A historical analysis of joint stock companies in the Cape Colony between 1892 and 1902

by
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Abstract

The promulgation of laws sanctioning the use of limited liability joint stock companies during the nineteenth century has been linked to economic growth in Europe and North America. These legal changes minimised transaction costs in business practices, which in turn encouraged entrepreneurial innovation, and expanded the capital market. This is because as companies multiplied, income distribution improved, thereby increasing the amount of savings available for companies from which to pool capital. Despite similar legal changes in frontier markets such as South Africa, very few attempts have been made to analyse these outcomes. In South African history, although companies feature in broader economic history studies and micro-firm studies, attempts to analyse their long-term impact remain underexplored. In the few studies that examine their growth, attention has either been on their distribution in the period prior to the legal changes, or generally on their legal framework. This study aims to add to this body of knowledge by analysing the impact of the Cape Joint Stock Company Act of 1892 on company growth and the private capital market. It is the first study to use company micro-data to assess the distribution of companies and investors in colonial South Africa. It examines the sectors in which these companies were engaged, their geographic location, size, average lifespan, and the individuals who financed them. The analysis shows that there was a substantial increase in the number of companies engaged in various sectors of the economy between 1892 and 1902. In this significant feat of colonial business, the middle-class constituted 31% of the capital market, and had the highest percentage of individuals registered as starting members of companies. This meant that they were not only the largest source of capital, but were at the helm of entrepreneurial innovation. Within this dynamic, women towards the end of the nineteenth century became regular participants in the private capital market, despite strong cultural institutions that prohibited them from many economic activities. Farmers, despite being the second largest group in the capital market, had the lowest capital value by contrast. Proposed explanations for this are that women used the securities market to exercise economic freedom, while farmers used it to salvage the agricultural sector that had been scourged by environmental disasters. This is because during this period there was a growing ideology that supported women's independence. Also, farmers, unlike other investor groups that spread their investments, channelled most of their finances towards agricultural companies. Therefore, the nature of joint stock companies during this period and the diversity of the capital market show that the Company Act of 1892 had a profound economic impact on the Cape Colony.

Opsomming

Die aanvaarding van wetgewing vir die instelling van maatskappye met beperkte aanspreeklikheid in die 19e eeu word met ekonomiese groei in Europa en Noord-Amerika verbind. Die regswysigings het transaksiekoste tot die minimum beperk wat innovasie deur entrepreneurs aangemoedig en die kapitaalmarkte uitgebrei het. Soos die maatskappye vermeerder het, is inkomsteverdeling verbeter en die hoeveelheid beskikbare spaargeld vanwaar maatskappye kapitaal kon lok, uitgebrei. Ten spyte van soortgelyke wetgewing in grens/koloniale gebiede soos Suid-Afrika is weinig pogings nog aangewend om die uitkomste van die wetgewing in die gebiede te analiseer. Hoewel maatskappye in die breë ekonomiese geskiedenis en in mikro-maatskappy studies in die Suid-Afrikaanse geskiedenis figureer, is weinig pogings nog aangewend om hul langtermyn impak te analiseer. Die studies wat wel maatskappygroei ondersoek het, het veral gekonsentreer op hul verspreiding in die periode voor die wetgewing of in die algemeen die regsraamwerk waarbinne hulle gefunksioneer het, ondersoek. Hierdie studie beoog om die leemte te vul deur op die impak van die "Cape Joint Stock Company Act" van 1892 op maatskappy- en kapitaalmark-groei te fokus. Hierdie is die eerste studie wat mikrodata van maatskappye gebruik om die verspreiding van maatskappye en hul aandeelhouers in koloniale Suid-Afrika te ondersoek. Die studie ondersoek die sektore waarin die maatskappye betrokke was en bepaal hul geografiese ligging, grote, gemiddelde leeftyd en stel was wie hulle gefinansier het. Die analise het aangetoon dat daar `n aansienlike toename in die aantal maatskappye in verskeie sektore in die periode 1892-1902 was. Tydens hierdie uitsonderlike groei in maatskappystigting het die middelklas 31% van die kapitaalmark gevorm en die hoogste persentasie maatskappystigters opgelewer. Dit het beteken dat hulle nie net die grootste bron van kapitaal was nie, maar dat hulle ook as entrepreneurs op die voorpunt van vernuwing en innovasie was. Binne hierdie dinamika het vroue teen die einde van die 19de eeu gereelde deelnemers aan die kapitaalmark geword – ten spyte van sterk kulturele instellings en tradisies wat hulle van baie ekonomiese aktiwiteite uitgesluit het. Hoewel boere getallegewys die tweede grootste groep in die kapitaalmark gevorm het, het hul in terme van kapitaal bygedra die laagste posisie beklee. Moontlike verklarings vir die tendense is dat terwyl vroue die kapitaalmark gebruik het om hul ekonomiese vryheid uit te oefen of te bevestig, boere die kapitaalmark gebruik het om die landbousektor wat onder `n reeks omgewingsrampe deurgeloop het, te red. Die tendense het ook saamgeval met `n groeiende ideologie en tydsgees wat vroue se onafhanklikheid ondersteun het. Boere het ook in teenstelling met ander beleggersgroep wat hul beleggings verspei het die meeste van hul beleggings na maatskappye

