applied to some of his learned friends for their opinion as to the circumstances of his case; and they stated that no redress could be had through the ordinary legal tribunals, and that it was by means of this House alone that he could have justice done to him. He knew that the king might, by the advice of his council, and therefore under a certain responsibility, order the 20/- piece to pass current for any sum he should think fit. That power had, however, been exercised in the Cape Colony without any responsibility, and to such an extent, that if the House did not interfere, the property and even the people themselves must be sacrificed. He appealed to the knowledge which the Secretary for the Colonial Department had of the petitioner for his perfect responsibility and trusted he should hear that it was intended to examine more carefully the case which he had presented to the notice of His Majesty's ministers.

32)

The Chancellor of the Exchequer agreed that the subject of the petition was an important one. The charge which Mr. Baring had made against the Government was so serious, that it required a full explanation of all the circumstances of the case, which could not be entered into at that moment. When the time should serve, he would be ready to justify the course which the Government had felt it necessary to adopt. But, before he entered on that justification, he should be obliged to move for some returns, in order to put the House in possession of certain facts

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32. Ibid., pp.376-377.

explanatory of the nature of the paper currency. In the meantime he hoped that the members would not conclude with Mr. Baring, that the conduct of the ministers had been as unjust and iniquitous as it had been represented.

He pointed out that when Mr. Baring compared the paper money of the Cape with that of England, he compared two things which had no resemblance whatever to each other; seeing that the former, whether issued by the Dutch or by the British Government, was never convertible into specie, nor payable on demand at the will of the holder. Like all other paper money, the amount of which was unlimited by the law of the country in which it was made, it contained the essential qualities of depreciation. It never included any obligation on the part of the Government to pay it in specie. However this might surprise them, he could prove it by documents for which he would move. The measure which gave rise to this complaint was a part of a general design to give to the Colonies, which were overrun with paper money, something like the benefit of a metallic currency. It became necessary, in putting this into practice, to consider at what rate they should receive the paper money already issued, in exchange for the silver they had sent out. This showed also that the Government did not feel themselves obliged to take the paper money at par. He held that Mr. Baring was mistaken if he supposed that the various issues of paper money which had taken place at the Cape grew out of the necessities of the British Government, or that they had been used in payment of the British troops, or for the public services of England, but for the local purposes of the Colony. He would first put the House in possession of the materials necessary for forming an accurate judgement, and then he would be ready to enter into any further discussion of the matter.

33)
Mr. Hudson Gurney said he wished to call the attention of the House to what he could not but consider a very great injustice. He meant the situation of those persons who were creditors of the Orphan Chamber at the time of the capture of the Cape. The case of one family, partly resident in Holland and partly in Great Britain, came within his own knowledge. It was that of a person dying, and his property, by the laws of the Colony being placed in the hands of the fiscal, and lodged in the Orphan-House for the children left minors and orphans. The rixdollar was then 4/6. At the time of the cession of the Colony to England the security of these investments was guaranteed by the English Government and the Government lands were understood to stand mortgaged as security for there funds. This guarantee was recognised in many subsequent proclamations, but the Government issuing more paper for the occasion of the Colony, the exchange with England rose from 15 per cent. in 1803, to 200 per cent. at one time, and 180 since, against the Cape. The family had received scarcely any interest for eleven years and only a small portion could be remitted and that at an immence loss. He knew that in many other instances, losses to a similar amount had been sustained by persons whose property was in the hands of the Government at the time of the capitulation of the Colony to the English forces. The rixdollar paid in at 4/6 having been thus fixed by the Government at 1/6, persons in this position presented a case entirely different from that of the Colonists who had been paying and receiving in Cape currency during its fluctuations.

34)
Dr. Lushington said it was not the fault of the petitioner that this petition had not been presented before

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33. Ibid., pp.377-378; S.A.C.A. 9th Sept., 1826.
34. Rec. 26, pp.378-379; S.A.C.A. 9th Sept., 1826.

for application had been previously made by the petitioner both to the Under Secretary of State for the Colonies and to the Secretary of the Treasury, for compensation. This was a question of very great importance to the Cape. It was clear that the petitioner could have no remedy at law; but he knew that it was usual on other occasions to afford to parties interested an opportunity of stating their cases to the Privy Council, where they were duly heard and the subject was carefully examined. A similar case from another Colony had been referred, some time ago, by Earl Bathurst, with great consideration and humanity, to the Privy Council, who rescinded that part of the former Order-in-Council under which the parties had been aggrieved. As to what the Chancellor of the Exchequer had said about its not being obligatory on the Government to pay the paper money in circulation at the Cape, that was a declaration which he had heard with the utmost astonishment. He could not conceive it possible that the Government could have issued, and received money for these rates without holding themselves bound in common honesty to pay them. That, however, the Chancellor of the Exchequer seemed to look upon as a matter, not of right, but of grace and favour. It was in vain to say that the issues of paper had produced no advantages, because if not upon the exchange of England; it had been very valuable in its effects upon that of India. He thought the subject one of deep importance, involving as it did the interests of a distant Colony, and that it was entitled to a complete reconsideration, the result of which would be, no doubt, to do justice to the unfortunate inhabitants of the Cape.

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Mr. Ellice denied the doctrine of the Treasury,

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35. Rec.26 p.379 19th May, 1826.

with respect to the analogy between the Cape currency and that of England. The issue was made by an English governor, and the Government obtained for their rates from 2/6 to 3/- the rixdollar. It was, therefore, most urgent for them to pay off those rates at half this value.

Mr. Herries[36] said that Dr. Lushington had clearly misunderstood the Chancellor of the Exchequer, who had merely, as he understood him, intended to say that the paper issued at the Cape did not purport to be convertible into specie at the will of the holder. If Mr. Baring would refer to one of the notes, he would see upon the face of it, that it did not specify the bearer was to receive the amount on demand, but that he was the proprietor of so many stivers. The fact was, that paper had never been at par, except upon two occasions, when large portions of it were called in and paid off by the Dutch Government, who immediately afterwards issued a larger amount than that which they had cancelled. The measure which led to this petition was founded upon sound policy, and was calculated to effect a most desirable and universal improvement in the currency, and to introduce British money in lieu of the various circulations which prevailed in different colonies. In some cases the paper was that of a former Government issued previously to the British possessor of the colony; in some it had been so issued under circumstances of great embarrassment, in others the absurdity had been resorted to of striking out a large hole in the centre of a Spanish dollar and then it was declared by proclamation that the piece so deteriorated in value should pass for 1/- more than it would have done if it had been entire. It must be evident from these facts, that the measure determined on by Government was not only a proper but a necessary one. It was an act of justice to the Colony to substitute a metallic

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36. Ibid., pp.379-380; S.A.C.A. 9th Sept., 1826.

currency in lieu of a paper one subject to such ruinous fluctuations. The Treasury had, previously to enforcing the introduction of the metallic currency, bestowed great pains in considering on the manner in which the clause should be brought about so as to produce the least possible inconvenience to the colonies. If Government were called upon to pay 4/- for every rixdollar which they took up, they might as well at once take upon themselves to pay the whole of the debts of the colony. When the order went from England, fixing the par of the rixdollar at 1/6, an accompanying order was sent out, that every individual who chose to place 1/6 in the public chest should receive a rixdollar for it. That measure was thought necessary to operate as a check on any sudden injury that might arise to the people in the Colony from the change. He proceeded to show that the rights and interests of those who had a claim upon the Government would not be prejudiced by the measure. The subject would come before the House in the next parliament when he would be prepared to enter more at large into the details. The petition was then brought up.

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On the question that it be read, Mr. Baring observed that he did not think that Mr. Herries had seen the essential points of the complaint. He said he should not urge the question so strongly if he was not satisfied there was injustice in the case. But Mr. Herries had convinced him that there was injustice. He agreed generally as to the policy of establishing a metallic currency in the Colony; but such a step ought to have been preceded by a measure something similar to what might be termed an equitable adjustment. Though he thought the establishment of a metallic currency a correct proceeding, he considered Government wrong in taking the extreme end of the line to fix the value of the rixdollar. It fluctuated from 1/6 to

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37. Rec.26, p.380 19th May, 1826; S.A.C.A. 9th Sept., 1826.

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4/- and it would have been better to have taken a medium rate.

It was not the transactions between Government and individuals, but those between individuals and individuals, which produced the evil. He thought there had been much thoughtless waste and extravagance on the part of the Colonial Government; and the House of Commons ought to mark their opinion of such conduct, in order that it might not recur. He hoped that a committee would be appointed to inquire into the best mode of regulating the currency, and of suggesting a method for repairing the evils attendant on the change from a paper to a metallic one. The appointment of such a committee would, in his opinion, satisfy all parties.

Mr. H. Gurney[38] asked, whether he was to understand that the creditors, previous to the capitulation, were to be paid at the rate of 1/6 instead of 4/6 the rixdollar, or whether their case would receive further consideration. No answer was given to this question.

Further Developments.- In brief, therefore, Mr. B aring's most able statement arrested general attention: he was supported by Dr. Lushington, Mr. Ellice, Mr. H. Gurney and several other members who interested themselves particularly in financial questions. It would appear that great impression was made by the different views which the several speakers took on the subject. The Chancellor of the Exchequer promised that the Treasury Minute, which contained the arguments upon which the measure had been adopted, should be laid before the House with the Report of the Commissioners of Inquiry on the same subject and other papers to elucidate it. In a letter to the Earl of Caledon[39] Bird stated that

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38. Rec.26, p.380 19th May, 1926.
39. S.A.C.A. 10th October, 1826. Letter of Lt.Col.C. Bird to the Earl of Caledon 17th June, 1826.

it seldom happened that a Government measure was so very ill defended, or that some plausible reasoning was not adduced to give colouring to an injudicious act, but in this instance they totally failed. The precipitancy with which His Majesty's Government had acted in its interference with the Cape currency, was completely exposed. Unfortunately, however, the dissolution of Parliament took place before the Chancellor of the Exchequer could carry out his promise.

It is remarkable, however, that this Minute, which was to justify the act of the Treasury, had uniformly been referred to in the conferences which those who interested themselves in this affair had had with the Treasury; but the officer of that Department always eluded giving or showing it to anyone. It appeared from the letter of the Chairman of the Trade Committee[40] that it was not even communicated to the Colonial Department. It was also said in the debate upon the petition that this paper would be laid on the table of the House of Commons in order to prove that His Majesty's Government had not acted inadvisedly in this measure; it was promised to be shown to Lord Caledon, Dr. Lushington, Mr. Baring and Mr. Gurney but the session closed without the production of this important document.

Much stress was laid by the Treasury on a petition[41] from the inhabitants of the Cape, of a direct contrary tendency to that which had been transmitted through the Committee to the King, which proved, as Mr. Robinson, an opponent had asserted, that the measure had many advocates in the Colony. However, it was understood after the discussion of 19th May that an inquiry would be instituted

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40. Vide S.A.C.A. 7th Oct., 1826. Letter of A. Borradaile to Lt. Col. C. Bird 17th A pril, 1826.
41. S.A.C.A. 3rd Oct., 1826. Letter of Lt. Col.C. Bird to W. Hawkins July 1826.

to redress, in some degree, the parties interested. In a letter[42] which Mr. Baring addressed to Lord Caledon a few days subsequent to the debate, he said: "I believe the Treasury will pause before they carry their sweeping inconsiderate measure into execution, and some attempt will certainly be made to do more justice to all parties concerned. I should incline to think Government will appoint some Commission on the spot, to make an equitable adjustment; nor do I see, how they can avoid it - difficult and delicate as the job may be". And in a letter[43] to Lt.-Col. Bird, Mr. Baring observed: "I trust some good may result from the discussion on your Petition; I should certainly conclude that this will be the case, from what I collect from official quarters; and at all events, that no adverse conclusion will be carried into effect before next session of Parliament. The feeling of that part of the House who understand your case, is decidedly with you - including many connected with the Government".

It was nevertheless impossible for Bird to discover precisely what His Majesty's Government proposed to do because no direct information could be elicited. There was, however, one incident which induced Bird not to abandon all hope. A gentleman who had Colonial claims arising out of the depreciation of the currency, acting on the advice of Bird, applied to the Secretary of State on this matter. He was informed[44] "that his claims on the Orphan Chamber will be taken into consideration with those of others, at the proper period". This reply tended to show that some inquiry would be made into the case of those who had claims on public departments. If this be admitted, a wide field would undoubtedly be opened for the discussion of other claims originating in transactions of any considerable standing. From the available information at this stage is was obvious

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42. Ibid.
43. Ibid.
44. Ibid.

for Bird to conclude that the case of the capitalists was still open for consideration and discussion, and that much could still be expected from the justice of His Majesty's Government. What he did not know, however, was that the Lords of the Treasury had long ago made up their mind so far as the currency case was concerned.[45]

Bird, however, did realise that his anticipations might not be realised. Under the impression, therefore, that when there was no one on the spot to urge His Majesty's Government to give effect to the hopes which they had created, they might be forgotten or neglected, and as it became impossible for Bird to remain longer absent from his family and his private affairs, he took the precaution of leaving all documents in the hands of the Earl of Caledon.[46] As Mr. Baring had kindly offered to renew his exertions on behalf of the Colonists in the event of it being required, Bird also transmitted to lord Caledon a new petition to Parliament for redress should that redress not be obtained in the interim. Caledon had to present this new petition to Mr. Baring.

Bird thought it incumbent on him to point out to Caledon some striking features in the currency affair.[47] It was observed by Mr. Robinson that the Cape paper money, not consisting of promissory notes, was in no way payable and that Government therefore had incurred no obligation in this regard.[48] Bird maintained that this conclusion was a

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45. The Lords of the Treasury communicated its decision to lord Bathurst on 13th May, 1826. This will be treated at a later stage.
46. S.A.C.A. 10th Oct.,1826. Letter of Lt.Col. C. Bird to the Earl of Caledon 17th June, 1826. See also S.A.C.A. 3rd Oct.,1826. Letter of Lt.Col.C. Bird to W. Hawkins. July 1826.
47. S.A.C.A. 10th Oct.,1826. Letter of Lt.Col.C. Bird to the Earl of Caledon 17th June, 1826.
48. See also S.A.C.A. 20th January, 1827.

fallacy: the colonial currency had not consisted of promissory notes because it was unnecessary that it should. The promise was contained in the proclamation which guaranteed that the paper currency would be re-exchanged for specie usually current in the Colony, and it there specified the specie usually current and its respective values in paper. This of itself made every rixdollar, issued in paper a promissory note which was moreover secured by mortgages of efficient landed property and buildings.

There was another error which was very much misleading. It was said by a member of His Majesty's Government that the issue of the paper money at the Cape was unlimited. Bird maintained that the Government instructions in this regard were as precise as possible. No addition to the circulating medium could be effected without special authority from the Home Government. Thus, the control of the quantity of paper issued was completely in the hands of His Majesty's Government. Also it could no longer be maintained that the British Treasury was not concerned in the Colonial engagement; on the contrary, it would appear that it took upon itself the entire responsibility.

Bird explained to Caledon that he was fully aware of the various difficulties of this intricate case but that it would certainly be better not to press His Majesty's Government beyond that equitable adjustment which had been held out as likely to be gone into. "It appears to be admitted on all sides, that our claims are not ill-grounded, but we must of necessity bow when we cannot control, and submit to inconvenience and loss, which in the present state of things are apparently inevitable". In other words, Caledon had to use his own discretion as regards the future programme of action in England . "It will be gratifying to your Lordship to knew, that the widows and children of those

whom Your Lordship most esteemed when you resided with us, are amongst those who now implore protection, and are those who will not cease to bless the hand through whose means they may be rescued from the misery which the measure we combat is likely to bring upon them".

Two days later Bird received a reply from Caledon.[49] He concurred in the view taken by Bird of the currency question and promised to do everything possible in his power which might further the cause of the Colonists.[50] He further requested Bird to inform the people interested at the Cape that so far everything possible had been done and that the dissolution of Parliament unfortunately prevented a thorough investigation of its merits.

In July, 1826, Bird wrote to Mr. W. Hawkins,[51] Chairman of the Committee representing the Freeholders and Others in the Cape Colony, and informed him "that my stay in this metropolis has been prolonged far beyond what I had anticipated. I had not, as you are aware; disguised myself the difficulties of the question which I had undertaken to advocate, nor had I been blind to the small chance which existed of procuring a reversal, or even a modification of an act of Government which bore with weighty pressure upon the capitalists etc., and proprietors of our community; but nevertheless I had entertained hopes that a final hearing and decision have been earlier obtained" . He concluded by saying "that I have strenuously avoided mixing

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49. S.A.C.A. 10th Oct., 1826. Letter from the Earl of Caledon to Lt.Col.C. Bird 19th June, 1826.
50. Ibid. "..... if those in whose behalf I am about to act knew my feelings, they would be satisfied that no public measure would render me more happy than one by which I should evince my attachment to a Colony where I had spent many of my happiest days, and to which I am bound by every sentiment of gratitude and affection".
51. S.A.C.A. 3rd Oct.,1826. Letter of Lt.Col.C. Bird to W. Hawkins July 1826.

their case up with any other matter whatsoever, and that I have been most sedulously cautious that my remonstrances should not be in any temper evincing hostility towards the measure of His Majesty's Government, but solely grounding them upon the merits of the case, and the want of information which probably caused effect to be given to those matters". Bird undoubtedly did his best. [52] According to Caledon the zeal and ability with which he had conducted the negotiation from the time of his arrival in England to the present stage "could not have been surpassed".

Many causes appear to have occasioned the procrastination in reaching finality on the measure. There was a manifest unwillingness to entertain the question at all which was considered to imply that the act had been precipitatedly adopted. The numerous unprecedented failures in the mercantile world which almost menaced bankruptcy, [53] and the approaching elections which were to follow the dissolution of parliament, may be considered causes which had principally contributed to the slow progress of the currency case in England.

The next session of Parliament commenced on 14th November, 1826 [54] and although matters touching the administration of the Cape Colony was debated, the currency question had not been resumed. [55]

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52. Ibid., 10th Oct., 1826. Letter of the Earl of Caledon to Lt.Col.C. Bird 19th June, 1826.
53. Clapham: The Bank of England vol.II. The years 1825-1826 experienced financial and commercial crises.
54. House of Commons Debates. 1826.
55. S.A.C.A. 10th March, 1826. According to the editor of the South African Commercial Advertiser the currency question had been resumed by Mr. Hume, Mr. Brougham and Mr. Horton. This is obviously an error seeing that no record could be traced bearing on this topic in the House of Commons Debates for 1826 and 1827.

CHAPTER IV.

THE OUTCOME.

Further Representations to Local Government.- It will be recalled that the Ordinance of 6th June, 1825, had directed that as from the 1st January, 1826, all public accounts and transactions had to be kept in sterling money. In December 1825, Somerset received various representations in this connection.[1] According to the Orphan Chamber much inconvenience would result if this measure was carried into effect at the moment because considerable time would be required to convert the several accounts to British money. There was a great number of subsidiary books. They therefore requested that this part of the Ordinance be suspended until the decision of His Majesty's Government was known on their memorial.[2] The President and Directors of the Lombard Bank and the Receiver of Land Revenue[3] made similar requests to the Government. Somerset informed them, however, that the strictest attention had to be paid to the Ordinance and that he therefore, could not accede to their requests.[4]

The sudden introduction of coin in its nature differing so widely from the ancient and existing Colonial paper money and in its relation involving so many fractional parts, rendered it difficult, especially for those in the country districts unaccustomed to exact calculation, to comprehend the relative values thereof. This difficulty was especially felt at the sales by public auction. To cope with this problem the Commissioner of Vendues was

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1. C.O.227, no.69, 14th Dec., 1825: Orphan Chamber to Colonial Secretary R. Plasket.
2. C.O.228, no.62, 12th Dec., 1825: Pres. and Directors of the Lombard Bank to R. Plasket.
3. C.O.242, no.92, 21st Dec., 1825: Receiver of Land Revenue to R. Plasket.
4. C.O.4854, pp.308-[illegible], 27th Dec., 1825: Circular; L.B.13, no.113, 27th Dec., 1825.

accordingly instructed to use Cape currency as a temporary measure during the sale of the articles when necessary, provided the accounts were made out in British money.[5] Thus from 1st January, 1826, all public accounts were rendered in British currency although amongst private persons the old mode of rixdollars, skillings and stivers was still generally in use.[6]

Role played by the Press.- The first paper in the Colony was published and circulated in 1800, viz., the Government Gazette. It merely contained official notices, proclamations and some private advertisements. In 1824 the South African Commercial Advertizer was established and for the first time in the history of the Colony there appeared a paper which criticised the conduct of government officials and the general administration of the Cape Government.

By means of the press the true state of the Colony, or nearly the real state of affairs, was brought to the knowledge of the public. The governors were not used to this sort of thing and it is obvious that these autocrats would not be content with this behaviour of the press. From the editorials and numerous letters from the Colonists which appeared in this paper it is clear that the inhabitants generally were not satisfied with the existing Administration. This paper was very outspoken in its commentary on current affairs and did not hesitate to condemn the Home Government for the measure adopted in regard to the Cape currency. Many documents and relevant information bearing on the subject were also published in this paper and tended to instigate the Colonists to further action.

In February, 1827, Colonial Secretary Plasket

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5. C.O.3930, no.74, 8th Feb., 1826.
6. C.O.5973, p.310.

informed the Colonial Office: "It is absolutely necessary[7] that something should be done in regard to the state of the public press here. I have already acquainted you with the discontented and dissatisfied state of the public mind in this colony. It is universal, we have no friends or supporters. The currency question, the slave question, the successive failures in the harvests, the general poverty of the inhabitants, the constant bankruptcies, the unsettled state of the Government, the miserable pay of all the inferior servants of Government, the delay in the Commissioners Report, are causes which affect on one way or another the whole population. While Mr. Greig's paper takes every opportunity of informing them that their difficulties, their poverty, and even their bad harvests are caused solely and alone by the mismanagement of the Government, he is constantly pointing out to the public the weight of the taxes, the total inability of the people to pay them, the folly of petitioning Government, and the necessity of doing something for themselves. These are the doctrines which are weekly circulated through the Colony, and without the chance of contradiction or explanation".

Attitude of Treasury known at the Cape.- On 25th December, 1825, Mr. Blair, the Commissioner of Inquiry,[8] arrived at the Cape and had been requested by Mr. Herries[9] to make it publicly known in the Colony that His Majesty's Government was determined to adhere to the measure of rating the rixdollar at 1/6 sterling. Mr. Blair accordingly officially informed Somerset of the determination of the Treasury. Accordingly the temporary measure adopted on 28th June, 1825, to quiet the minds of the people until the decision of His Majesty's

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7. Rec.30, p.386, 15th Feb., 1827: Colonial Secretary R. Plasket to R.W. Hay.
8. Rec.26, pp.256-257; Rec.30, p.385; S.A.C.A., 11th January, 1826.
9. One of the Secretaries of the Treasury.

Government should be known and which was moreover merely a local measure without authority from England, was rescinded by the Council on 6th January, 1826.[10] But, as we shall presently see, it was not until a year later that the official Treasury Minute itself was made known at the Cape.

Final Decision of the Treasury.- In the previous chapter we saw how the Chancellor of the Exchequer had failed to produce the promised Treasury Minute in the House of Commons. Bird and the Committee of Trade Society had also tried in vain to lay hands on that coveted document and by July 1826, Bird was still conjecturing what the ultimate outcome would be. It was not until 13th May, 1826, that the Treasury was able to communicate its decision to Bathurst.[11] He was reminded that the action at the Cape was part of a general measure of Colonial currency reform, by the gradual introduction of British silver money as the basis and standard of the circulation in all of them. As a preliminary step to this operation, it was necessary to fix the rates at which the various existing currencies, both metallic and paper, in the several Colonies should be exchanged for the coin to be introduced. The paper money at the Cape had been inconvertible into coin and the object now was to make it convertible into the silver money to be introduced "at the fair value of the paper and at no other". It was not the purpose or aim of the Treasury to pay off the Colonial paper money as a debt by Great Britain to the Colony, since it had been contracted and expended for Colonial purposes and therefore not a charge upon the public funds of England. But to remedy the situation, the Treasury had thought it right that the Mother Country should make the sacrifice of providing such a quantity of metallic money as

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10. Rec.29, p.225, 3rd January, 1826: Council Meeting; Rec.30, p.385, 15th Feb., 1827.
11. G.H.1/11, no.812: J.C. Herries to R.J.W. Horton 13th May, 1826; G.H.1/11, 11th Sept., 1826.

might be necessary to create "a solid and fixed circulation" at the Cape, and as would be sufficient to give "a fixed and permanent value" to the remainder of the paper money.

"It was in the highest degree important for the real interests of the whole colony that this operation should be effected so as to create, if practicable, no change whatever in the real value of the existing circulation, and thereby to occasion the least possible disturbance in the current transactions between buyer and seller, debtor and creditor".

They declared that the measure was undertaken for the benefit of the Cape and that the British Government was making a considerable sacrifice and was quite disinterested. On the other hand, it appeared to the Lords of the Treasury that the Colony was so circumstanced with respect to the paper money, "that if any advantage had been sought for it, in fixing the rate of convertibility for the paper, it would rather have been found in raising than in lowering it; because the sums due to that government, in the paper currency, through the Lombard Bank, constituted the larger proportion of the whole amount in circulation; and because it would, besides, have profited by the increased value of all the taxes payable at fixed rates in rixdollars by the colonists, upon whom such an augmentation of their burthens would have fallen heavily". But the peculiar interests of the Colonial Government in these respects formed no part of the considerations on which the measure was adopted. The only object kept uniformly in view when the Treasury came to their decision was that of assuming the real average value of the rixdollar as nearly as it could be ascertained and fixing its price accordingly in the silver money of Great Britain.

The Treasury pointed out that the measure had been objected against on two different grounds, viz.: firstly,

it was contended by those who did not dispute the principle or policy of the measure, that the rate fixed had not been correctly assumed: these parties state that the rixdollar should have been valued at 2/- instead of 1/6; secondly, it was maintained by others, and there appear to be principally landed proprietors and capitalists, that no other rate than 4/- of British money equivalent to a metallic rixdollar of Holland, ought to have been fixed for the exchange of the paper rixdollar. The former of these objections, however, the Lords of the Treasury did not find to be supported by any reference to facts or documents of sufficient weight to counterbalance the grounds upon which the judgement of the Treasury was founded. They had taken, as the best criterion to which they could refer, the average rates at which bills upon England had been negotiated in rixdollars in the last three years, "and they find the valuation assumed upon that ground fully confirmed by the Commissioners of Inquiry at the Cape". The Treasury could not have been led by any views of expediency or of conciliating any class of the holders of this paper "to fix any other than the just and true current value of the rixdollar" and by this arrangement they had endeavoured to hold the balance even between debtor and creditor. If they had fixed a higher rate, the remonstrances of those who had obligations to discharge would propably have been louder than the representations of the parties who had to receive money, and apparently with much more justice on their side.

With regard to the second objection the Lords of the Treasury remarked that they would not pronounce an opinion as to the legal right or equitable title of anyone to have their obligations discharged or currency converted into coin at the rate of 4/- for the rixdollar. They conceived that such right or title must depend upon the nature of the special engagements where any such exist between the parties and the

government, or between one individual and another. But they were clearly of opinion that no general claim of the kind could be maintained or ought to be entertained as against Great Britain. It appeared to them that the steps taken did not necessarily preclude or prejudice any such peculiar title alluded to if they really existed, more especially as the provisional measure[12] adopted by the Cape government would afford the opportunity to all such parties of retaining the means of prosecuting their peculiar claims, notwithstanding the general introduction of the new regulations.

They observed, that if upon any grounds unknown to them it should be deemed that any holders of the paper currency have a just right to be paid by the Colonial government at the rate of 4/- or at any other rate higher than 1/6, it was up to the Colony to find the means of making the payment. The burden of meeting it would probably fall on the landed proprietors and capitalists, who were the chief complainants. They accordingly hoped Bathurst would "concur with them as to the expediency of maintaining the measure upon its present footing, and giving no encouragement to the parties interested in the applications now before him, to expect any alteration in the rate at which the rixdollar has been made convertible into coin in the execution of that measure".

On 11th September, 1826, Bathurst transmitted this Treasury Minute to general Bourke, the new governor at the Cape.[13] These documents arrived at the Cape in December of that year per ship "Amity". Bourke was informed that "in

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12. Whereby all parties dissatisfied with the payment of 1/6 for a rixdollar, under the Order-in-Council, were enabled to exchange the money so paid for Colonial paper at the same rate.
13. G.H.1/11, 11th Sept., 1826: Secretary of State, lord Bathurst to General Bourke.

making known to the parties who have more directly prayed a reconsideration of the subject, that His Majesty's Government would not consider themselves justified in recommending to His Majesty a revision of the Order-in-Council of the 23rd March, 1825, there does not appear to be any objection to your publishing the grounds upon which this decision is founded; and you are, therefore, at liberty to frame your official communication to the Petitioners in the spirit of the arguments which have been adduced by the Lords Commissioners of His Majesty's Treasury". It was not until 29th December, 1826, that Colonial Secretary, R. Plasket, had advised the Committee representing the Freeholders and Others of this decision of the Treasury.[14]

The Committee of Protest Again.- This, however, was not the end of the matter. As we have seen in the previous chapter the matter had been raised and discussed in the House of Commons, who, by order of 26th May, 1826, had the "Papers Respecting a British metallic circulation at the Cape of Good Hope" printed.[15] When a copy of this "extraordinary and delusive collection" reached the Cape the Committee, representing the Freeholders and Others, felt itself obliged to take up the cudgels again. At a meeting held in the Town House of Cape Town on Wednesday, 17th January, 1827, it was resolved to address a letter to the Earl of Caledon in England.[16]

"We are apprehensive that this explanation will arrive too late to be serviceable to our cause, but it is necessary that, however late, the delusion, hostility and secretly employed to the destruction of the welfare of this Colony should be made known and exposed, as it may prevent similar misstatements from prejudicing the fair claims of any

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14. S.A.C.A., 6th January, 1827.
15. B.P.P.438 of 1826.
16. S.A.C.A., 6th Feb., 1827.

other persons whose cause may also have to pass through the scrutiny and be subjected to the representations of the same Tribunal"[17].

They point out "that the act of His Majesty's Treasury was grounded (as now avowedly appears from their own Minute) upon an erroneous basis, viz., 'That the paper of this Colony had no real fixed value with reference to metallic money'. This proposition which was satisfactorily refuted in the House of Commons in May 1826, thus appears to have been adopted in ignorance of the true nature of our currency by the department charged with the financial operations of the Government, and we are firmly convinced that, had not this fatal measure received subsequent support from this place, the justice of His Majesty's Government would long since have redressed the injury we have sustained".

They read with "deep concern" and "unfeigned surprise" the letter of the Commissioners of Inquiry, dated 5th July, 1825, which was "evidently written with the view of abetting and supporting the Treasury's measure". Their report contained fallacies which no doubt have mainly contributed to confirm His Majesty's Government in the measure which they had adopted. They were amazed that these Commissioners who must have had access to every record necessary to elucidate the claims of the capitalists, assert "'that no pledge was given for the redemption of the currency or for its conversion'. Will it be believed that the writers of this strange though untrue assertion have ever seen or read the various unequivocal promises made both by the Dutch and English Governments to withdraw the Paper in circulation, and to replace it by specie, or that they had before them at the time the proclamations on this head from

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17. Rec.32, p.306, 1st May, 1827: Committee to the Earl of Caledon.

the year 1782 until the last clear and full declaration of this Government in June, 1822, none of which (with the exception of two Proclamations in 1806 slightly touched upon) are as much as mentioned or alluded to in the above dispatch?"[18]

That this assertion was made for the purpose of supporting what they knew to be a measure of injustice and one fatal to the best interests of the Colony, is moreover manifest from their own words, when in a subsequent part of the same letter they state that had His Majesty's Government not anticipated them by the measure taken to fix the currency "it was in their contemplation to have recommended the punctual fulfilment of the pledges successively made by the Government for the redemption of part of the paper currency". Thereby they fully admit that such unequivocal pledges did exist. "Is it then possible to mistake the intention of the first paragraph, or to have a stronger admission of its inaccuracy than the second? The inconsistency of the reasoning contained in the said letter of the Commissioners is further betrayed in that part where they proceed to support the wisdom of the Treasury Order on account of the large concession made in favour of the Colony and of the 'relief conferred on a large majority of debtors' thereby entirely forgetting or not heeding the equal injury done to the legal creditors; for, it may be asked, what right can the Treasury have to relieve the debtor at the expense of the creditor? If the measure be a just one there can be no relief, the creditor obtains but his due, and the admission that it is a 'relief' to the debtor at once admits the injury done in the same proportion to the creditor and the general injustice of the act".[19]

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18. Ibid., pp.303-304.
19. Ibid., p.304.

According to the Commissioners, this Committee representing the Freeholders and Others was said to have expressed sentiments "tending to impress a belief that the redemption of the rixdollar at 2/- would have been generally satisfactory, and thereby to have abandoned all claim to its redemption at 4/- and virtually to have recognised the right of the Government to fix its value at a reduced rate". This they positively denied. They had on no occasion "conceded to any compromise of the interests of the Proprietors and Capitalists. No such compromise was ever contemplated and our Communications to your Lordship, to Lord Liverpool and to Lord Bathurst, the Petition to His Majesty (are particularly the concluding prayer thereof) uniformly breathe the same spirit, which has never abated nor changed in the members of the Committee, nor in the Public who are so deeply interested in this question."[20]

They further unequivocally denied the incorrect insinuation of the Commissioners that Lt. Col. C. Bird had influenced their and the public's opinion. "The feelings excited by the Ordinance were, as we have before stated, simultaneous, immediate and universal, such as no individual could have fomented or controlled, and were founded on privileges admitted by every person who has ever before either committed his sentiments to the public press or given the subject the slightest consideration".[21]

This reply of the Committee was sent to the Earl of Caledon in Ireland on 1st May, 1827. In forwarding it

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20. Ibid., pp.305-306.
21. Ibid., p.306. The Committee maintained that Lt. Col. C. Bird was an invalid at the time of the issue of the Ordinance. He saw very few people and did not mix in society. The Committee neither collectively nor individually had any communication with Lt.Col. Bird until the time when he first thought to proceed to England to advocate their interests. Bird was asked to proceed to England which was several months subsequent to the date of the letter of the Commissioners of Inquiry.

to the new Secretary of State for the Colonies, Viscount Goderich, he wrote: "I hope you will do me the favour to communicate to me for their information the decision to which you have come as to any alteration in the Order-in-Council affixing a reduced value to the Rixdollar."[22]

Proposal by Alexander Baring.- Caledon received a further scheme drawn up by Alexander Baring[23] which he also forwarded to the Treasury. Baring maintained, that to whomsoever blame might be imputed and in whatever degree, the local authorities or the Colonial Bank might have contributed to those improvident issues of paper by which its value had been so extensively depreciated, the duty of Government had to be founded on the existing facts of the case about which there was no difference of opinion. "It is a main evil resulting from the tampering with the currency of the Country that no human wisdom can afterwards repair the mischief, or do justice between individuals whose reciprocal contracts and engagements have been distorted and deranged; a return to the original standard, after any long continued depreciation; is injustice to one party, the sanctioning the depreciation is no less so to another. Perfect justice can be done to none, but the nearest approach to justice must be sought from the interference of the Sovereign power with such an equitable adjustment as known and admitted facts may facilitate the accomplishment of with tolerable accuracy and certainty".