in die landbousektor gekanaliseer. Die aard van die maatskappye wat in die periode gestig is en die diversiteit van die kapitaalmark dui dus daarop dat die “Company Act” van 1892 `n diepgaande ekonomiese impak op die Kaapkolonie gehad het.

To my young brother Mthabisi Maphosa with love and passion.

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List of abbreviations

BWES - British Women's Emigration Society

CAD - Cape Archives Depot

FMCS - Female Middle-Class Society

LBS - Ladies' Benevolent Society

SACS - South African Colonisation Society

USA - United States of America

VOC - *Vereenigde Oostindische Compagnie* (Dutch East India Company)

ZAR - *Zuid-Afrikaansche Republiek* (the Transvaal Republic)

Glossary

Amendment Act: The Cape Joint Stock Company Act No. 25 of 1892.

Capital market: Private capital market.

The British Company Acts: The British Company Acts of 1844 and 1855.

The Company Act: The Cape Joint Stock Company Act No. 23 of 1861.

Neighbouring territories: The Transvaal Republic (*Zuid-Afrikaansche Republiek*), the Natal Colony, the Orange Free State Republic, Southern Rhodesia, German South West Africa, and Bechuanaland.

Property Acts: Women's Property Acts of 1870, 1882, and 1883.

The Cape: The Cape Colony.

The Colony: The Cape Colony.

The Company: Joint stock company.

The eastern region: Eastern part of the Cape Colony which is present day Eastern Cape Province.

The northern region: Northern part of the Cape Colony which is present day Northern Cape Province.

The western region: Western part of the Cape Colony which is present day Western Cape Province.

Chapter one: Introduction

Research background

For many countries, real sector[1] developments were the model for economic growth in the nineteenth century.[2] In South Africa, M. H. De Kock, C. G. W. Schumann, G. De Kiewiet, and C. H. Feinstein, in their separate studies, argue that mineral discoveries in Kimberley and the Transvaal Republic[3] were responsible for rapid economic growth from the late 1860s and the 1880s.[4] Similarly, economic progress in the United States of America (USA) at the same time was attributed to the construction of canals, railroads and the widespread use of steam power.[5] However, notwithstanding the positive impact of these developments on the economy, there is growing consensus among scholars that attribute growth in developed regions of the world to improvements in the institutions that governed companies, and limited liability is chief amongst them.[6]

Before this institution was adopted as the common form of company formation, its use was limited to mercantile corporations and companies serving imperial interests.[7] When governments made it available to all businesses, R. E. Wright, P. L. Rousseau and R. Sylla, in their separate studies, agree that it catalysed economic growth in the Netherlands, England, the USA, France, Germany and Japan in the past two centuries.[8] Wright notes that the emergence of joint stock companies resulted in the development of modern financial institutions in the