The Government had put a stop to the further variation of the value of the rixdollar by substituting English silver money at the lowest but also the then existing rate of 1/6 the rixdollar. As a general measure there did

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22. Rec.32 p.302, 9th Aug., 1827. Earl of Caledon to Secretary of State, Viscount Goderich.
23. Rec.31, pp.373-374, 16th May, 1827: J.C. Herries to R.W. Hay.

a scale for existing contracts, and this is submitted to His Majesty's Government as the only means of doing justice to the inhabitants of the Cape."[25] Accordingly Baring recommended:-

(1) That a Commission be appointed to establish and by authority to proclaim the average annual value of the rixdollar since 1806;

(2) That all Bonds, Mortgages and Contracts in terms of rixdollars be payable at such fixed rates;

(3) That all engagements entered into before 1806, be settled at the average rate of that year. Bonds or engagements acquired by parties by purchase or in exchange for any valuable consideration, were to be settled at the rates for the time of such acquisition;

(4) That there regulations were not to apply to Bonds, Mortgages, or engagements as might descend to any party by inheritance or will.

He pointed out, however, that if it be found that the advantage would be too much on the side of the creditor some mitigation might be administered by one of two courses. Firstly, instead of taking the average rate of exchange for the year when the contract is dated, the lowest rate of exchange for that year could be taken provided that it was not fixed lower than 1/6 per rixdollar; Secondly, after ascertaining the average exchange for the year a mean could be taken between such rate and that of the minimum of 1/6 for the purpose of fixing the rate for any given contract.[26] "It is not apprehended that this proceeding can be attended with any difficulty or require any complicated form; if on

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25. Ibid., p.376.
26. For instance, a contract made in the year when the exchange was at 3/- would be taken at 2/3 as mean between 3/- and 1/6.

consideration it shall appear to Government to afford the most certain means of doing justice between the Colonists at the Cape. It is solely owing to a conviction that this is the case that it is submitted for adoption."[27] The suggestion by Baring, namely, that regarding private debts the rixdollar should be valued at the value it had at the time of the contract, was by far the most just and sensible.

Upon receipt of this document from Caledon the Colonial Office was approached by the Treasury as to "whether an arrangement to this, or to any similar, effect could be carried into execution consistently with the Laws and Usages of the Colony."[28] The reply was that the Laws and Usages of the Colony seemed to present insuperable objection to the proposed arrangement.[29] There were two material peculiarities in the legal constitution of a Dutch Settlement which more or less affected this question. The Dutch laws admitted the principle of transferring and purchasing "choses in action"[30], the consequence of which was that the apportionment of the proposed indemnity, whether it be considered as a question of equity or as a matter of calculation, "was surrounded with the most serious difficulties". The other peculiarity in the Dutch law was that by virtue of which persons succeeding to an inheritance rendered themselves personally liable for all the debts of their ancestors. All such persons would have the most

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27. Rec.31, pp.376-377.
28. Rec.31, pp.373-374, 16th May, 1827: J.C. Herries to R.W. Hay.
29. Rec.32, pp.4-5, 13th June, 1827: R.W. Hay to J.C. Herries.
30. A "chose in action" is a legal expression used to describe all personal rights of property or enforcement by action and not by taking physical possession. It is a thing of which a man has not the present enjoyment, but merely a right to recover it (if withheld) by an action at law, such as debts, warrants, insurance policies, mortgages, bills of exchange and all rights that may be assigned. A "chose in possession" is a thing of which the owner is in the actual enjoyment.

serious grounds of complaint against an arrangement which should place them in the predicament of becoming chargeable for payments from which they had every reason to consider themselves as exempted and the exaction of which might in many supposable cases expose them to ruin.[31] The Treasury was, however, to determine whether it was desirable to adopt any other modification of the Order-in-Council. The Treasury informed[32] the Colonial Office "that as practical and local objections exist to the adoption of the plan suggested....., it does not occur to their Lordships that any other modification of the Order-in-Council would be expedient".

Caledon was accordingly informed that, arising out of local circumstances, there appeared to be many serious and insurmountable difficulties which would preclude the adoption of the plan proposed by himself and Mr. Baring. "Any partial attempt to get over these difficulties would only have the effect of still further complicating a question which from its very nature is unavoidably most difficult of solution, in a manner that would be satisfactory to all parties."[33]

This then would appear to be an admission of the accuracy and justness of the various representations that that had been made by the Colonists, but no prospect held out of redress under the impression of difficulties not to be surmounted. It will be recollected that Lord Goderich

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31. Apart from the alleged two peculiarities in the legal constitution of the Cape Colony, they failed, however, to outline the laws and usages of the Colony which seemed to present insuperable objections to the adoption of Baring's proposal.
32. Rec.32, pp.163-164, 5th July, 1827: W. Hill to R.W. Hay.
33. Ibid., p.502, 31st Aug., 1828: Secretary of State lord Goderich to the Earl of Caledon.

(then Chancellor of the Exchequer) stated in the House of Commons in the debate of May, 1826, that the Colonial paper currency at the moment of its emission contained the principle of depreciation. Consequently he was no stranger to the effect which a redundancy of such paper was calculated to produce and therefore fully competent to appreciate readily any representation dealing with its evil tendency. The representation made by the inhabitants of the Cape Colony was so well substantiated by facts as to leave no plea on the ground of inaccuracy for declining to attend to them, but putting these aside what have the Commissioners of Inquiry said upon the subject? In direct terms they admitted that the depreciation was not considerable in the first years of British Administration and had clearly and unequivocally ascribed the cause of the Colony's hopes to the non-fulfilment of the instructions of July 1814. The Commissioners also acknowledged that it was in their contemplation to have recommended, as a preliminary measure, the punctual fulfilment of the pledges successively made by the Colonial Government for the redemption of those portions of the paper currency that were issued for the execution of public works, and, in support of which, lord Bathurst had given distinct and positive instructions. But notwithstanding the extreme hardship of the case and the important admission and Report of the Commissioners, nothing perceptible had been done towards even the amelioration of grievances, so clearly and so indisputably established, upon which the sufferers naturally looked with some degree of confidence to compensation. Indeed the result of their endeavours was anything but satisfactory. However, if the demands of the Committee representing the landed proprietors and capitalists had been acceded to, it would have brought about an entire redistribution of wealth.

The debtors would have been obliged to repay their debts at the rate of 4/- though they had only been contracted at the rate of 1/6 per rixdollar. On the other hand, the creditors who had loaned money at the rate of 1/6 per rixdollar would have been repaid at the rate of 4/- to the great detriment of the debtors. Generally the creditor classes in the towns were hardest hit by this measure and for a time economic discontents were greatly to stimulate the political demand for representative control of finance and taxation.[34] But some people were likely to suffer in the process of deflation which began with the stabilisation of the rixdollar at 1/6 silver in 1825.

Colonial Debt.[35]- The Colonial debt at this definitely determined rate, arising from the creation of paper currency, from loans to the inhabitants, from sums already advanced by the British Treasury and from various disbursements of the Commissariat Department, thus amounted to :-

Paper in circulation (1st Sept., 1826):	
Rds. 3,099,204-5 or.....	£232,440. 6. 11.
Loan from Treasury for Storm Relief 1822.	35,097.10. 7.
Total Debt.....	£267,537.17. 6.

Loans Recoverable.

By Lombard Bank, Rds. 1,383,255.	
Loans to agriculturists in 1822 recoverable by the Lombard Bank, Rds.200,000.	
Loans for the Storm in 1822 recoverable by the Boards of Landdrosts and Heemraden, Rds.148,846.	
Total Recoverable, Rds.1,734,101.....or	£130,057.11. 6.
Balance of Debt of the Colony.....	£137,480. 6. Ø.

34. S.A.C.A. 2nd Dec., 1826: Petition to Parliament awaiting signatures at the Commercial Hall Cape Town.

35. C.O.5971, p.10; C.O.4457, App.I.

Position after the Change.- Between 6th June and 29th August, 1825, 384,532 rds. had been received and exchanged for bills and although within that period £12,000 in British silver had been circulated not more than £225 had been returned in exchange for notes.[36] The applications of individuals to the Bank for paper currency in exchange for silver, pursuant to the Government Advertisement of 28th June, 1825, had not therefore been very numerous. By February, 1827, Rds. 1,257,000 had been withdrawn from circulation and deposited in the Commissariat chest which meant that about one half of the total paper money was still outstanding.[37] By this date also £61,005 in silver and copper had been sent out by the Treasury since the Order-in-Council, but of this sum only £56,000 had been yet issued.[38] The notes received in exchange for bills were not supposed to be reissued and a contraction in the circulating medium was brought about the effects of which were felt in the Colony. By a subsequent order the Commissariat Officer was left at liberty to reissue to the troops the paper money received in payment of the bills drawn on the Treasury though he did not reissue any note under the value of 10 rds.[39] The measure of substituting silver money in the place of paper money had not been strictly carried into effect in the manner declared in the Minute of the Treasury, for, within a few months large sums in the possession of the Commissary General had been exchanged for new paper money created for that purpose.[40] Between 1st July, 1825, and 31st December, 1839, a sum of £288,043 in British silver and copper coins was introduced into the Colony through the Commissariat and brought into circulation.[41]

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36. Rec.23, pp.30-31: 29th Aug., 1825.
37. Rec.30, p.389, 18th Feb., 1827: Colonial Secretary R. Plasket to R.W? Hay.
38. Ibid.
39. G.H.23/8, no.16, 22nd Feb., 1827: Maj. General Bourke to Secretary of State lord Bathurst. C.O.4885, p.436.
40. S.A.C.A., 22nd Oct., 1828.
41. C.O.5970, p.384, de Koch: Op. Cit,, p.362: Chalmers: Op. Cit., p.336.

The conditions prevailing at the time were reflected in the state of the public revenue.[42] In 1826 governor Bourke informed Bathurst that he intended to apply the annual capital repayments of the Lombard Bank and if it should be absolutely necessary also the amount repaid of the 500,000 rds. Fund for the current service of the Colony.[43] Though the 8th Article of the Treasury instructions ordered the cancellation of these sums of paper money, it would be an emergency case for the preservation of the public credit. The Lords of the Treasury were of opinion that "except upon the ground of a very strong and pressing necessity" they would see "a great objection to the measure.....,[44] which is in opposition to the principle, as well as to the positive stipulation, of the instructions lately issued for the reduction of the paper currency of the Cape, and must have the obvious effect of endangering a new depreciation of that medium of circulation and thereby bringing a greater quantity of it to the Military Chest for exchange for Bills upon England". On 25th April, 1826, Bourke again reported that he had to apply continually to the capital of the Lombard Bank as he saw no reason for expecting any immediate improvement in the revenue.[45] He had been forced to appropriate to the pressing exigencies of the Government the sums of £1,481 and £573 representing interest paid to the Lombard Bank on certain funds.[46]

In a communication to the Colonial Office in February 1827, he informed them that the "public credit continues very low and estates are but too frequently

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42. Arndt: Op. Cit., p.59.
43. G.H.28/8, no.71, 11th Sept., 1826: Maj. General Bourke to Secretary of State lord Bathurst.
44. Rec.30, pp.36-37.
45. Rec.31, p.308, 25th April, 1826: Maj. General Bourke to Secretary of State lord Bathurst.
46. Ibid., p.319, 30th April, 1826: Maj. General Bourke to Secretary of State lord Bathurst.

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surrendered to the Sequestrator to be liquidated as it is called, but in fact to be totally lost to the ancient proprietor. The Sequestrator has stated that for the last month four or five estates have come in weekly to his office."[47] Two months later he depicted a vivid picture of the situation of the Colony:[48] "I have already made manifest to Lord Bathurst the falling off of the permanent sources of revenue and I fear the resources I looked to from the Lombard Bank will be daily diminishing, as the mortgages find it almost impossible to pay up either interest or the required instalment of capital. To proceed to execution either for recovery of this debtor arrears of quitrents or taxes would effect total ruin of the unhappy debtors as property of all sorts is terribly depreciated and insolvents are daily surrendering estates to an amount frightful to contemplate". Further, "it is not possible for the Government to provide any sufficient remedy for this general distress occasioned by the sudden contraction of currency and a diminished commerce and the effects of a succession of bad harvests."

Sir Lowry Cole in 1830 also had recourse to a deposit in the Bank amounting to £8,112 and in 1831, £3,000 from the funds of the Bank had to be applied in aid of the revenue of the Colony. In 1832 he again appropriated £11,000 to meet a deficiency of revenue amounting to £7,080 though he had no right to apply any portion of the sums received in repayment, on account of Government loans.[49] The Secretary of State informed the Treasury that there was little expectation for some years at least of any considerable surplus of revenue which could without inconvenience be

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47. Rec.30, pp.339-341, 3rd Feb., 1827: Maj.-General Bourke to R.W. Hay.
48. Rec.31, pp.410-411, 28th May, 1827: Maj.-General Bourke to R.W. Hay.
49. Arndt: Op. Cit., p.60.

applied to the redemption of the Government paper money. Cole had already started a policy of retrenchment and when Sir Benjamin D'Urban assumed duty as governor in January, 1834, he had received instructions immediately to carry out a gradual scheme of retrenchment.[50]

Efforts were made in 1825 to establish a sinking fund for the ultimate withdrawal of the outstanding issues. It's assests were, however, diverted from 1829 to 1835 to meet ordinary Colonial expenditure.[51] It was in consequence of rigid economies that the Government was ultimately enabled to redeem the outstanding paper money.

Reform of the Paper Currency.- Though British coinage had been introduced into the Colony there were still several millions of rixdollars in circulation which had to be withdrawn and replaced. Prior to the introduction of sterling, notes had to be reprinted owing to the heavy wear and tear. Between 1806 and 1834 this was done on an average of nearly five times per annum.[52]

In February, 1827, Bourke informed Bathurst that as the supply of silver was insufficient at times the Commissariat occasionally had to reissue this paper.[53] "The paper thus reissued consists of the commonest manufacture, calculated in a coin not now in existence in the Colony, and a large proportion of it in so dirty and defaced a state as to be hardly fit for use". Hitherto notes had frequently been renewed and destroyed but as the quantity in the military Chest received in payment of bills became considerable the old and defaced notes were exchanged for clearer ones.

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50. Ibid., pp.60-61.
51. Ibid., p.61; Chalmers : Op. Cit., p.235.
52. Ibid., p.62.
53. G.H.28/8, no.16, 22nd Feb., 1827: Maj.-General Bourke to Secretary of State lord Bathurst. Rec.30, pp.389-392, 18th Feb., 1827: Colonial Secretary, R. Plasket, to R.W. Hay.

He accordingly proposed that instead of re-issuing these notes, new ones ranging from £25 to 20/- be struck in England and made payable at the Commissariat at the Cape in bills on the British Treasury. By this means a new note of a better manifacture and of a current denomination would be gradually introduced into the Colony and the old rixdollar absorbed and destroyed. In addition the new note should be payable on the British Treasury at the rate of 1½% only instead of the existing 3% as the silver was being exported at a cost of only 1½%. This procedure, together with the withholding of further loans by the Lombard Bank, the thought, would gradually restore the currency to a healthy state. He further proposed that the Commissariat Officer should be permitted to draw bills on the Treasury for any sum, to keep much of the silver in the country which was now taken out in consequence of bills not being procurable for a sum less than £100 sterling. According to him these notes convertible into bills at par would be as convenient as if at once payable in gold and that not more than £60,000 in silver and copper money would be required. This amount had already been sent out, but more than one half had been re-exported since the 3 per cent on the bills was excessive.[54]

In January, 1827, the Treasury complained to the Commissariat Department, that "when British money is issued from the military chests to the paymasters or others, it is exchanged for dollars or other circulating medium, and the silver money is returned into the chest for bills on this Board, instead of being paid to the men, by which measure only it would get into circulation, and supersede the circulation of dollars and other foreign coins, for which it is, in Their Lordships' opinion, in all respects better adopted."[55] This practice, which was very profitable to paymasters, was

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54. Rec.31, p.57, 26th Feb., 1827: Maj.-General Bourke to R.W. Hay; Rec.30, p.343.
55. Chalmers: Op. Cit., pp.25-26.

to be discontinued and the troops were to be actually paid in British silver. In September of the same year, the rate at which £100 bills were to be sold in exchange for British silver was reduced from £103 to £101-10.

It was not until July, 1831, that the Treasury authorised the issue of a new paper currency for the Cape to the amount of £205,000. By proclamation of 12th July, 1832, Sir Lowry Cole announced that the notes with values expressed in rixdollars and skillings were gradually to be withdrawn from circulation and replaced by promissory notes with values expressed in pounds sterling.[56]

Redemption of the Rixdollar Notes.- The old rixdollar notes were therefore first replaced by new ones or "red stamped notes" which were also in terms of rixdollars and these in turn were replaced by the sterling notes. It was during the former process that an excess of the old notes was discovered which complicated the process of redemption.[57]

By 1835 the greater portion of the withdrawal had been completed and on 27th October of that year a proclamation was issued calling in and withdrawing from circulation the notes with the red stamped circular mark.[58] But it was not until 1838 that all the rixdollar notes were withdrawn from circulation and destroyed and replaced by sterling notes. Between 1832 and 1838 sterling notes to the value of £202,698 were issued.[59] In addition to this the metallic currency amounted to about £300,000 consisting principally of English silver and copper coins and to a

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56. Arndt: Op. Cit., pp.63-64.
57. Ibid., p.65.
58. Ibid., p.65.
59. Leslie: Op. Cit., p.165; Chalmers: Op. Cit., p.235.

smaller extent of gold sovereigns and half-sovereigns.[60] The value of the sterling notes was maintained by the Gold Exchange System in the same way that had been adopted for the rix-dollars. They would be exchanged at Cape Town for bills on the Treasury at the rate of £101-10s for a bill of £100.[61]

It was not until 1840[62], however, that it was finally proclaimed that no rixdollar notes would be exchanged after 31st March, 1841. And so, after a hectic life time of fifty-nine years the rixdollar ceased to exist as a medium of exchange and the currency of the Cape was finally purged of the paper rixdollar.

The next step was to withdraw the sterling notes from circulation. By 1843 the issue of £202,698 had been reduced to £71,086. In this year the British Government decided to rid itself of its liability on the Cape money and on 9th November, 1843[63], it was announced that the right of receiving bills on the Treasury for silver or sterling notes was withdrawn and holders of notes were permitted to exchange them for specie or for Government 5 per cent debentures.

In this way the currency of the Cape of Good Hope was eventually purged of Government inconvertible paper money and the Cape had reached the end of its revolutionary process as regards its currency standard. As the result of the large imports of specie and the rapid growth of banking after 1835, it is not surprising to find that by 1852, of the total issue of £202,698 of sterling Promissary Notes, all but some £800 had been withdrawn and cancelled.[64] Henceforth

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60. de Koch: Op. Cit., p.362.
61. Theal: History of South Africa, (1795-1828) p.344.
62. Chalmers: Op.Cit., p.235. Arndt: Op. Cit., p.65.
63. Leslie: Op.Cit., p.165.
64. Arndt: Op.Cit., p.66.

the currency of the Colony consisted of coins and bank notes.

The following is a résumé of developments from 1806 onwards:-[65]

Paper money at the Cape since 1806.

(1) Proper amount of paper money in circulation at surrender 1806. Rds.2,086,000 - -

British Government 1806-1822 added. 1,385,204.5 -

(2) Amount of 1st or Cartoon paper (of which Rds.1,256,415.4 were afterwards withdrawn leaving unredeemed Rds.2,214,789-1. Rds.3,471,204.5.Ø

In consequence of the deteriorated state of the Paper in 1828, a 2nd description of notes was introduced to a net amount of... Rds.2,305,000.0.0.

and shortly after, on detection of some forgeries in the last-mentioned Paper. a 3rd description was introduced to the amount of Rds.1,108,520.0.0.

(3) Proper amount of Rds. Paper money to be accounted for is therefore Rds.6,884,724.5.Ø

From 24th April, 1828, to May 1841, the following sums were destroyed or cancelled by Proclamation:-

(4) Of 1st or Cartoon Paper. Rds.3,953,908.0.0.

(5) Of 2nd or Circular red stamped Paper Rds.2,346,200.0.0.

(6) But it having been discovered that the late Treasurer Stoll had at first omitted to keep a particular account of each description of Rdr. Paper destroyed, an error was occasioned which could not be

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65. Blue Book of Statistics, 1853, pp.407-409.

satisfactorily corrected, and accordingly on closing the account of the 3rd description of notes, of which there had been created Rds.1,108,520, it was found that there had been cancelled as belonging to that creation only Rds. 1,084,490- 0- 0

Rds. 7,384,598- 0- 0

The net excess was thus..... Rds. 499,875-3 - 0

(7) Of which there were destroyed and not replaced (12th May, 1841)..... 12,022- 4- 0

Leaving a balance of... Rds. 487,850- 7- 0

Which was converted into British Promissary Notes to an equal amount or... £ 36,588-16-5¾

Add to this sterling value of that amount which ought properly to have been in circulation Rds.2,314,789-1-0..... £ 166,109- 3-8¼

And the sum agrees with the gross (see 2) amount of British Promissary Notes which had been in circulation since January 1837, viz., £202,698-Ø-Ø.

Of this sum there had been cancelled: between 12th May, 1841 and 23rd April, 1852, £201,691, leaving in circulation on 1st May, 1852, £1,000 consisting of:-

2½	notes of	£50	each.....	£125- 0- 0.
10	"	25	"	200- 0- 0.
19	"	10	"	190- 0- 0.
59½	"	5	"	297-10- 0.
187½	"	1	"	187-10-0.
				£1,000- 0- 0.

Of which amount £167-10-Ø had been received by the Treasury but not issued.

CHAPTER V.

THE END OF GOVERNMENT BANKING.

The operations of the Government Loan and Discount Bank as a joint institution could be divided into four branches,[1] viz. :-

1. The Mortgage Bank from which nothing was lent save upon the security of landed property or houses with collateral personal security. Its object is to encourage improvements and agricultural pursuits. Repayments of loans at the rate of 10 per cent. per annum was supposed to commence at the expiration of two years.

2. A Temporary Loan Bank where money was advanced on slaves, capital or other movable property for six months provided unquestionable collateral personal security was given.

3. A Bank of Deposit where public and private deposits were received.

4. The Discount Bank where bills, promissory notes or bonds payable within three months were discountable on the basis of from one-third to two-thirds of the deposits, and at times other funds placed at its disposal.

The capital consisted of Government paper to the amount of Rds. 1,310,255-2 independent of a sum of 500,000 Rds. created by Lord Howden's Government[2] and appropriated to local improvements, which, however, was to be destroyed when repaid.

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1) C.O.5963 pp.55-57. 1821; Arndt: Op. Cit., p. 192.
2) S.A.C.A. 7th April, 1830. Sir John Cradock.
Vide. Walker: Op. Cit., p. 130.

The President and Directors superintended the general concerns of the Lombard and Discount Banks. Twice as much meetings were held and one of the directors attended daily. The Book-keeper kept the several books of the Department. He drew out all bonds in favour of the Bank, in the event of death or bankruptcy of any one who was either a debtor or a security to the Bank, he took the necessary steps to secure its interests. The Cashier received all the monies paid into the Lombard Bank either as capital or interest and effected all such payments which the President and Directors directed; and he kept the necessary accounts of the receipts and payments. It was the duty of the Cashier of the Discount Bank to receive all cash deposits that were made to pay all drafts on the Bank, and to superintend the transactions respecting the Discounts which were effected by orders of the Directors. He was assisted by the clerk. The accountant kept the various books of the Discount kept and striked the daily balances etc. of deposits by individuals. In addition, an assistant accountant, a teller and a messenger were also employed by the Bank.

In 1827, Sir Richard Plasket, the Colonial Secretary, [3] reported unfavourably on the operations of the Bank. The loans of the Lombard Bank had tended to ruin the inhabitants. This was because neither prudence nor discretion was exercised in lending money. Any spendthrift or speculator by getting others to stand security for him, got loans and was thus enabled to live on borrowed capital without a thought of repayment. The interest could be collected only with the greatest difficulty and the Banks were in the habit of constant writs of execution.

On 22nd February, 1827, Governor Bourke wrote in a similar strain to the Secretary of State. [4] With respect to the

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3) Rec.30, pp. 342-343. 3rd February, 1827, Col. Sect. Plasket to R.W. Hay.
4) Ibid., p. 402, 22nd February, 1827. Governor Bourke to Sect. of State Bathurst. G.H. 28/8 No. 16.

Lombard Bank he observed that the repayment of the capital by the mortgagees had become more difficult every day and that it would eventually become impossible to recover the whole amount. "Most loans were made when the currency was superabundant and kept so artificially. Owing to the late measures of His Majesty's Treasury, it is now subsiding and has diminished, I should say, more than one-sixth in amount." The total mortgage bonds and other securities in the Lombard Bank on 31st December, 1826, amounted to £115,931-12-0¼d and the average receipts of interest for the past seven years had been £6,242. Under the prevailing circumstances which Bourke considered would be permanent, he proposed that the interest payable by mortgagees to the Bank be reduced from 6 per cent. to 5 per cent. per annum. In addition to a few other measures that he had proposed he felt that the withholding of further loans on mortgage would gradually restore the currency to a healthful state.

This latter proposal, however, did not apply to the Discount Bank[5] which had to be maintained for the accommodation of merchants, retailers and others who wanted a temporary supply as well as a secure bank of deposit. The capital of this Bank being small and not having the power of issuing its own notes, its operations could never materially affect the currency.

As early as 11th September, 1826,[6] Governor Bourke had communicated with Bathurst and outlined the manner in which he was to provide for the service of the Cape Government without any increased demand on the British Treasury. He proposed to take from the Lombard Bank the amount of capital of debt as it was paid in, instead of lending it out again, as had been hitherto practised. The average amount of capital annually paid in to this Bank was about 110,000 Rds. or £8,250. There were also in the Discount Bank about 95,000 Rds. or £7,125, being a deposit from the Lombard Bank created by partial

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5) Rec.31, pp. 56-57. 26th Feb., 1827. Gov. Bourke to R.W. Hay.
6) Rec.28, pp. 131-132, 11th Sept., 1826. Governor Bourke to Sect. of State Bathurst.

repayments of a sum of 500,000 Rds. issued by Lord Howden in 1812. This paper was put into circulation under the condition of being cancelled as it was repaid and 15,000 Rds. were accordingly destroyed before Lord Howden resigned the Government. Since that period no further destruction of this paper had taken place. It had been lent out from time to time as it came in. By being kept in the Discount Bank this 95,000 Rds. had enabled the Bank to discount more freely than it otherwise could venture to do, as in the event of a run being made upon it, this deposit might be available to save the credit of the Bank.

In December, 1827, Bourke informed[7] the authorities in England that he was promoting one of the directors, John Marshall. "As the business of the Lombard Bank, will, I trust, in future be confined in getting in former loans, there will be no necessity for filling.... the present office. A small addition to the salary of the then two Directors will answer every purpose and a saving of four hundred a year may be effected."

The Banks as Sources of Government Revenue:[8] - The revenue of the Lombard Bank was derived from an interest payable by the public on the funds placed under the administration of the president and direction of the Bank and lent to individuals at an interest of 6 per cent. per annum, pursuant to the 10th paragraph of the Provisional Instructions received from the Governor bearing the date of 1st June, 1808. Such interest when received were quarterly paid into the Treasury after the account had passed the audit of the Auditor-General of Accounts.

The revenue of the Discount Bank was derived from an interest received on the discount of bills, bonds, kwstings and other securities at the rate of 6 per cent. per annum. The proceeds were likewise quarterly paid into the Treasury after the account had been audited by the Auditor-General of Accounts

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7) Rec.34, p. 216, 10th Dec., 1827. Gov. Bourke to R.W. Hay.
8) L.B. 26 p. 29.

In addition to the interest on loans, fees[9] also formed a branch of revenue of the Loan Bank but this particular branch resorted under a separate heading of Government Revenue. The Lombard Bank charged fees on mortgage bonds and deeds of prolongation, pursuant to the instructions of the 15th March, 1793, and the additional instructions of 1st June, 1808. The proceeds were quarterly paid into the Treasury.

The significance of the Lombard and Discount Banks as sources of income for the Colonial Government is clearly indicated in the following tables :-

TABLE I.[10]

Year.	Revenue from Lombard Bank. Rds.	Total Revenue. Rds.
1795	9,578	153,346
1796	11,614	154,691
1797	25,240	240,761
1798	25,532	321,276
1799	25,534	318,412
1800	26,016	386,707
1801	25,813	452,969
1802	24,688	387,074
1803	26,394	308,580
1804	25,977	383,294
1805	26,780	417,039

9) C.O. 4457; L.B. 26, p. 29.

On mortgage bonds not exceeding 500 Rds. (exclusive of ½ per cent. on the amount of the loan)	Rds. 3-1
From 500 Rds. to 1,000 Rds.	6-2
2 Rds. per mille	- -
From 1,000 Rds. and upwards	6 2
and 1 Rd. per mille	- -
On deeds of prolongation not exceeding 500 Rds. (exclusive of ½ per cent. on the amount)	Rds. 1-3
From 500 Rds. to 1,000 Rds.	1-3
2 Rds. per mille	- -
From 1,000 Rds. and upwards	1-3
1 Rd. per mille	- -
Deeds of personal securities	5 2
Transfer of mortgage	5 2

10) G.H. 28/2 Enclosure 73 No. 24.

The revenue derived from the Loan Bank had increased from 9,578 Rds. in 1795 to 25,240 Rds. in 1797. Between 1797 and 1805 it remained fairly constant fluctuating between 25,240 Rds. in 1795 and 26,780 Rds. in 1805.

TABLE II[11])

Year.	Interest on Loans			Net Profits from Discounts			Total Revenue		
	Rds.	sk.	st.	Rds.	sk.	st.	Rds.	sk.	st.
1806	3,529	4	3	-	-	-	425,827	7	1
1807	25,765	-	-	-	-	-	515,904	5	1
1808	44,088	6	5	3,478	3	2	741,971	1	2
1809	41,262	2	-	10,798	4	2	585,437	1	1
1810	48,043	7	4	12,252	4	-	703,696	1	3
1811	60,090	1	5	9,562	-	2	669,783	-	1
1812	83,689	2	5	18,759	-	2	768,579	2	2
1813	79,278	2	-	36,277	2	2	947,122	7	3
1814	81,058	5	3	37,427	2	-	1,073,698	6	1
1815	82,040	7	3	21,912	-	4	1,147,487	6	5
1816	78,632	5	5	26,306	4	1	1,158,428	2	2
1817	77,059	5	-	25,790	3	-	1,265,572	2	3
1818	81,254	7	5	32,539	6	3	1,394,018	2	1
1819	91,914	6	2	27,843	5	3	1,268,702	1	$2\frac{1}{2}$
1820	92,494	4	3	39,125	7	1	1,517,006	3	$-\frac{1}{2}$
1821	80,888	7	5	37,675	-	-	1,468,740	7	$5\frac{3}{4}$
1822	82,396	1	2	48,837	5	4	1,549,403	4	$2\frac{1}{2}$
1823	87,597	7	5	52,797	-	3	1,620,866	3	$4\frac{3}{4}$
1824	93,730	4	2	47,251	3	2	1,599,624	7	$2\frac{3}{4}$
1825	72,470	4	2	54,030	3	1	1,731,182	2	$5\frac{1}{2}$

Between 1807 and 1825 the total annual interest received on loans fluctuated between 25,765 Rds. in 1807 and 93,730 Rds. in 1824 when the high-water mark was reached. In general, however, the increase was progressive.

The profits of the Discount Bank were chiefly derived from: firstly, 1 per cent., being the difference between the interest paid on deposits and that received on discounts;

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11), B.P.P. 406, pp. 51-60; C.O. 6112. Vide Appendices "J" and "K".

secondly, from the full interest of 6 per cent. received upon such portions of the general deposits as could safely be employed in discount; thirdly, on the compound interest derived from the prompt payment of the interest of sums lent on security for short periods of three months.[12]

By 1814 the Discount Bank was in full operation. On 17th June, 1814,[13] the general deposits amounted to 1,268,543 Rds. of which 1,044,797 Rds. were issued on bills and bonds, and 223,746 Rds. was the cash balance. By the end of 1814 the amount of deposits was 1,096,659 Rds. and the profits of the Discount Bank 37,427 Rds.

The deposits had increased from 211,557 Rds. in 1808 to 1,096,659 Rds. in 1814. Then there is a drop to 716,533 Rds. in 1815 but the deposits again progressively increased to 1,273,649 Rds. in 1823.[14] Since 1819 the personal deposits had been doubled and by 1823 they amounted to 1,400,000 Rds. while the annual receipt of cash passing through the Bank had progressively reached the large sum of 14,000,000. Therefore, an increase had taken place of more than 100,000 Rds. in the deposits, and more than 1,000,000 Rds. in the annual amount of receipts of the Bank.[15]

In 1808 the profit of the Discount amounted to only 3,478 Rds. Fluctuating between this figure and 52,797 Rds. in 1823 it shows a steady increase over the various years.

During 1824 the income of the Bank had been 93,730 Rds. as interest from loans, and 47,258 Rds. as profits and discounts. The total revenue from these sources was therefore about 140,000 Rds. per annum.[16] During 1827 the Banks yielded revenue

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12) C.O. 4457; Rec.20, pp. 32-37.
13) Ibid.
14) C.O. 4457 No. 7.
15) C.O. 182 No. 13; B.P.P. 406, p. 21.
16) Rec. 27, p. 467.

of £9,521 - 14 - 11¾, of which £6,309 - 5 - 3½ was derived from the Lombard Bank and £3,212-9-8½ from the Discount Bank.[17] For subsequent years the revenue derived from the Banks was as follows :-[18]

	1832	1833	1834
Lombard Bank	3,890	4,351	3,447
Discount Bank	4,841	5,478	5,167
	£8,731	£9,830	£8,615
Management	£2,208	£2,297	£2,016
Bad Debts	224	113	47
	£2,433	£2,410	£2,063

Net Receipts - £6,298-14-6¼ £7,419-16-3¼ £6,551-16-10

The actual Government receipts from the Lombard Bank in 1832 had amounted to £15,633 but only £3,890 represented interest paid, the remaining £11,743 representing capital repayments. By 1835 all but £50,000 of the Bank's capital had been repaid and the Bank was in fact gradually ceasing to exist. It was for this reason that we observe a drop in interest from the Lombard Bank from £3,890 in 1832 to £3,447 in 1834. During 1834 repayments of from £7,000 to £8,000 had been made.