[1] Real sector refers to all real and non-financial elements of the economy. See "Corporate Finance Institute (CFI) Education Inc.: What is the Real Economy?", 2015. Accessed 18 January 2020, https://corporatefinanceinstitute.com/resources/knowledge/economics/real-economy/.
[2] P. L. Rousseau, and R. Sylla, "Emerging Financial Markets and Early U. S. Growth," *Explorations in Economic History*, 42, (2002), 1-2.
[3] The Transvaal Republic, also known as the *Zuid Afrikaansche Republiek* (ZAR), was an independent territory under Dutch rule from 1852 to 1902. Today it incorporates the Gauteng, North-West, Limpopo and Mpumalanga provinces.
[4] C. G. W. Schumann, *Structural Changes and Business Cycles in South Africa, 1806-1936* (London: P. S. King and Son, Ltd, 1938); G. De Kiewiet, *A History of South Africa: Social and* Economic (Cape Town: Oxford University Press, 1957), and Jones, S., "Introduction", in *Banking and Business in South Africa*, edited by S. Jones (New York: Pilgrave Macmillan, 1988), 2-3; C. H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development* (Cambridge: Cambridge University Press, 2005), 93.
[5] P. L. Rousseau, and R. Sylla, "Emerging Financial Markets and Early U. S. Growth", 2.
[6] *Ibid*.
[7] J. D. Turner, "The Development of English Company Law before 1900", Working Paper, Queens University Centre for Economic History, 2017, 1-3. Accessed 20 September 2017, http://www.quceh.org.uk/uploads/1/0/5/5/10558478/wp17-01.pdf.
[8] P. L. Rousseau and R. Sylla, "Financial Systems, Economic Growth and Globalization", Working Paper, National Bureau of Economic Research, 2001, 2. Accessed 13 October 2018, https://www.nber.org/papers/w8323.pdf.

USA which were the primary drivers of economic transition from an agrarian colony to an industrial one.[9] This transition according to A. D. Chandler led to the rise of multi-divisional large corporations, which played a crucial role in the growth of western economies.[10] In addition to this, Rousseau and Sylla find that countries with more sophisticated financial systems during this period engaged in more trade with other economies.[11] D. C. North and R. P. Thomas have also commented on the importance of companies, and their main argument is based on the premise that joint stock companies during this period reduced market imperfections by coping with problems of financing and risk.[12] This, in turn, lowered transaction costs in the capital market, which necessitated the mobility of capital to deserving sectors of the economy.[13]

Such perspectives remain largely unexplored in emerging economies, and this dissertation contributes to this scant literature with the first historical analysis of the impact of limited liability on the Cape Colony as a result of the Limited Liability Joint Stock Company Act of 1892. Using company records from the Cape Limited Company Archives, this study chronicles the growth of joint stock companies at the Cape between 1892 and 1902, as well as the individuals that financed them. Since these companies were not publicly traded, this study focuses on the Cape's private capital market. The ten-year period under scrutiny highlights important factors affecting the Cape's economy, such as ecological disasters, war, population increase, urbanisation, and economic growth driven by the discovery of diamonds and gold.[14] For instance, from the 1880s to late 1890s, the Cape's net annual average trade increased by 6.5%, and this was attributed to its shift from an agricultural to an agricultural-mineral economy.[15]

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[9] R. E. Wright, *The Wealth of Nations Rediscovered: Integration and Expansion in in American Financial Markets, 1780-1850* (Cambridge University Press: Cambridge, 2002), 44.
[10] A. D. Chandler, "The Beginnings of "Big Business" in American Industry", *The Business History Review*, 33, 1, (1959), 1-31.
[11] *Ibid.*
[12] D. C. North and R. P. Thomas, *The Rise of the Western World: A New Economic History* (Cambridge: Cambridge University Press, 1973), 17.
[13] *Ibid.*, 155.
[14] C. Simkins, and E. van Heyningen, "Fertility, Mortality, and Migration in the Cape Colony, 1891-1904", *The International Journal of African Historical Studies*, 22, 1, (1989), 79-111.
[15] C. G. W. Schumann, *Structural Changes and Business Cycles in South Africa, 1806-1936*, 46.

It is therefore crucial to study the history of companies during this period because limited liability contributed to the success of most commercial endeavours. For instance, Lanning and Feinstein concur that efficient and profitable diamond mining at the Cape was realised after companies began to adopt limited liability.[16] This was important in pooling sufficient capital for mining input. This institution further proved to be important to the agricultural sector towards the end of the nineteenth century after the outbreak of *phylloxera vastatrix* and the rinderpest pandemics between 1886 and 1896.[17] These crises scourged the wine and cattle farming industries, and exerted massive income shocks on farmers.[18] Although the government tried to support affected farmers by means of compensation funds and technical assistance to restore their losses, it was overwhelmed by the magnitude of damage these disasters had caused.[19]

It was at this point that the private sector took precedence in dealing with the needs of the beleaguered farmers, and the limited liability company was at the centre of this solution. This period saw the emergence of agricultural companies engaged in various activities which ranged from supplying farmers with agricultural input to actual production. What was even more striking about this period was that some of these companies took advantage of the newly found institution of limited liability to explore other branches of agriculture such as fruit production, canning and drying.[20]