The following table is also useful as showing the importance of the revenue derived from the Banks relative to the total Government revenue for certain periods.[19]

Period.	Interest from both Banks.	Total Revenue.
1806-1814	£9,098	£101,508
1815-1819	11,042	124,392
1820-1825	11,090	123,345
1826-1830	9,847	116,216
1831-1835	8,430	119,552

17) Arndt: Op. Cit., p. 193.
18) Ibid., p. 194.
19) Theal: Op. Cit., since 1795, 111, p. 32.

The Discount Bank was by this time the only Bank in which the public was generally interested. It was the depository of Government Receipts as well as of some of the Commercial interests, for several capitalists kept private banks and supplied the needy at rates much above the legal rate. The Discount Bank used its deposits in discounting but at times was unable to satisfy the demands for discount or even the demands of Government and the Commissariat. In 1832 the Discount Bank showed a profit of £2,409 after the changes of management had been deducted.[20]

Position of the Discount Bank by 1830.[21] - "During a considerable time past, the demand for the discount of unobjectionable bills has been fully met on the part of the Bank; whilst, in every case of rejection, the board appears to have been actuated solely by those prudential considerations which are necessary to maintain the stability and credit of the institution, and, at the same time, to preserve that intermediate balance of credit between individuals which is so essential to the prosperity of all commercial operations; and which, from the intimate connexion subsisting between the bank and the public, is, in a great degree, placed under its control."

Under the influence of these principles, it would no doubt be admitted that, whatever errors or defects might have crept into the practice of the Bank in days of yore, "are in a fair way of being redeemed by the existing improved system of its accommodation in the settlement of its bills, and by a strict degree of impartiality in all its transactions with the public," thus the "Commercial Advertiser."

That the principles which at the moment governed the administration of this department were fixed and salutary, it was pointed out, might be demonstrated by the increased degree of confidence it had acquired in public opinion, the best proof

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20) Arndt: Op. Cit., p. 194
21) S.A.C.A. 3rd April, 1830.

of which was the progressive accumulation of new accounts, together with a proportionate increase in the total amount of deposits which might be estimated at nearly three-fifths of all the currency in circulation. "It is also satisfactory to learn that since, with a view to afford greater facilities to commerce, the system has been pursued of confining the discounts principally to bills and promissory notes, nearly to the exclusion of bonds, however well secured, the loss sustained by the bank has been very trifling, and the instances of non-payment, in due course, extremely few." .... "It will be desirable not to revert to the old system of discounting bonds in preference to bills and notes of hand, in order to compensate for the loss of that security which the registration of its bills has hitherto been held to convey."

On 29th August, 1834, the following new regulations were published regarding the operations of the Discount Bank:- 22)

1. No deposits for less than £10 would be received at the Bank;
2. No new accounts would be opened unless £50 were deposited;
3. No cheques on the Bank would be paid for any sum less than £3;
4. All bills payable at the Bank which might be sent for discount would have preference over other bills, provided they were equally unobjectionable in other respects;
5. No cheque on the Bank would be paid when there were not sufficient funds to meet it and upon a second attempt to overdraw, the account would be closed.

These regulations were to have effect from 1st September, 1834.

Dr. Arndt points out that in 1837 for the first time we find the Government Discount Bank soliciting business from

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22) Gazette, 29th August, 1834.

the public, no doubt as a result of the establishment of the Cape of Good Hope Bank.[23] On 11th August, 1837, the Bank advertised[24] that proposals would be received at the Bank from persons requiring loans at interest at 5 per cent. per annum (the amount to be deducted as discount) for periods not exceeding six months, renewable, if required, at the discretion of the president and directors, upon promissory notes to be drawn at this Bank and made payable to the cashier under pledges of mortgage bond or other approved securities. But on 7th January, 1842 it was publicly announced[25] that it had been resolved to discontinue the Government Bank as a Bank for the receipt of private deposits and all depositors were requested to withdraw their deposits by 28th February, 1842. On 28th January, 1842, it was further announced[26] that it had been resolved to bring the affairs of the Government Bank to a close as early as possible. Accordingly all persons in arrear for instalments on bonds passed in favour of the Bank, were required to pay the amount on or before 28th February in order to prevent legal proceedings being instituted for the recovery thereof.

On 4th May, 1842, Ordinance No. 5 of 1842 was passed "to provide for the lodgement elsewhere than in the Government Discount Bank of this Colony, of certain monies now by Law required to be lodged in the said Bank. As it was expedient to make provision by law for relieving the Government Discount Bank from the obligation of receiving monies from these various sources as well as paying into this Bank or Banks of all and singular the said several monies, it was now provided that it was no longer incumbent on Trustees, Trustees of insolvent Estates, the Trustees of several churches in Cape Town and Wynberg, the Registrar of Deeds, the Treasurer of the Public Library, to deposit with the Government Discount Bank. Nor was it incumbent upon the Bank to permit or allow the opening

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23) Arndt: Op. Cit., p. 195.
24) Gazette, 11th Aug., 1837. Dated 5th Aug., 1837.
25) Gazette, 7th January, 1842. Dated 5th January, 1842.
26) Ibid., 28th January, 1842. Dated 13th January, 1842. See also Gazette 2nd February, 1842.

of any such account. Finally, creditors of insolvent estates were to nominate the Bank or Banks the trustees were to use, while all the other parties could select their own Bank or Banks and transfer their funds to them.

However, it was not until January, 1843, that it was announced[27] that the Bank would be finally closed on 31st January, 1843, and that all accounts due at the Bank were to be paid at the Treasury from and after that date.

Although the Government Bank continued to exist until 31st January, 1843, a private joint-stock bank, the Cape of Good Hope Bank, began its operations in 1836, five years after the establishment of the Cape of Good Hope Savings Bank. It was the first of many small prosperous banking enterprises to spring up throughout the Colony. By 1862 there were 29 such private banks, which operated in 21 towns, with a total paid-up capital and reserves of over £1,100,000 and with deposits of nearly £2,000,000.[28]

Thus, after the first period of state monopoly, the Colony passed through an era of unfettered small scale commercial banking. Commercial banking developments denote an advanced stage of economic organization and indicate how tremendous was the change in the productivity and trade of the Cape Colony in the first half of the nineteenth century. Given freedom of trade, the Colony emerged during this period as an agricultural and pastoral community exporting ware hides and skins and wine. Other causes were the improvement in transport, in particular the construction of passable roads into the interior, the reform of the system of land tenure and improved knowledge of the appropriate methods of agricultural and pastoral farming.[29]

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27) Gazette, 20th January, 1843. Dated 12th January, 1843. See also Arndt: Op. Cit. p. 196.
28) Ibid., pp. 236-244.
29) C.H.B.E., VIII, pp. 764-5.

APPENDIX "A".

Inventory and Estimated Value of Lands, Houses and Public Buildings at the Cape, the Property of the Dutch East India Company in 1793, which were considered to have been specially mortgaged for the Paper Currency.[1]

The Castle of Good Hope, consisting of five polygons, with its gate, sally port, outworks, two ravelins with their counterscraps, and those of the outworks, likewise the battery Imhoff on the sea-side, which forms a part of these outworks, and all the profile walls, gates, sally ports, etc.		f.400,000 - -
The lines along the sea-shore, extending from the battery Imhoff to Fort de Knohhe		50,000 - -
Fort de Knohhe, consisting in a star fort		2,000 - -
The dwelling house of the overseer of the magazines The smith's forge The carpenter's workshop The waggon-maker's shop The lodgings of the artillery servants The bake house The two guard-houses and the powder magazines	Situated beneath the castle, at the sea-side, behind the Imhoff Battery.	40,000 - -
The great water-bason built of stone at the wharf		1,000 - -
The conduit-house and the under-sheriff's house opposite		4,000 - -
The slaughter-house, with the book-keeper's dwelling-house annexed thereto		10,000 - -
The timber magazine, with the cooper's shop behind the same		18,000 - -
The three thatched wine stores situated at Rogge bay		45,000 - -
The menagery, or the so called dairy, situated behind the Company's garden		20,000 - -
The pottery		2,000 - -
The Company's horse stables		25,000 - -
The Company's slave lodge		50,000 - -
The military guard-houses, viz. :-		
At Rogge Bay	f.4,000 - -	
Foot of the Devil's Hill	2,000 - -	
In the front of the flank of the Imhoff	200 - -	
Entrance of the Company's garden	4,000 - -	
Stone quarries	2,000 - -	12,200 - -
The water-mill behind the menagery		6,000 - -
The parsonage-house at present inhabited by the Rev. Mr. Serrurier		20,000 - -

1) B.P.P. 406, pp. 91-94.

The Company's lime-kiln, including its surrounding walls, and the dwelling-house of the lime-burner, etc.	f. 10,000 - -
Some attached buildings along the lines, with the dwelling of the Commanding Officer of that post	20,000 - -
The new building annexed the preceding, at present occupied by an officer of artillery, some of the artillery-men and some artificers	20,000 - -
The great powder magazine behind the lines	20,000 - -
The small ditto in the Charlotte Battery	3,000 - -
The building in Fort de Knohhe	1,000 - -
The small building in the so called new battery	1,000 - -
The great powder magazine near the Amsterdam Battery	20,000 - -
The two small ditto built in said battery	18,000 - -
The building at the Chavonnes Battery	6,000 - -
The little powder magazine at the said battery	6,000 - -
The building in the kloof, between Table Mountain and the Lion's Head, appropriated to a guard-house for the garrison and as a lodging for the signal-men	5,000 - -
The place of execution, constructed with stone, and the small building standing thereon	1,000 - -
The marine store-house, built of stone, separate from the dock-yard, and situated between the same and Rogge Bay	12,000 - -
The ruins of the building formerly called the Silk Spinnery, which was burnt down, together with the ground belonging thereto	15,000 - -
The Company's garden in the Table Valley, for as far as it is let at present, with the gardener's dwellings, which latter are mentioned in the report of the Colonel Pilquin	60,000 - -
The garden named Rustenburg, or the so called Rondeboschy	25,000 - -
The post named Paradise, together with certain ground, with exception of the woods on the mountain	10,000 - -
The post named Kirstenbosch and the Palmist Valley, situated below the same, with exception of the woods on the side of the mountain	15,000 - -
The post at Hout Bay, with the extensive uncultivated valley to the so called Mathoosen Drift (Sailors Ford), not including the woods on the mountain	10,000 - -
The post named Wittebomen, with the adjacent woodland, for so far as it is surrounded with pales	50,000 - -

The post at Muizenberg; what regards all the buildings belonging to the post, with the fishery accroached thereon	f.	6,000	-	-
The post at Ulschhoek, for as far as regards the buildings and garden belonging thereto, and the fishery		6,000	-	-
The post named Riet Valley, near Blaauwberg, with the outlet for cattle, which it now has		24,000	-	-
The post at Saldanha Bay, measured with as many morgans of land as is required for a freehold place		12,000	-	-
The post named Clapmuts, with the hay-field, including the ground cultivated from time to time		20,000	-	-
The post at the River Zourlu End, or the Zoetmelks Valley, with the privileges for as far as regards the outlet for cattle, and remaining to the same; per balance		8,000	-	-
The post at Oute Nigua's Land, with the exception of the woods, to be sold for a grazing place		5,000	-	-
The post at Mossel Bay (what regards the buildings)		15,000	-	-
The post at Plettenberg's Bay		20,000	-	-
The post at Robbin Island, with the free use of the whole island		40,000	-	-
The place named Paanlin Island, with the pasturage for cattle to the new mouth		8,000	-	-
The place named Jan Beisjes Kraal, with the salt-pans along the river to the Riet Valley, and outlet for the cattle from the new mouth to the first pale of demarkation, past the great ford of the salt-pan		10,000	-	-
The place named Groene Kloof, with the privileges at present allowed the farmer of the salt-pans at Groene Kloof during the time specified in the conditions of the farm		16,000	-	-
The wharf at Cape Town		12,000	-	-
The warm bath at Oliphant's River, with the privilege of allowing the use of it to those who may require it for a certain necessary sum		5,000	-	-
The warm bath at Hottentots Holland Mountains, with the same privilege as above mentioned		10,000	-	-
The new battery at Salt River f.7,143 7 8 From which deduct, according to transfer 5,143 7 8		2,000	-	-
The unfinished battery Cohorn, between the castle and the Devil's Mountain		27,836	11	8
The battery in Rogge Bay		33,694	5	8
The battery Amsterdam		367,073	18	8

The battery Chavonees	f.114,152 6 8		
To which is to be added according to report	5,847 13 8	120,000	- -

The so called new dwellings and packhouses in the castle, namely:

Government House
House of the second in command
House of the commandant of the militia
Great powder magazine
The armoury
The apartment destined for an armoury above the powder magazine
The commercial packhouse
The large money chest
The small ditto
The offices for the secretaries of policy and of the court of justice
The commercial office and office for military affairs
The orphan chamber
The dispensary
The lodgings of the military officers
The ditto for the cooks, gaoler, and the soldiers barracks
The well, arsenal and other storehouses for the artillery and ammunition
The prisons, amounting together f. 49,979 10 8

To which is to be added, according to report	392,020 9 8	442,000	- -

The tree granaries, each three stories high, situate at Rogge Bay	14,759 6 8		
To which is to be added, as above-mentioned	60,240 13 8	75,000	- -

The so called New Naval Magazine and Artificer's Quarters, under which title are comprehended:

The artificer's yard
The dock-yard
The master attendant's house
The boatswain's house
The sailmaker's packhouse
The court of justice room, with the cellars underneath the under-sheriff's and constables dwellings, and the prisons, amounting together to 24,858 15 8

To which is to be added, as above-mentioned	105,141 4 8	130,000	- -

The great wine packhouse and granary next the Lutheran Church, purchased from the burgher, F.J. van der Berg for	35,200 - -		
From which deduct, as before mentioned	5,200 - -	30,000	- -

Government house, in the Company's garden, with the ground thereof, left for the use of the respective governors	8,790 10 8		
To which is to be added, as above mentioned	26,209 9 8	35,000	- -

100.	75.	50.	40.	30.	25.	20.	10.	5.	4.	3.	2.	1.	½.	¼.	⅛.	Old and Defaced Money		Addition to the Capital in circulation.					
																						Rds.	Skill.
-	-	-	-	-	-	-	600	1,200	-	-	-	-	-	-	-	12,000	-	-	-	In lieu of old money formerly			
-	-	-	-	-	-	-	1,000	1,259	-	-	-	-	-	-	-	15,000	-	1,295	-	in circulation		1,295	-
400	-	800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80,000	-	Grain Fund			
-	-	-	-	-	-	-	1,551	3,102	1	-	-	-	-	-	1	29,122	1	1,902	-	In lieu of old money formerly in circulation		1,902	-
-	-	-	-	-	-	-	1,000	2,000	-	-	-	-	-	-	-	19,733	3	266	5	-do-	-do-	266	5
-	-	-	-	-	-	-	1,250	2,500	-	-	-	-	-	-	-	24,538	2	461	6	-do-	-do-	461	6
20	30	40	50	60	70	80	500	2,000	2,000	2,000	3,000	6,750	-	-	-	67,360	-	240	-	-do-	-do-	240	-
-	-	100	125	150	-	300	450	1,000	-	-	-	-	-	-	-	30,000	-	-					
-	-	-	-	-	-	-	-	-	1,000	1,500	2,000	7,500	-	-	-	19,538	6	461	2			461	2
50	-	100	-	-	200	250	-	-	-	-	-	-	-	-	-	20,000	-	-					
-	-	-	-	-	-	-	700	2,000	2,000	-	-	-	-	-	-	25,000	-	-					
-	-	-	-	-	-	-	-	-	-	2,000	3,000	10,000	-	-	-	21,700	-	300		-do-	-do-	300	-
-	-	-	-	-	-	-	1,000	2,000	-	-	-	-	-	-	-	19,844	-	156		-do-	-do-	156	-
500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500,000	-	Lombard Bank.			
-	-	-	-	-	-	-	-	-	-	4,000	5,000	10,000	-	-	-	31,878	-	122	-	In lieu of old money formerly		122	-
-	-	-	-	-	-	-	1,000	2,000	-	-	-	-	-	-	-	20,000	-	-	-		in circulation		
-	-	-	-	-	-	-	-	-	-	-	5,000	10,000	-	-	-	20,000	-	-					
-	-	-	-	-	-	-	2,000	2,000	-	-	-	-	-	-	-	30,000	-	-					
-	-	-	-	-	-	-	-	-	6,000	-	-	-	-	-	-	24,000	-	-					
-	-	-	-	-	-	-	-	-	-	5,000	5,000	-	-	-	-	25,000	-	-					
-	-	-	-	-	-	-	1,000	3,000	-	-	-	-	-	-	-	25,000	-	-					
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	-	Lombard Bank - for Civil Buildings etc.			
-	-	-	-	-	-	-	-	2,000	-	-	-	8,000	4,000	4,000	8,000	22,000	-	-					
-	-	-	-	-	-	-	-	1,400	-	3,500	-	-	8,000	9,000	12,000	25,000	-	-					
-	-	-	-	-	1,000	-	-	-	-	-	-	-	-	-	-	25,000	-	-					
1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	-	-do-	-do-		
-	-	-	-	-	-	-	2,000	-	-	-	-	-	-	-	-	20,000	-	-					
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	-	-do-	-do-		
-	-	-	-	-	-	-	2,935	-	-	-	-	-	8,000	17,600	18,000	40,000	-	-					
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000		-do-	-do-		
-	-	-	-	-	-	3,000	1,000	-	-	-	-	-	-	-	-	70,000	-	-		-do-	-do-		
-	-	-	-	-	-	-	-	-	-	-	7,500	10,000	-	-	-	25,000	-	-					
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	-	-do-	-do-		
-	-	-	-	-	-	1,000	1,000	2,000	-	-	-	-	-	-	-	40,000	-	-					
-	-	-	-	-	-	-	-	-	3,000	6,000	-	-	-	-	-	30,000	-	-					
1,970	30	1,040	175	210	1,270	4,630	18,986	29,461	14,001	24,000	30,500	62,250	20,000	39,600	38,001	776,714	4	1,085,804	5				

The granary next the Reformed Church, purchased from the late J.T. Swamvelder, formerly magistrate at Batavia f.19,800 - -		
From which deduct as before mentioned	4,800 - -	15,000 - -
The new hospital, for as far as it is completed at present	619,262 8 8	
To which is to be added, as above mentioned	180,737 11 8	800,000 - -
The water-peeling mill	7,186 5 -	
To which is to be added, as above mentioned	2,813 15 -	10,000 - -
The place situated behind the kloof, purchased from Van Camp for	22,000 - -	
From which deduct, as before mentioned	10,000 - -	12,000 - -
The new buildings at False Bay, under which title are to be included:		
The dwelling-house of the resident		
The hospital		
The doctor's house, old and ruinous		
The stables		
Different packhouses on the beach, etc.		
The slaughter-house		
The Company's garden, and the wharf, making together	10,792 19 -	
To which is to be added as above mentioned	123,207 1 -	134,000 - -
		f.3,483,804 15 8

APPENDIX "B".