Apart from these developments, Rosenthal notes that the use of limited liability was also witnessed in other sectors of the colony such as communications (telegraph companies), and many companies that were classified as “miscellaneous”.[21] Thus, a detailed investigation of company formation during this period sheds light on the Cape’s business transition from

[16] G. Lanning, *Africa Undermined: Mining Companies and the Underdevelopment of Africa*, (Johannesburg: Penguin, 1979), 68; and C. H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development*, (Cambridge: Cambridge University Press, 2005), 93.
[17] C. Simkins and E. van Heyningen, “Fertility, Mortality, and Migration in the Cape Colony, 1891-1904”, 101-102.
[18] These will be discussed in detail in chapter five.
[19] K. Brown, “Political Entomology: The Insectile Challenge to Agricultural Development in the Cape Colony, 1885-1910”, *Journal of Southern African Studies*, 29, 2, (2003), 533.
[20] S. Playne, “Wine and Fruit Districts”, edited by S. Playne, *Cape Colony (Cape Province), Its History, Commerce, Industries, and Resources* (London: Juta, 1910), 301.
[21] E. Rosenthal, *On’ Change Through the Years: A History of Share Dealings in South Africa* (Cape Town: Flesch Financial Publications, 1968), 118.

finance by means of ploughed-back capital to modern finance by means of the joint stock company.

The origins and evolution of the joint stock company

To fully appreciate the role of joint stock companies in economic growth, it is important to reflect on the evolution of this institution throughout history. The first step is to understand the features that made limited companies unique organisations during the nineteenth century. Apart from having multiple business partners, limited liability was the most important characteristic of the joint stock company. It was regarded as "a revolutionary technology", because it limited loss in business partnerships to the amount of capital each partner had invested.[22] Prior to the joint stock company, financial losses in business ventures trickled down to the personal property of business owners and/or partners. In order to avoid this from happening, the idea of the corporation is said to have emerged out of the concept "that the persons who compose it are not regarded as persons acting together, but as persons acting as an entity, a source of action independent of themselves".[23] Upon formation, the joint stock company held a separate legal persona[24] which enabled it to engage in transactions, sign deals and contracts,[25] sue and be sued in the business realm separate from its owners.[26] Within this set-up, there was a sharp separation between those who owned the business, and those who controlled it, as there could be a large number of owners. Shareholders were then permitted to elect a board of directors who managed the business on their behalf.[27]

The importance of the joint stock company and the value of limited liability can be traced back many centuries. Up until 1844, unlimited liability was the order of the day, but as societies

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[22] J. Mickelthwait and A. Wooldridge, *The Company: A Short History of a Revolutionary Idea* (New York: Modern Library, 2003), xiv.
In different spheres of the academic and professional spaces, limited liability companies are referred to as "modern companies/corporation", "limited companies" or simply "the company".
[23] C. A. Cooke, *Corporation, Trust and Company: An Essay in Legal History* (Manchester: Manchester University Press, 1950), 7.
[24] The separate legal personality is a privilege granted to the company by Law. The joint stock company is sometimes referred to as an artificial person, because it possesses almost all the legal rights of a living individual.
[25] Since the company is a virtual individual that lacks physical presence, it is impossible for it to physically sign deals. The *Common seal* then symbolises the company signature during business deals.
[26] R. H. Kraakman and P. Davies, *The Anatomy of Corporate Law: A Comparative and Functional Approach* (Oxford: Oxford University Press, 2004), 17.
[27] Although a board of directors is elected, shareholders in a joint stock company can vote to accept or reject management decisions.

evolved, the need for business corporations increased, and so did the need for an institution that protected entrepreneurs. J. Mickelthwait and A. Wooldridge note that this journey of the modern company as we know it begun with trade associations that were established around 3000 BC in Mesopotamia, the area situated between the Euphrates and Tigris rivers.[28] These involved Assyrian traders who held partnership agreements similar to modern venture capital funds. They state that around the Mediterranean Sea, the Phoenicians and the Athenians had similar organisations.[29]

The second and most important phase of this evolution is found in the time of the Roman Empire (27 BC to 476 AD). The Romans produced several commercial associations that paved the way for joint stock corporations. The first of these organisational forms was the *societas* partnership which generally referred to an agreement between Roman citizens to share the profits or the loss of an enterprise.[30] In this set-up, each partner was liable for the losses in the business venture.

This was followed by the *familia* which, as indicated by its name, consisted of family members (which could include household slaves). During this period, wealthy Roman families had the financial capacity to finance commercial endeavours engaged in various economic activities. A special feature of this form of incorporation, which set it apart from the *societas*, was the ability of a family to delegate some of its business to the household slaves. This was common among the Romans, as direct involvement in business activities was often considered to be demeaning. To avoid this, the *societas* often worked with the *peculium* – an institution which allowed them to provide slaves with a set of assets (*peculium*) to be used in a business venture. In this arrangement, the liability of the master was limited to the *peculium*, since he had not directly participated in the management of the business.[31]

[28] J. Mickelthwait and A. Wooldridge, *The Company: A Short History of a Revolutionary Idea*, 4-5.
[29] *Ibid.*, 5.
[30] H. Hansmann, R. Kraakman, and R. Squire, "Law and the Rise of the Firm", *Harvard Law Review*, 119, 5, (2006), 1356-1357.
[31] *Ibid.*, 1357-1358.

Another important contribution by the Romans was the *societas publicanorum* which consisted of multiple investors called *publicani*. This form of commercial association was different to the ones mentioned above, as it operated on a large scale and was often used to bid for contracts with the state to construct public works, provide armaments or to collect taxes. The chief investor had to pledge his property as security to complete the contract. Other investors had the option of acting as general partners who exercised control and were liable to debt, or as limited partners who enjoyed limited liability without having control of the business.[32]

Around the time of the fall of the Roman Empire in 476 AD, commerce in the eastern regions of China and India, as well as in the Islamic world, grew tremendously. There are records showing that during the Song dynasty in the 960s, Chinese merchants contributed silver for business adventures – a practice closely related to the modern company. In India, a similar form existed known as the *sreni*.[33] All these forms, however, did not offer full limited liability to their partners. The important contribution they made was the idea of a business corporation. T. Kuran also argues that the potential for these institutions to develop in the East was compromised by the imposition of inheritance and contract laws that impeded the development of the modern corporate form.[34]

From hereon, focus on the development of joint stock companies shifted from the East to medieval Europe. The first signs of the corporate form during this period were recorded in the eleventh and twelfth centuries when the Roman Catholic Church described itself as a corporation. This was during the struggle to emancipate religion from the control of monarchies and feudal lords between 1075-1122.[35] This was followed by several incorporations that went beyond just ecclesiastical associations. Incorporations ranged from towns, universities as well as guilds of merchants and tradesmen who acquired a corporate identity by means of royal charters, or in some cases by means of the will of residents and recognition by outsiders.[36] Perpetual succession was the most important purpose of incorporation for many of these

[32] T. Kuran, "The Absence of the Corporation in Islamic Law: Origins and Persistence", *The American Journal of Comparative Law*, 53, 4, (2005), 789-790.
[33] V. S. Khanna, "The Economic History of the Corporate Form in Ancient India", Seminar in law and Economics, University of Michigan Law School, 2005, 6-8.
[34] T. Kuran "The Absence of the Corporation in Islamic Law: Origins and Persistence", 831-832.
[35] J. Mickelthwait and A. Wooldridge, *The Company: A Short History of a Revolutionary Idea,* 12.
[36] *Ibid*.

organisations. It was mainly to make clear that the property controlled by members of the organisation did not personally belong to them, but was held on behalf of the institution or public function it served. This made the organisation an independent entity.[37]

In the eleventh century, the *commenda* partnership emerged in Italy. It rose out of economic developments and trade rivalries that emerged in the cities of Venice, Florence, Genoa and Pisa between the eleventh and twelfth centuries. This corporate form consisted of two types of business partners. The first was the trader who contributed expertise and the passive partner who contributed capital. The trader incurred the full risk of the business, while the liabilities of the passive partner were limited to the value of his contribution. At the end of this business agreement, profits were divided accordingly between the partners.[38]

By the fifteenth and sixteenth centuries, societies across Europe had transformed. This period was famously known as the Renaissance era – an age of spiritual and intellectual awakening. The feudal system had been transformed as cities expanded rapidly and trade increased extensively. This gave rise to social and technological innovations. Also synonymous with this era was the emergence of maritime/mercantile trade. This system involved colonial expansion for the purpose of accumulating bullion and spices in the American, Asian and African continents. Competition during these expeditions was intense, to the extent that Mickelthwait and Wooldridge note that comparative advantage in this trade meant blowing one's opponents out of the water.[39] Security was so important for trading companies that some of them had armies in order to secure trade routes.