STATEMENT OF THE PAPER MONEY ISSUED BY SUCCESSIVE PROCLAMATIONS DISTINGUISHING THE NUMBER OF NOTES OF EACH DENOMINATION.

Date of Proclamation.	500.	400.	300.	250.	200.
1806:					
24 July	-	-	-	-	-
3 October	-	-	-	-	-
15 November	-	-	-	-	-
1807:					
9 April	-	-	-	-	-
1808:					
1 April	-	-	-	-	-
10 November	-	-	-	-	-
1809:					
1 April	6	7	8	9	10
28 August	-	-	-	-	-
6 September	-	-	-	-	-
1810:					
5 February	-	-	-	-	-
12 "	-	-	-	-	-
27 "	-	-	-	-	-
14 May	-	-	-	-	-
14 June	300	300	300	200	200
2 August	-	-	-	-	-
5 October	-	-	-	-	-
20 December	-	-	-	-	-
1811:					
28 February	-	-	-	-	-
30 May	-	-	-	-	-
1 August	-	-	-	-	-
1 November	-	-	-	-	-
1812:					
15 January	200	-	-	-	-
14 February	-	-	-	-	-
1 May	-	-	-	-	-
1 September	-	-	-	-	-
27 October	-	-	-	-	-
30 "	-	-	-	-	-
1813:					
21 January	200	-	-	-	-
1 February	-	-	-	-	-
23 August	200	-	-	-	-
28 October	-	-	-	-	-
1 December	-	-	-	-	-
1814:					
4 March	200	-	-	-	-
5 August	-	-	-	-	-
4 November	-	-	-	-	-
Carried Forward/...	1,106	307	308	209	210

Explanation of the Objects for which the Undermentioned Sums, Noticed under the Heading "Upon the Order of Government," have been issued by the Lombard Bank, out of the Rds. 500,000 Fund, Created for the Erection of Public Works.[1)]

To Whom Paid.	Under What Authority.	When Refunded.	Amount. Rds.	sk.	st.	Object to Which Appropriated.
J. Collison	By draft of the Col. Secy. dated 28 Sept., 1818.	18 Jan., 1825	4,801	4	-	For books and mathematical instruments, and for a slave boy, "Lendoi", purchased for the public library.
H. Schutte	-do- -do- 15 Jan., 1819.	7 Oct., 1819	5,000	-	-	On account of additional buildings to the civil offices,
Landdt. of George	-do- -do- 21 " "	Not hitherto	8,333	-	-	A loan to Mr. P. Tait, to enable himself to purchase the loan place, called the "Kleine Fontein", situated in Outeniqua Land. This farm is mortgaged to government for the amount advanced, by a bond, dated 23rd October, 1818.
-do- Tulbagh	-do- -do- 4 March, 1819	" "	16,666	5	2	The first instalment of the purchase-money of the opchals of the loan places, "Lange Rug" and the "Roode Draay", bought by government as a site for the village Worcester.
-do- George	-do- -do- 24 " "	9 May, 1819	2,000	-	-	The second instalment on account of repairs done at the Krysna.
-do- the Cape District	-do- -do- 25 Jan., 1819	9 June, 1819	5,000	-	-	In aid of the toll fund at the Cape District.
-do- Swellendam	-do- -do- 23 April, 1819	9 June, 1821	3,000	-	-	On account of the expense for building the medical officers house at Caledon.
-do- Tulbagh	-do- -do- 3 Sept., 1819	Not hitherto	6,666	5	2	Two thirds of the second instalment of the purchase-money of the farm "De Roode Draay".
H. Schutte	-do- -do- 21 June, 1819	7 Oct., 1819	5,000	-	-	On account of additional buildings to the civil offices.
Landdt. of Tulbagh	-do- -do- 21 Sept., 1819	Not hitherto	10,000	-	-	The remaining one third of the second instalment of the purchase-money of the farm "De Roode Draay", and the second instalment of the purchase-money of the "Lange Rug".
-do- Swellendam	-do- -do- 18 Nov., 1819	9 June, 1821	1,000	-	-	On account of the expense for building the medical officers house at Caledon.
-do- Tulbagh	-do- -do- 22 Dec., 1819	Not hitherto	2,222	1	4	One third of the last instalment of the purchase-money of the "Roode Draay".
-do- Graaff Reinet	-do- -do- 28 " "	" "	10,000	-	-	On account of the expense for the formation of the Beaufort District.
-do- Tulbagh	-do- -do- 4 Feb., 1820	" "	4,444	3	2	The remaining two-thirds of the last instalment of the purchase of the "Roode Draay".
S. Burgers	-do- -do- 17 " "	" "	6,666	5	2	The last instalment of the purchase of the "Lange Rug".
Committee of the Commercial Exchange	-do- -do- 20 April, 1820	" "	12,500	-	-	Twenty-five shares subscribed by government towards building a commercial room.
Landdt. of Swellendam	-do- -do- 1 Sept., 1820	" "	4,000	-	-	Repairing the Drosdy-house at Swellendam.
Burgher Senate	-do- -do- 7 May, 1821	" "	20,000	-	-	On account of the debt due to the Somerset Hospital.
Agricultural Fund	-do- -do- 22 June, 1822	8 June, 1824	50,000	-	-	For the relief of the distress which pressed upon the agricultural interests.

1) B.P.P. 438, pp. 42 - 43.

To Whom Paid.	Under What Authority.	When Refunded.	Amount.			Object to Which Appropriated.
			Rds.	sk.	st.	
Landdt. of Swellendam	By draft of the Col. Secy. dated 31 January, 1822	6 June, 1823.	000	-	-	In aid of the Leper Institution.
-do- Graaff Reinet	-do- -do- 1 Aug., 1823	30 Dec., 1823.	000	-	-	For the relief of certain individuals in the Graaff Reinet District, who suffered by the storms of 1822.
		Total Rds.	301	1	-	
	Amount of sums repaid	88,801 4 -				
	Unpaid	101,499 5 -				

kortste termyn een maand moeten zyn; en zo iemand het verpand goed binnen den gestipuleerden tyd afhaald, zal hy dog volle intrest moeten betaalen over den geheelen tyd waarvoor de beleening is geschied.

Art: I4.

Indien het verpande goed op den gestipuleerden tyd niet gelost, nog op nieuw beleend word, zal hetzelve, na ses weeken over dien tyd publicq worden verkogt; an zal deeze verkooping geschieden by commissarissen, zonder bemoei van den vendumeester, onder het gewoone salaris by de verkooping van meubilaire goederen bepaald; en onder hen neevens den boekhouder en cassier te verdeelen; en zulks voor reekening en ten profyte of nadeele van de verpanders: En by aldien het goed minder rendeert als de daarop geschoote som en renten, zal dat verhaal gezogt worden op den inbrenger, zonder dat gevraagt zal worden wie de ware eigenaar is, ten ware by insolventie van den inbrenger, en den eygenaar bekend zynde, hy of deszelfs boedel konde worden aangesproken; in welk geval, zowel als omtrent den inbrenger de bank ook praeferentie zal hebben zo als ook haren boekhouder als vendumeester, eguaal met den publieque vendumeester, secretaris van Weesmeesteren &ca nevens parate executie tot ses maanden.

Art: I5.

By publicque verkoop zal den eigenaar binnen een jaar daarna, het overgeschotene/: na aftrek van zyne beleening cum intresse et expensis:/ moeten vorderen; op poene by nalatigheid van dien, dat hetzelve zal vervallen zyn een derde aan den armen en twee derde ten profyte van de bank.

Art: I6.

Den boekhouder en kassier van de bank zullen ten overstaan van commissarissen, maandelyks taxeeren de waarde

der goederen die bederf subject zyn, zonder egter daarvoor iets te mogen declareeren; en de zodanige die door langer te leggen, hunne waarde staan te verliezen, zullen voor reekening van den eigenaar, ter verantwoording als by het even voorgaande articul voorgeschreeven worden verkogt.

Art: I7.

Op gemunt en ongemunt goud en zilver sal niet meer mogen werden beleend dan 85 pco, en juweelen, koopmanschappen en alle andere mobilaire goederen, niet meer dan vyftig prct der getauxeerde waarde, zullende in de nodige bergplaats van volumineuse goederen moeten worden voorzien door den eygenaar; en dezelve vervolgens met de beleende goederen, zo lang dezelve zig daarin bevinden, staan onder privative beheering van de bank, alles naar het oordeel en goedvinden van commissarissen.

Art: I8.

De panden van gemunt en ongemunt goud en zilver, mitsgaders juweelen, zullen na gedaane inspectie, taxatie, weging of telling, door den brenger zelfs mogen worden verzegelt.

Art: I9.

Van alle beleeningen duizend ryksdaalders en daarboven belopende, zal door den leender een per mille by het ontfangen worden betaald; onder de duyzend ryksdaalders twee per mil en van hetgeene minder als vyf hondert ryksdaalders monteert, een half percento hetgeen plaats hebben zal zo menigmaal partyen worden beleend; ofte ook de beleening op vaste goederen word geprolongeerd; en zal dit het salaris zyn van den boekhouder voor twee derde en van den kassier voor een derde.

Art: 20.

De boekhouder zal in de bank woonen en ook pandbe-

waarder zyn gehouden weezende die te verantwoorden en het vermist werdende te vergoeden, ook by goed weer dagelyks te lugten met het openzetten der vensters.

Art: 21.

De bank zal borg blyven voor alle panden die daarinne ter bewaaring gegeeven zyn, en de restitutie geschieden aan den houder van de recipissen, ten ware blyken mogte van valsheid of fraude: Maar by vyandelyk geweld, brand of diergelyke ongelukken zal de schade by den eigenaar worden gedraagen en dezelve egter gehouden weezen de opgenomene penningen te betalen.

Art: 22.

Goederen ingebragt wordende die gestolen zyn en waarvan den boekhouder kennisse gegeeven is, moeten aangehouden en den eigenaar terug worden gegeeven: Maar so dezelve na den inbreng als gestolen worden ontdekt, zal de waare eigenaar dezelve mogen naderen, mits restitueerende hetgeene daarop geleend is.

Art: 23.

De Bank van Leening zal worden geadministreert door drie commissarissen namentlyk een gequalificeert minister, lidt van den Politicquen Raad zynde als praesident-commissaris, en nog twee commissarissen, waarvan een burger en een Compagnies dienaar zal zyn, voorts een kassier en een boekhouder.

Art: 24.

Tot de bank zal worden bestemd of ingehuurt een convenabel geleegen huis, om te worden ingerigt na de vereischtens die tot zeekerheid van de aldaar te bewarene panden en gelden moeten dienen.

Art: 25.

In de bank zal niet meer als twintig duysend ryxdaalders tegelyk mogen berusten, al hetgeene by dezelve meerder restant is, zal in 's Compagnies dagelykse geldkas moeten worden overgebragt.

Art: 26.

Dog mag van deeze rds 20000 onder den kassier van de bank niet meer als vyf duisend ryxdaalders worden gelaten, zullende het meerdere dat hy onder zig zoude mogen hebben zyn tot perikul van den praesident en de respective meede commissarissen, wanneer zy daarinne hebben toegestemd.

Art: 27.

Het geld dat boven de 5000 rds uitterlyk tot de groote van het restant onder den kassier bepaald, nog in de bank overblyft zal bewaart worden in een yzere geldkist onder de naam van groote bankkas, van welke de sleutel onder den praesident berusten zal, zullende deeze kist ook moeten weezen voorzien van twee suffisante hangsloten, waarvan de commissarissen ieder een sleutel zullen hebben, zodat altoos by het openen van die geldkist of groote bankkas, den praesident en commissarissen zullen moeten present zyn, als gezamentlyk in eguale verantwoording daarvoor staande; dog by ziekte van den praesident of een der commissarissen, zal hy zyn sleutel mogen overgeeven aan den boekhouder of iemand anders,, ten zynen pericule.

Art: 28.

Van deeze byzondere of groote kas, zal den praesident een apart boekje houden en in de yzere geldkist leggen, welk boekje maandelyks door praesident en commissarissen met hetgeene in dezelve groote kas restant is, zal moeten worden geconfron-

teert en onderteekend.

Art: 29.

Praesident en commissarissen, zowel als den kassier, zullen deeze hunne respective functien niet aanvaarden, dan na vooraf suffisante cautie te hebben gesteld ter somma van 5,000 rds ieder; gelyk ook den boekhouder die pandbewaarder zal zyn, ten genoegen van praesident en commissarissen gelyke cautie zal moeten stellen.

Art: 30.

Wanneer praesident en commissarissen de gestelde cautie van den kassier en pandbewaarder suffisant oordeelen, zal den praesident of eerste commissaris ten blyke van dien een gros van ieder borgtogt aan den heer Gouverneur of Hoofdgebieder presenteeren, om by de Regeering geapprobeerd of afgekeurd te worden.

Art: 31.

Behalven de gemelde bediendens zal de bank hebben een bode of afslager die borg moet stellen voor twee duyzend rixds. ten genoegen van commissarissen.

Art: 32.

Een der twee commissarissen nevens den kassier en boekhouder zullen alle voormiddagen van agt tot elf uuren, de zon- en feestdagen uitgezondert, in de bank moeten teegenwoordig zyn en alle panden te boek stellen, het goud, zilver en fyne steenen by gewigt of gecalculeerd naar't gewigt in marquen en caraten noteeren en onder hare bewaaring opsluiten nadat se alles wel gewaardeert zullen hebben, zullende alle prisatien welke by den uitkomst mogten blyken te hoog te zyn genomen, zyn voor risico van commissarissen, behoudens derzelver regres op de beleenders.

Art: 33.

Voor juweelen en paarlen zullen commissarissen mogen neemen een wardyn die onder den eed van trouwe en secretesse staan en de taxatie doen zal ten zynen risico, borg stellende ter somma van een duysend ryxds zullende deeze wardyn genieten een quart prco salaris van hetgeen op die juweelen of paarlen word beleend.

Art: 34.

Den boekhouder en pandbewaarder zal met den kassier dagelyks alle posten van aflossing en nieuwe beleening nauwkeurig moeten confronteeren en accordeeren, werdende beide dezelve begreepen te staan onder den eed van secretesse.

Art: 35.

Den praesident of eerste commissaris zal eens ter maand ofte zo dikwils het nodig mogt weezen, vergadering houden, om de groote kas teegen de klyne kasboeken te confronteeren de reekening van den kassier en des goedvindende ook de boeken te resumeeren, en het nodige omtrent de zaken van de bank te besluiten, in welke vergadering den praesident en de twee mindere commissarissen sessie en stem zullen hebben en de aanteekeningen moeten worden gehouden door den boekhouder.

Art: 36.

Boekhouder en cassier van de bank, wanneer dezelve geen ander emplooi in 's Compagnies dienst hebben, zullen ook alleen uit de bank worden gesalarieert en zo meede de andere bediendens die in de bank worden g'emploieert.

Art: 37.

De boeken van de bank zullen jaarlyks onder ultimo Augustus gesloten en door gecommitteerdens van weegens de

Rgeering ten overstaan van praesident en commissarissen g'examineert worden, welke gecommitteerdens begreepen zullen weezen onder den eed van secretesse, genietende voor deeze moeite een sesde van alle erreunen 't zy dezelve ten nadeele van de bank of de particuliere begaan zyn, aan hen te betalen door den boekhouder of cassier die de abuizen zal hebben begaan.

Art: 38.