With the incredible risks involved in this trade, an institution that provided full limited liability was needed. The solution was the creation of chartered companies that were granted limited liability as a special privilege. These were obtained through the Royal Crown. The most notable companies to have incorporated in this manner include the *Dutch East India Company*, *English Muscovy Company*, *British East India Company* and the *Hudson's Bay Company* to only name

[37] *Ibid*.
[38] *Ibid*.
[39] *Ibid*., 21.

a few.[40] Unlike the previous forms of incorporation that were financed by a limited class of people, chartered companies were open to the public. This, however, led to information asymmetry between the founders of the company and public investors.[41] Most investors lacked adequate information about the operations of chartered companies. In the South Sea Company, this led to the collapse of its stocks by 87% in 1720 due to over-speculation by the public. R. Harris describes this crash as the first international stock market crash.[42] Due to these and other catastrophic losses in the eighteenth century resulting from joint stock companies, governments became wary of joint stock companies. In 11 June 1790, the parliament of Britain passed the Bubble Act that reserved incorporation for specific companies, but prohibited the formation of any other joint stock companies unless approved by royal charter.[43] Given this development, small domestic businesses continued to be carried out as partnerships, and to be financed by ploughed-back profits.[44]

Between the eighteenth and nineteenth centuries, Britain was the most industrialised economy in the Western world. Textile and iron firms grew from small cottage industries to large factories. Despite these transformations, the financial structure of these companies remained the same. They continued to be financed individually, or by partnerships, without limited liability. Towards the late eighteenth century, capital demands escalated, and the need for credit finance increased. Only railway and canal companies which operated as joint stock companies. The value of this institution to these two industries became apparent with the construction of railways and canals between 1834 and 1843 when these sectors experienced a boom that was unparalleled.[45] About 6000 miles of public railway were built by British joint stock companies between 1830 and 1850 - the fastest growth any economic sector in the country had

[40] *Ibid.*, 18.
[41] The concept of information asymmetry was first introduced in the 1970s by G. A. Akerlof. In simple terms, he argued that in markets, the buyer often used some market statistic to measure the value of goods. As a result, he had a partial view of the market, while the seller had more information about the product. In this scenario, Arkelof concluded that this information asymmetry enabled the seller to sell goods that were of lower quality than the market average. See G. A. Arkelof, "The Market for "lemons": Quality Uncertainty and the Market Mechanism", *The Quarterly Journal of Economics*, 84, 3, (1970), 488-489.
[42] R. Harris, "The Bubble Act: Its Passage and Its Effects on Business Organization", *The Journal of Economic History*, 54, 3, (1994), 610.
[43] *Ibid.*, 613.
[44] J. Mickelthwait and A. Wooldridge, *The Company: A Short History of a Revolutionary Idea*, 20-21.
[45] R. Harris, "The History of Team Production Theory", *Seattle University Law Review*, (2015), 545-546.

experienced.[46] It became apparent that joint stock companies could also bring about significant economic growth in the domestic economy.

However, it should be stated that praise and support for the joint stock company was not unchallenged in Britain. Although he acknowledged the advantage they carried, Adam Smith was among the first to question the practicability of joint stock companies to the domestic economy. He argued that due to their poor survivorship, joint stock companies were inefficient, and that their impact on the growth of the domestic economy would be miniscule. His argument was based on two factors, i.e., competition, and the management structure of joint stock companies. First, he looked at the role of competition as a process by which commodities and services were discovered, produced efficiently, and allocated to their uses to respond to the problem of scarcity.[47] Second, he observed that the people who managed these companies were usually not the founders, which made it difficult to believe that they only had the interests of the company at heart.

Despite his observations, his ideas were challenged by the wave of liberal thought that swept across Britain in the mid-nineteenth century. The outcome was a campaign in parliament by these liberals for an institution that granted limited liability to all businesses in Britain. The Joint Stock Companies Act of 1844 was the result of these efforts. This legislation stipulated the lawful number of business partners that could constitute a joint stock company and laid down the mechanisms that made company operations transparent. For example, incorporating companies, as well as details of liquidating companies, had to be published in the public press. As the nineteenth century proceeded, the company law continued to improve. The 1856 Joint Stock Company Act was one such improvement, as it introduced the Winding up Act, which was initially absent in the British Companies Act of 1844 and 1855. This Act was followed by the Joint Stock Company Act of 1862, which was regarded as the most modern company legislation of the British Companies Acts.[48]

[46] *Ibid.*, 546-548.
[47] G. M. Anderson and R. D. Tollison, “Adam Smith’s Analysis of Joint Stock Companies”, *Journal of Political Economy*, 90, 6, (1982), 1238.
[48] J. Mickelthwait and A. Wooldridge, *The Company: A Short History of a Revolutionary Idea*, 20-21.

Joint Stock Company Acts at the Cape

Calls for improvements in the British company law found their way to the Cape Colony and many parts of the British Empire. As early as the 1840s, J. Fairbairn wrote extensively about the importance of joint stock companies in his *Southern African Commercial Advertiser*.[49] He emphasised their importance in the carrying on of various businesses, such as banking and assurance, where large sums of capital were required to secure public confidence.[50] His observations were to a greater extent informed by developments in Britain, as well as the growth of chartered joint stock banks and assurance companies at the Cape.[51] However, before getting into the details of the Cape Companies Acts, it is important to reflect on some of the events that paved the way for the adoption of the 1892 company legislation.

The story of the modern company at the Cape has its roots in 1652 when the Dutch settled at the southern tip of the African continent. The *Vereenigde Oostindische Compagnie* (VOC), the founder of the Cape Colony, was the first international joint stock company to ever function in South Africa, and its objective was to secure a victualling station for passing ships on the Atlantic coast. A permanent settlement was far from its directors' intentions. When traffic on the coast increased in 1657, the company released free burghers to augment supplies. Although in the initial stages these individuals were supposed to sell their produce exclusively to the company, some began to deal directly with passing ships. A few institutions, such as the *pacht* system,[52] were then created by the company to legalise this trade between free burghers and crew members of ships. Here the seeds of the joint stock corporation were sown.[53]

By the mid-eighteenth century, as will be discussed in more detail in the next chapter, a few cases of prospective mining were recorded. Since this was a capital-intensive industry, interested parties formed associations and sought royal charters from the authorities in Amsterdam. Rosenthal states that it took about three years for the Council of Seventeen to

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49 *Southern African Commercial Advertiser,* February 03, 1849.
50 *Ibid*.
51 *Ibid*.
52 The *patch* system, together with other institutions that were used in colonial business, will be discussed in greater detail in the following chapter.
53 J. Fourie and C. Swanepoel, "'Impending Ruin' or 'Remarkable Wealth'? The Role of Private Credit in the 18th-Century Cape Colony", *Journal of Southern African Studies,* 44, 1, (2018), 144.

decide whether to grant the charter, or not. In addition to being lengthy, it was also expensive.[54] However, due to the small population consisting of white colonists and slaves under Dutch rule, business grew slowly. Most articles that were consumed in the colony were either imported or produced individually by settlers in their cottages. Apart from banks and assurance companies, which were incorporated by special acts and charters, most small enterprises in the colony operated by means of auto-finance.[55]

When the British annexed the Cape between 1795 and 1802, the commercial landscape of the colony changed, and the number of companies seeking the privilege to incorporate increased gradually. J. Meltzer and S. Oosthuizen both agree that the institutions governing companies developed faster during this period because the nature of commerce and finance under Dutch rule was less developed.[56] Meltzer specifically argues that although the process of replacing Roman-Dutch law with English law happened slowly after British occupation, it was rather faster in the field of mercantile and company law.[57]

Most partnership companies and banks in the Cape after British occupation formed under simple deeds of settlement drawn up by notaries. It was only after 1830 when a few joint stock companies were incorporated through special ordinances and acts by parliament.[58] This legislation granted companies privileges that resembled those of the modern corporation, such as allowing the company's secretary to sue and be sued in the name of the company. This gave the company a separate legal personality and, above all, protected the investors. *The Board of Executors and the Cape of Good Hope Trust and Assurance Company* was among the companies that operated under this special ordinance. Furthermore, in 1846 a special Ordinance, No. 13, was passed to facilitate loans to be raised on the basis of shares in joint stock companies.[59]

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[54] E. Rosenthal, *On' Change Through the Years: A History of Share Dealings in South Africa* (Cape Town: Flesch Financial Publications, 1968), 16.
[55] *Ibid*.
[56] J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", Master's Dissertation, University of Cape Town, 1989, 167; S. Oosthuizen, "The Normative Value System Underpinning the Companies Act 71 of 2008 with Specific Reference to the Protection of Creditors and Employees", PhD Thesis, University of Pretoria, 2017, 79-80.
[57] J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 167.
[58] *Ibid.*, 165.
[59] *Ibid*.