Deeze gecommitteerdens zullen niet alleen hebben na te gaan of de boeken behoorlyk zyn gehouden en niemand daarby is tekort gedaan, maar ook of in alles de by deezen gestatueerde ordres zyn betragt.

Art: 39.

By de introductie van een nieuwe praesident, nieuwe commissarissen, kassier of boekhouder, zal hem van de uitgezette gelden in vergadering aanwyzing gedaan en afgevraagt moeten worden, of alle dezelve voor zyn aandeel overneemt, en daarin toestemmen zal daarvan acte worden gepasseert by onderteekening, en de afgaande praesident of ander bediende hiermeede weezen gedechargeert: Dog by het teegendeel en dat dezelve zig daarinne bezwaart vind, zullen zyne reedenen van bezwaarnis nevens het gevoelen van het collegie de Regeering moeten worden voorgedragen, om den afgaande suffisante cautie te doen stellen of daaromtrent anders, na bevinding van zaken te disponeeren.

Verbiedende voorts wel expresselyk het houden van alle partikuliere Lombaarden onder wat pretext of benaaming zulks ook zoude mogen weezen op poene van arbitrale correctie naar exigentie van zaaken.

LASTEN en BEVEELEN voorts den Raad van Justitie en den Fiskaal deezes gouvernements deeze ONZE PUBLICATIE te agtervolgen en te doen agtervolgen, procedeerende en doende procedeeren, teegens de contraventeurs van dien sonder eenige gratie oogluykinge, dissimulatie, ofte verdrag, want wy zulks ten algemeenen beste bevonden hebben also te behooren.

APPENDIX "I".

Provisional Regulations for the Direction and Administration of the Lombard Bank, 4th May, 1804.1)

Art. 1. - The administration of the Lombard Bank shall be entrusted to a board, consisting of three Commissioners, a Book-keeper, Treasurer, and as many clerks, etc. as in the time being may be found requisite for the good direction of the Bank.

Art. 2. - The presidency shall always be held for the term of one year by one of the Commissioners.

Art. 3. - All such monies as are from time to time advanced to the Commissioners out of the East India Company's treasury, or by the supreme government of the settlement, to be lent out among the inhabitants upon interest, are under their administration, and they are accountable for them. The book-keeper and treasurer are not responsible for the loans granted by the commissioners, but only for the books and monies given into their charge.

Art. 4. - These monies are to be lent out upon lands, houses, and other good and sufficient mortgages; among which are included deeds passed before schepenen or orphan-masters, deeds of mortgages, redeemable by instalments, and notarial registered bonds, mentioned in the proclamation issued on the 20th April, 1793; also on gold, silver, jewels, merchandise, linen and furniture of value, if not bulky, these and other articles of the same kind, which will bear keeping a year and six months, may be accepted for that period, but for no longer, and those which are liable to spoil may be accepted either for nine, six, or fewer months, as the commissioners may think proper.

Art. 5. - On mortgages situated within Cape Town, no

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1) Rec.5, pp. 198-205.

more than the half, and on those without the town, two thirds of their estimated value may be lent, which estimations is left to the commissioners, to be made according to the state, situation, income, or other qualities and peculiar circumstances, which may increase or decrease the value of such mortgage.

Art. 6. - The commissioners shall have it at their option to make the borrowers over and above give security to their satisfaction; and in case the security offered should in their opinion not be sufficient, to refuse it, and reject the loan altogether, without being compelled to assign their reasons for so doing. No loan may be granted but with the previous knowledge and unanimous consent of the commissioners.

Art. 7. - And in order that the commissioners may be the better enabled to judge of the sufficiency of the mortgage, the mortgagor shall be obliged to produce to them the papers denoting such mortgage to be his property, and which shall be endorsed by the secretary to the court of police; stating whether it be encumbered in the debt registeres kept in his office, and if so, specifying at the same time what debts they are; and of all arrests laid here and in the country districts, information shall be given to the commissioners with the smallest possible delay, by the secretary of the court of justice, and the secretary to the respective country districts.

Art. 8. - The deeds of mortgage shall be passed before of two of the commissioners, and shall have the same power as those passed before schepenen or orphan-masters, and as other legal engagements of the same nature.

Art. 9. - All bonds passed before the commissioners of the bank must be made out upon stamps of the same value as ordered in the tariff of stamps to be used for those passed before schepenen; they shall, moreover, be passed in presence of the book-keeper, and in his absence, occasioned either by

indisposition or other causes, in presence of the treasurer, in the same manner as is usual with those passed before schepenen; but for a renewal of a loan upon immovables, a stamp of twenty-four stivers will suffice.

Art. 10. - Of these deeds passed before the commissioners, not only a memorandum shall be made at the back of the purchase, or other papers denoting the property, but in order to prevent frauds, a correct account of every loan that is granted, signed by the book-keeper of the bank, must be given in to the secretary to the court of police, in order to be entered on the register of mortgages kept in his office; for the registry of every such deed passed in the bank six stivers is to be paid.

Art. 11. - Loans upon immovables shall not be granted for a shorter period than six months, and not for a longer period than two years, it being left to the judgment of the commissioners either to consent to the renewal of the loan after the expiration of that term or not; one or more of the sureties given becoming insufficient prior to the expiration of the term the loan is made for, the borrower shall be bound to give others to the satisfaction of the commissioners.

Art. 12. - Of all loans five per cent. shall annually be paid by the borrower to the commissioners for the benefit of government.

Art. 13. - For all pledges, except immovable, receipts shall be given upon a stamp of six stivers, made out to the bearer, except it be expressly desired that the name of the borrower be mentioned, in the following form :-

"Folio ..... Rds. .....
The bearer hereof has brought to the bank .....estimated at ..... upon which have been lent Rds. ..... on his having given security to be obliged within the period of ..... to redeem the aforesaid pledge, on paying back to the bank the abovementioned borrowed sum, with the interest, calculated at ..... per month, at the risk of the pledge being otherwise disposed of for the benefit of the bank. The

N.N. Commissioners.
(Signed) N.N. Book and Pledge Keeper
N.N. Treasurer."

Art. 14. - Receipts made out to the bearer, without the name being specified, may be redeemed also by the bearer upon payment of the principal and interest; but when the name of the borrower is specified in the receipt, and in the event of his subsequently disposing of it by sale, the transfer must be placed underneath, duly dated and signed, of which, on its being redeemed, a due annotation must be made, both in the cash and contra cash-book.

Art. 15. - Of jewels, gold and silver, the receipts must be made out to the pawner or his assigns, and may not be transferred till the interest due thereon be paid; and should the purchaser or new proprietor wish to let the pledge remain, a new loan must be made; but in case of the death of the pawner, his estate shall, instead of the deceased, be acknowledged as the proprietor, unattended with any further expense, and just as if the pawner himself were still living.

Art. 16. - When a loan is granted upon movables, the period must be fixed during which the pledge is to remain in the bank, whether the three, six, or nine months, a year or a longer space of time, the shortest period that it may be accepted for being one month; and should even a person be willing to redeem his pledge previous to the expiration of the term fixed, the full interest for the whole time originally agreed to must nevertheless be paid.

Art. 17. - In case the pledge be not redeemed at the expiration of the stipulated period, or the loan thereon renewed, it will be sold six weeks subsequently by auction; the sale shall be held by the commissioners, for which they shall draw the same fees as are charged by the vendue-master on the sale of movables, to be divided into equal shares among the commissioners, book-keeper and treasurer; this to be carried into effect on account of the pawners, either to their advantage, so that should the

property sold should render less than the amount of the sum advanced, with the interest, the pawners will be held bound to make good the defect, and the proprietor, if known, or his estate, be called upon for the same; on these occasions the bank and book-keeper shall have the same right of preference with regard to the proprietor as the qualified vendue-master and secretary to the orphan-master, also the privilege of parata executio within the six ensuing months.

Art. 18. - In case the property sold should render more than the amount of the sum thereon advanced, with the interest and incident expenses, it shall be three times advertised in the newspaper, with the intermission of a month between each advertisement, without mentioning the name either of the pawner or proprietor; and the proprietor shall be obliged, within the term of one year subsequent to the last advertisement, to apply to the commissioners for the surplus, on pain, when omitting so to do, of its being forfeited, one third to the parish poor, and two thirds to the bank.

Art. 19. - The book-keeper and treasurer of the bank shall monthly, in presence of the commissioners, tax the value of such movable pledges as are liable to spoil or fluctuate in value, without making any extra charge for so doing; and those with by longer keeping are likely to lose in value, shall be sold publicly for account of the proprietor, who in this case will have an equal share of responsibility attached to him, as specified in the foregoing article.

Art. 20. - On coined and uncoined gold and silver, only 85 per cent, and on jewels, merchandise and other movables, no more than 50 per cent. on their estimated value may be lent; if the articles are bulky, the necessary magazines for keeping them must be provided by the proprietors, which magazines as well as the good pledges, as long as they are therein contained, will be under the private direction of the bank, all which is to

be done agreeable to the judgment and approbation of the commissioners.

Art. 21. - Pledges consisting of coined and uncoined gold and silver or jewels may, after being examined, taxed, weighed or counted, be sealed up by the pawner himself.

Art. 22. - Of all loans amounting to Rds. 1,000 and upwards, one rixdollar for every thousand shall be paid by the borrower on receiving the loan, exclusive of the stamp; and of all loans less than Rds. 1,000, one fourth per cent. shall be paid, exclusive of the stamps, to be divided as specified in the Resolution of the 31st October, 1793.

This shall be paid as often as the parties may want to borrow, and as often as the loan upon immovables may be renewed.

Art. 23. - The book-keeper shall be held responsible for the care necessary to be taken of the movable pledges, and such as may be missing he must replace; he shall also adopt the best possible means for keeping the articles pledged in a good state of preservation, either by opening the windows in fine weather, or in any other way suited for the purpose.

Art. 24. - The bank shall remain security for all pledges brought there, and the restitution thereof must be made to the bearer of the receipt, unless any appearances of deceit or fraud should be extant; but in case of accidents, as inimical force, fire, or any other unforeseen circumstances, the proprietor must bear the loss, and shall, over and above, be obliged to refund the principal with the full interest.

Art. 25. - In case stolen goods should be brought there, and an early information thereof given to the book-keeper, they shall be stopped and returned to the owner; but if they are discovered to be stolen subsequent to being pawned, and the loan thereon granted, the owner may only recover them on refund-

ing the sum advanced.

Art. 26. - For the bank a suitable apartment must be appropriated within the Castle, to be fitted up in such manner as may be requisite for the security of the pledges and monies therein to be kept.

Art. 27. - No more than Rds. 20,000 may be kept in the bank at one time, the surplus must be paid into the receiver-general's chest, under the care of the Colonial Finance Chamber, till it can be disposed of by the commissioners.

Art. 28. - Of the above-mentioned sum only Rds. 1,000 at a time shall be entrusted to the treasurer of the bank; whatever he may have in his possession exceeding that sum shall be at the risk of the commissioners.

Art. 29. - The money remaining in the bank, exclusive of the Rds. 1,000 mentioned in the preceding article, shall be kept in an iron chest, provided with three good locks, one key to be kept by the president and one by each of the commissioners so that the president and commissioners must all be present whenever it is opened, they each having an equal share of responsibility attached to them: in case of indisposition, however, either of the president or one of the commissioners, the party indisposed may deliver his key to the book-keeper or anybody else at his risk.

Art. 30. - Of the monies contained in this chest a separate book shall be kept by the president, and always left in it; which book shall be compared every month by the president and commissioners with the amount of money remaining, and afterwards signed, as a mark of its having been found correct.

Art. 31. - The president, commissioners and treasurer shall not enter upon these their respective situations, without

having previously given sufficient security, to the satisfaction of the governor and councillors, to the amount of Rds. 5,000 each; nor the book-keeper, who is at the same time to be keeper of the pledges, till after having given security to the same amount to the satisfaction of the president and commissioners: this security is, however, only to cover the president and commissioners, and is at the same time at their risk.

Art. 32. - The commissioners shall have for the use of the bank a messenger, who at the same time shall be the auctioneer, by whom security to the amount of Rds. 2,000 shall be given, to the satisfaction and also at the risk of the commissioners.

Art. 33. - One of the two commissioners, together with the book-keeper and treasurer, shall, if necessary, attend at the bank every forenoon from eight to eleven o'clock, Sundays and holidays excepted, and book all pledges, gold, silver and precious stones, by weight, or calculated according to their weight, in marks and carats; and having duly taxed their intrinsic value, they shall take them into their charge and lock them up. All taxations which may ultimately prove to have been made too high, are at the risk of the commissioners, save their regress upon the borrowers.

Art. 34. - For jewels and pearls the commissioners may call in the assistance of an appraiser, bound upon oath to faith and secrecy, who shall tax them at his risk; for this purpose he shall give security to the amount of Rds. 1,000, to the satisfaction and at the risk of the commissioners, as a recourse in case the taxation be made too high, and of a loss eventually arising. The fees of this appraiser shall be one fourth per cent. upon the amount of the loan granted upon jewels or pearls.

Art. 35. - The book and pledge keeper shall compare with the treasurer, as often as necessary, all posts which are discharged, and upon which the loans have been renewed, both of them being considered as bound by the oath of secrecy.

Art. 36. - The president shall, at least once every month, or as often as it may be deemed necessary, convoke a meeting of commissioners to examine and compare the books with the remaining cash; to resume the treasurer's books and accounts, and to resolve on the necessary...with regard to the affairs of the bank; on the occasions the book-keeper shall act as secretary.

Art. 37. - The emoluments of the commissioners, book-keeper, treasurer, and others employed in the bank, after a previous liquidation with the Finance Chamber, shall be paid out of the bank itself, calculated upon the same footing, and in the manner at present customary, or in such other as the governor and councillors may hereafter deem proper to prescribe.

Art. 38. - The books must annually be closed on the 31st of December, and sent within a fortnight afterwards to the governor and councillors, in order, after undergoing a previous examination, to be transmitted to the Colonial Finance Chamber, to be finally examined and discharged.

Art. 39. - When a new member takes his seat, or the president changes, or where a new book-keeper or treasurer is appointed, he shall be informed of the state of the bank at the meeting, and asked whether each in his respective capacity takes upon him at the same time his share in the responsibility, which, if he agrees to, a deed thereof shall be passed by signature, and the resigning president, or late commissioners, treasurer or book-keeper, and in case of decease their heirs, will be hereby discharged from all further responsibility and recomputation; but when the contrary happens, and in case the parties should feel they would be aggrieved by so doing, the cause of grievance, together with the opinion of the commissioners, must be stated to the governor and councillors, in order that the late president, commissioners, book-keeper or treasurer, or their heirs, may be obliged to give sufficient security, or that a different disposition may be made according to the nature of the circumstances.

APPENDIX "J".

Statement of the Receipts, Issues and Profit and Loss in each Year, on Account of the Short Loan Fund, from the Year 1808, when 175,000 Rds. were advanced on this Account, till 1812, inclusive, when 100,000 Rds. were reimbursed; and also from 1812 to November, 1824.[1)]

	AMOUNT RECEIVED IN EACH YEAR.				AMOUNT ISSUED IN EACH YEAR.				
Year	Balance in hand the first day of each year.	Received from Government and other Sources.	Received from Individuals in Repayment of Capital.	Total.	Amount Paid to Government and Discount Bank.	Total Amount of Loans to Individuals.	Balance in hand on the last day of each Year.	Total.	Amount of Interest Received and paid to Government
1808	- - -	Govt. 150,000 - -	45,000 - -	195,000 - -	- - -	151,000 - -	44,000 - -	195,000 - -	1,405 5 4
1809	44,000 - -	" 25,000 - -	143,866 5 2	212,866 5 2	- - -	157,866 5 2	55,000 - -	212,866 5 2	7,057 1 -
1810	55,000 - -	- - -	153,533 2 4	208,533 2 4	- - -	80,600 - -	127,933 2 4	208,533 2 4	2,371 2 2
1811	127,933 2 4	Dist.Bank 150,000 - -	61,000 - -	338,933 2 4	- - -	231,933 2 4	107,000 - -	338,933 2 4	7,748 6 3
1812	107,000 - -	- - -	163,900 - -	270,900 - -	Government 100,000 - -) Dist. Bank 150,000 - -)	19,333 2 4	1,566 5 2	270,900 - -	5,069 6 3
1813	1,566 5 2	Dist.Bank 5,000 - -	26,133 2 4	32,700 - -	- - -	31,233 2 4	1,466 5 2	32,700 - -	4,097 - 3
1814	1,466 5 2	" 2,766 5 2	11,033 2 4	15,266 5 2	Dist. Bank 7,766 5 2	6,733 2 4	766 5 2	15,266 5 2	3,779 3 1
1815	766 5 2	- - -	8,866 5 2	9,633 2 4	- - -	- - -	9,633 2 4	9,633 2 4	2,989 6 1
1816	9,633 2 4	- - -	11,300 - -	20,933 2 4	- - -	- - -	20,933 2 4	20,933 2 4	2,688 5 2
1817	20,933 2 4	- - -	2,966 5 2	23,900 - -	- - -	21,866 5 2	2,033 2 4	23,900 - -	2,289 4 2
1818	2,033 2 4	- - -	10,649 5 2	12,683 - -	- - -	6,466 5 2	6,216 5 2	12,683 2 4	4,273 5 -
1819	6,216 5 2	- - -	8,572 5 2	14,789 2 4	- - -	14,666 5 2	122 5 2	14,789 2 4	4,130 3 1
1820	122 5 2	- - -	3,860 5 2	3,983 2 4	- - -	2,100 - -	1,883 2 4	3,983 2 4	2,809 2 -
1821	1,883 2 4	- - -	8,100 - -	9,983 2 4	- - -	4,400 - -	5,583 2 4	9,983 2 4	4,763 5 4
1822	5,583 2 4	- - -	6,940 - -	12,523 2 4	- - -	12,300 - -	223 2 4	12,523 2 4	3,400 6 1
1823	223 2 4	- - -	3,943 2 4	4,166 5 2	- - -	2,566 5 2	1,600 - -	4,166 5 2	2,812 3 -
Ult.Nov. 1824	1,600 - -	- - -	2,433 5 2	4,033 5 2	- - -	2,600 - -	1,433 5 2	4,033 5 2	4,153 2 5
	385,962 5 2	332,766 5 2	672,100 - -	1,390,829 2 4	257,766 5 2	745,666 5 2	387,396 2 4	1,390,829 5 2	65,840 5 2

Mem. - Received from Govt. and other Sources Rds. 332,766 5 2. as p' 2nd column of receipts.

Deduct, Paid to Govt. and other Sources 257,766 5 2." 1st column of Issues.

TOTAL of the Short Loan Fund 75,000 - -

APPENDIX "K".

Statement of the Accounts of the Discount Bank for each successive year, from its first establishment in the year 1808 to ultimo November, 1824, exhibiting sums not less than Rds. 1,000, and for periods of those years in which an interest of 5 per cent. was paid on all Deposits of not less than one year certain.[1]

1. Year.	2. Total Amount of RECEIPTS from 1st January to ultimo December of each successive year.	3. Total Amount of PAYMENTS from 1st January to ultimo December of each successive year.	4. Number of Accounts at the end of each Year.	5. Total Amount of DEPOSITS at the end of each Year.	6. Total Amount of Outstanding Bills and other Securities on the last day of each Year.	7. Total Amount of CASH in hand, under ultimo December of each Year.	8. Interest Received on BILLS, etc. discounted from 1st January to ultimo December of each Year.	9. Interest Paid on DEPOSITS at 5 per cent. per annum.	10. NET PROFIT	REMARKS.
	Rds. sk. st.	Rds. sk. st.		Rds. sk. st.	Rds. sk. st.	Rds. sk. st.	Rds. sk. st.	Rds. sk. st.	Rds. sk. st.	
1808	640,003 2 4	533,011 3 1	19	211,557 3 -	104,565 3 3	106,991 7 3	3,478 3 2	- - -	3,478 3 2	The deposits on ultimo November, 1824, being 241, amounting to the sum of Rds. 1,520,334.1.2½ may be classed under the four following headings, viz:-
1809	2,322,234 1 1	2,217,919 2 5	24	296,785 6 4	192,471 - 2	104,314 6 2	10,798 4 2	- - -	10,798 4 2	
1810	1,564,697 2 2	1,129,736 7 3	43	583,998 4 2	149,038 1 3	434,960 2 5	12,252 4 -	- - -	12,252 4 -	
1811	2,324,183 3 5¼	2,021,866 4 -	71	409,877 4 -¼	107,560 4 1	302,316 7 5¼	8,455 6 4	- - -	8,455 6 4	Offices connected with Government 29 being Rds.347,202 - 1½
1812	5,112,164 4 -½	4,919,065 3 3½	80	871,061 3 3	677,962 3 -	193,099 - 3	27,568 7 5	7,443 6 -	20,125 1 5	Honourable East India Company 2 " 345,138 1 5
1813	7,324,917 3 2	7,185,312 5 1	94	1,037,283 5 2	897,678 7 1	139,604 6 1	45,440 7 2	9,163 5 -	36,277 2 2	Merchants-------- 34 " 283,043 2 -½
1814	9,826,726 2 3	9,623,103 3 -	95	1,096,659 - 5	893,036 1 2	203,622 7 3	59,345 4 4	21,918 2 4	37,427 2 -	Tradesmen and other individuals 149 " 544,950 5 2
1815	9,305,312 - 3⅜	9,056,751 4 2⅜	75	716,533 3 2	467,972 7 1	248,560 4 1	37,907 2 3	15,995 1 5	21,912 - 4	241 1,520,334 1 2½
1816	7,114,731 - 3½	6,914,758 2 1¼	79	710,931 1 1¼	510,958 2 5	199,972 6 2¼	26,306 4 1	- - -	26,306 4 1	The interest paid in this year was due in 1814 but not called for.
1817	8,684,011 3 4	8,467,159 2 4⅜	102	721,242 2 5¼	504,390 2 -	216,852 - 5½	26,620 3 -	830 - -	25,790 3 -	The interest paid in this year was due in 1814 but not called for.
1818	9,965,465 3 3¼	9,824,797 1 2½	123	726,866 4 2⅜	586,198 2 2	140,668 2 -⅜	32,539 6 3	- - -	32,539 6 3	
1819	10,353,530 3 -	10,179,369 1 1¼	147	864,926 6 2⅜	690,765 4 4	174,161 1 4⅜	27,843 5 3	- - -	27,843 5 3	
1820	11,348,898 2 3⅕	11,158,775 4 1⅕	158	938,078 2 -	747,955 3 4	190,122 6 2	39,125 7 1	- - -	39,125 7 1	
1821	11,743,503 - -5/15	11,515,600 4 4 5/12	175	1,005,746 - -	847,843 4 4	157,902 3 2	37,675 - -	- - -	37,675 - -	
1822	13,405,127 4 -⅜	13,127,239 7 2⅜	185	1,223,130 - -	945,242 3 2	277,887 4 4	48,837 5 4	- - -	48,837 5 4	
1823	14,765,052 3 -⅜	14,455,205 2 2	206	1,273,649 2 4⅜	963,802 2 -	309,847 - 4¼	52,865 3 1	⊕ 68 2 4	52,797 - 3 ⊕	Interest at 4 per cent. to the Savings Bank. The institution of the Savings Bank commenced by proclamation under date of 12th October, 1822, and the amount of Deposits ultimo November, 1824, was Rds. 10,466 5 2.
To ultimo November, 1824, being 11 months	14,088,900 1 5½	13,675,117 2 2	241	1,520,334 1 2½	1,106,551 1 5	413,782 7 3½	44,064 1 1	⊕ 272 5 4	43,791 3 3	

1) B.P.P. 406, pp. 12, 13; C.O. 4457 No. 7.

Note: Although the offer of "5 per cent. to such persons as chose to deposit sums above Rds. 1,000 for one year certain" was made in the Government Advertisement of 26th August, 1808, no person took advantage of it until the year 1811, and consequently no payments were made on account of interest until the year 1812.

APPENDIX "L". [1]

Commissariat Department.

TREASURY CHAMBERS,

Circular, No. 89. 12th February, 1825.

SIR,

THE Lords Commissioners of His Majesty's Treasury having had under their consideration the Rate at which the Dollar is issued to the Troops at the Station under your charge, and having also adverted to the difficulty which exists at many Stations of procuring not only the Spanish Dollar, but also the proportional parts of the Dollar, so as to form a convenient Medium for the Issue of Pay to the Troops; have determined to send to all the Colonies, British Silver and Copper Money, which is to be issued for the Pay of the Staff and Regimental Officers, and the Non-Commissioned Officers and Soldiers, and also for the Pay of all Persons having permanent appointments in any of the Civil Departments of the Army at its nominal Rate; and they have requested the Secretary of State to make such Communications to the Governors of the several Colonies, as may insure its general use as a Circulating Medium.

With a view of attaining that object, and to secure its circulation without the great fluctuation in the rate of the Exchange to which a circulation of Spanish Dollars is subject, with reference to Bills drawn upon this Board in Sterling Money; - I am commanded by their Lordships to direct that at certain hours in every day, or upon one certain day of each week, as the Officer Commanding the Forces may deem most expedient, you will be prepared to receive British Silver Money in Sums not less than £103, from any Persons whatever who may tender the same; and that you will grant to such Persons Bills upon this Board at Thirty Days sight, for the Money so tendered, at the fixed rate of a Bill for £100 for every £103 of Silver

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1) Rec. 24, pp. 348-353.

Money. You will, of course, take care, that you do not receive in Exchange for Bills upon this Board any British Silver Money want only or fraudulently defaced, or reduced in its true weight, but such only as may be perfect; and you will receive all such Money by tale; but a very satisfactory check upon the tale may be obtained by weighing the Coin which may be tendered to you in Exchange for Bills; as every Lb. Troy should be produce by tale £3. 6. 0. (i.e.) 66 Shillings; and therefore £103 to be given in Exchange for a Bill of £100 should weigh 31 lb. 2 oz. 10 dwts. $21\frac{9}{11}$ grains Troy; but which weight may be subject to a slight variation from the fair wear of the Coin.

I am further to desire that you will not on any account, or under any pretence, receive British Silver Money in Exchange for Bills upon this Board, at any other Rate than that before specified; and that whenever you have British Silver Money in the Chest, you will issue it for the Pay of the Troops in preference to every other species of Coin. Copper Money will be sent to you with the British Silver Money, and it is to be issued from time to time at its nominal Rate; but my Lords desire that fractions only of less than 6d. may be issued in this Coin, unless particularly requested by the Persons who are to receive the same.

In the event of your not having sufficient British Silver Money in the Military Chest, for the purpose of making the necessary payments to the Troops, you will issue to them Spanish Dollars as at present, but at the rate of 4s. 4d. per dollar; and you will issue all other Dollars or Coins in payment to the Troops at the same proportionate Rate with reference to their actual contents in pure Silver. A Scale of the Rates at which some of the Coins should be so issued is enclosed.

The principle upon which their Lordships are pleased to direct the Dollar to be issued to the Troops at 52d. each, is, that this is its necessary value as compared to British

Standard Silver at 5s. 2d. per oz.; being the antient Standard of the Silver Coin of the Realm; and therefore, in fixing the value of all other Coins with reference to that Standard, it is necessary that you should attend not only to the weight of the Coin, but to its contents in pure Silver.

A Pound Troy of Standard Silver, containing 11 oz. 2 dwts. of pure Silver, and 18 dwts. of Alloy, the proportion between Pure and Standard Silver may be expressed by the fractions $\frac{222}{240} = \frac{37}{40}$.

The Pound Troy of Spanish Dollars contains 10 ozs. 14 dwts. of Pure Silver, and 1 oz. 6 dwts. of Alloy, and the proportions between the gross Weight of the Spanish Dollar, and its contents in Pure Silver may be expressed by the fraction $\frac{214}{204} = \frac{107}{102}$.

I am further to direct, that, in negotiating Bills upon this Board for Dollars or any other Coin (except British Silver Coin), you will pursue the present course, and obtain the same upon the most favourable Rates of Exchange that may be practicable; it not being their Lordships' intention that any other Coins, than British Silver Coins, should be received into the Military Chest in exchange for Bills upon this Board, at any other than the Current Rate of Exchange.

My Lords further desire, that this arrangement with respect to the Rate at which British Silver Money or Dollars is to be issued in payment to the Troops, may take place from the 24th of the Month next after date of the General Order, which the Officer Commanding the Forces may issue in consequence of the Instructions which will be conveyed to him, for giving effect to this measure.

With respect to the mode of paying for Supplies of every description which may have already been agreed or contracted for, My Lords desire that the Payments may be made in

every respect in the same manner, and at the same Rate as the Payments would have been made if the proposed alteration had not been directed; and in all future cases where Articles may be contracted for, My Lords desire, that it may be expressly stated in the Advertisement for the Supply, and also in the Contract to be entered into, that the Payments are to be made in British Silver Money; but with a reservation of a power on the part of the Commissary to pay in Bills upon this Board, at the Rate of a Bill for £100 for every £103 due upon the Contract; and which power you will of course avail yourself of, in all cases where there may be a scarcity of British Silver Money in the Chest.

I am further directed to acquaint you, that it may much facilitate their Lordships' object in obtaining a Circulation for B ritish Silver Money in all the Colonies, if all you Sub-Accountants at Detached Stations where there is a Branch of the Military Chest, were furnished by you with Bills upon this Board, drawn in their favour for sums of £100 each, and with which you might charge them as with Cash: and which Bill they should be instructed to Endorse over to those Persons, who may lodge in the Military Chest, under their charge £103 of British Silver Money for each Bill. The Regulations now in force for ascertaining the Balance of Money in the Military Chest, will be as equally applicable to Bills as to Cash: and with a view to simplify the transaction as much as possible, and to guard against any irregularities, their Lordships have directed me to transmit Blank Bills, which may be used exclusively for this purpose.

I am further directed to acquaint you, that their Lordships have called the attention of the Officer Commanding the Forces to the Rates in Money, granted as Pay to Persons holding local or temporary appointments, and also in lieu of allowances of Forage, Fuel, Lodging, etc. to Regimental and Staff Officers; and which Rates have been fixed with reference

to the expense of the Articles, in lieu of which the Money Allowance was granted, and to the value of the Currency in which the Pay and Allowances were issued, with a view to his causing Boards to be assembled for revising the whole of those Allowances, and for fixing new Rates of Pay and Allowances in lieu thereof, payable in British Silver Money; by which my Lords expect that a nominal reduction will be made in the Amount of these Allowances, equal, or nearly equal, to the difference between the value of the Dollar as it has heretofore been issued, and 4s. 4d.

You will also issue to the Officers of all Public Departments, to whom you may be called upon to make Payments in exchange for their Certificates, Bills, or Drafts, British Silver Money at its nominal Rate, Spanish Dollars at 4s. 4d. each, and other Dollars or Coins at the same proportionate rate; but the payment of the Drafts of the Ordinance Officers for Materials or other Articles of Supply, under existing Contracts, you will of course make in the same manner, and in Coins at the same rate as the payments would have been made in the event of the aforegoing arrangement not having been adopted.

I am further directed to acquaint you that Supplies of British Money will from time to time be sent to you and of the Shipments of which you will be duly apprised.

I am, Sir,

Your obedient Servant,

(Signed) GEO. HARRISON.

TABLE of the Gross Weight, of the contents in pure Silver, and of the Value, computed at the rate of 5s. 2d. per oz. Troy, British Standard fineness, of the undermentioned Silver Coins, taken from Assays made at the Mints at Paris and London, together with the Rate at which those Coins are to be issued (when British Coin is not in the Military Chest) for the Pay of the British Troops in the Colonies :-

	Gross Weight of the Coins.	Contents in pure Silver	Value, at 5s. 2d. per oz. Standard.	To be issued to the Troops at
	Grains.	Grains	s. d. Dec.	Shill. Pen.
FRENCH:				
Piece of 5 Francs	385	344 9	4. 0. 16	4 0
2 "	155	138 8	1. 7. 38	1 8
Franc	77½	69 4	0. 9. 69	0 10
SICILIAN:				
Dollar or Scudo	422	348 2	4 0 62	4 1
Piece of 40 Grains	141	117 5	1 4 40	1 5
20 "	72	59 1	0 8 25	0 9
SPANISH:				
Dollar	416	370 9	4 3 79	4 4
United States of America Dollar	416	370 1	4 3 68	4 4
EAST INDIES:				
Calcutta, Rupee	192	175 9	2 0 56	2 1
Bombay) or) Surat) -do-	179	164 7	1 11 01	1 11

TREASURY CHAMBERS,
5th March, 1825.

Commissariat Department.
No. 102.

Sir,

In transmitting to you the enclosed Letter, in regard to the manner and rate at which British Silver Money, Spanish Dollars, or other Coins, are to be issued in payment to the Troops at the sever al Foreign Stations, I am commanded by the Lords Commissioners of his Majesty's Treasury to acquaint you, that they have adverted to the Rate at which the Commissariat

Bills have been negotiated upon this Board for a considerable time past, in exchange for the Paper Rixdollar of the Colony; and as the greatest evils must arise, not only in the payments to the Troops, but also in all the commercial Relations of the Colony, from the great fluctuation in the exchangeable value of this description of Currency, they are pleased to direct that you will, upon communication with the Officer Commanding the Forces, give a Public Notice that you will take Paper Rixdollars in exchange for Bills upon this Board, in the same manner as you are directed by the enclosed instructions to take British Silver Money, computing each Paper Rixdollar as equivalent to 1s. 6d. of British Silver Money, and so in proportion for the Paper Money below the denomination of a Rixdollar; and their Lordships will direct the Officer Commanding the Forces to issue a General Order, that all future Issues to be Army for Pay or otherwise, should, when made in Paper Rixdollars, be computed at the rate of 1s. 6d. each.

You will on no account issue your Bills upon this Board, in Exchange either for British Silver Money, or for Paper Risdollars, at any other than the prescribed Rates.

You will also take care not to re-issue any of the Paper which you may receive in exchange for Bills upon this Board, which may represent a Sum of not less than 10 Rixdollars it being their Lordships' intention that such Paper Money should not, when once received into the Military Chest, be again re-issued; and their Lordships will very shortly transmit to you Instructions in regard to the disposal of this Paper; and also to the disposal of any quantity of Paper which may be paid into the Military Chest, beyond the quantity required to be reissued

for the current expenditure.

I am, Sir, etc. etc.

(Sgd.) GEORGE HARRISON.

Assistant Commissary-General Hewetson, Cape of Good Hope.

And that no Person may plead ignorance hereof, this will be published and affixed in the usual manner.

GOD SAVE THE KING.

Given at the Cape of Good Hope, this 12th day of July, 1825.
By Command of His Excellency the Governor,
(Sgd.) R. PLASKET, Secretary to Government.
By Order of the Council,
(Sgd.) P.G. BRINK, Acting Clerk of the Council.

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