After the establishment of the Cape representative government in 1854, the prospects for institutions specifically tailored for the needs of the colony were high. This was because economic growth was a main priority for the new government. Act No.1 of 1855 passed by the new parliament was a good example of this objective. It introduced a uniform rate of tariffs which reduced the special privileges British products enjoyed during the previous years upon entry to the colony. So, from 1855 to 1859, legislation was passed to improve harbours, roads, railways, and to regulate merchant shipping.[60]

These measures improved commerce to such an extent that by the end of the 1850s, joint stock companies for specific sectors such as mining and railways (both local and international) had become a common feature of the Cape's commercial landscape.[61] This was reflected by the large number of acts that were passed by parliament to incorporate individual companies. These defined the nature of the company more specifically and often included a new provision, namely that of incorporation with limited liability. A good example of this was Act No. 13 of 1859 which was used to incorporate the *Simon's Bay Dock and Patent Slip Company'*.[62] By the early months of 1861, this had become the regular system by which companies were formed in the colony.

In 1861, the Joint Stock Companies Limited Liability Act (Act No. 23 of 1861) and the Special Partnerships Limited Liability Act (Act No. 24 of 1861), both based on the English Act of 1844, were passed in the colony. Seeking special legislation in Parliament became a thing of the past as the new statute embodied a principle recognised in England.[63] Developments both abroad and in the colony influenced the local government to adopt this institution. For instance, by the 1850s, campaigns for limited liability had swept across England. During this period, the British company legislation had been amended three times and the joint stock company had become an important part of the country's commercial landscape. As a result, British entrepreneurs operating at the Cape gradually became impatient with the absence of limited

[60] *Ibid.*, 164.
[61] *Southern African Commercial Advertiser*, January 31, 1854, 36-38.
[62] *Southern African Commercial Advertiser*, February 09, 1854, 209-212.
[63] E. Rosenthal, *On Change Through the Years: A History of Share Dealings in South Africa*, 37.

liability in the colony. In 1858, *The Cape Town Railway and Dock Company*, incorporated by the 1855 British Company Act, indicated in a letter to the Advertiser's editor that doubts were being expressed as to whether its Cape shareholders, like its English ones, were protected in terms of limited liability. The uncertainty was due to the company's Act of incorporation being British. No similar protection in law existed in the colony.[64]

Concerns by, and for, foreign capital was further highlighted by the *Cape Argus* in a report that stated that if limited liability was available in the colony, British investors could leave portions of their wealth at the Cape with ease knowing that risk was limited only to their capital and not their personal property.[65] Apart from foreign businesses, local entrepreneurs and concerned consumers shared their dissatisfaction with the slow development of the Cape's company law. One concerned citizen wrote to the editor that the delays involved with seeking limited liability were so frequent that many companies "dropped through and nothing came out of them".[66] Thus, limited liability was crucial in the maintenance of momentum in economic growth and vital in encouraging overseas shareholders to risk their capital in the Cape's poorly developed economy.[67] The need to secure foreign capital had become headlines in many newspapers. It is therefore possible that concerns such as these hastened the decision to adopt the British company law.

Other exogenous factors that may have catalysed the colony's adoption of limited liability were institutional developments in the Australian Colonies. By the mid-1850s, New South Wales and Victoria had introduced legislation which recognised limited liability partnerships.[68] This was a leap ahead of the Cape Colony, which was still issuing special acts to provide this privilege to companies. This legislation was specifically drafted to satisfy the needs of the mining industry. Given these developments, it is not far-fetched to argue that these institutional developments played an important role in the coming of limited liability to the Cape. It should be remembered that there was indeed a close resemblance between Cape institutions and those

[64] *Southern African Commercial Advertiser*, May 04, 1858, 109.
[65] "Correspondence", *Cape Argus*, June 01, 1861, 15.
[66] *Ibid*.
[67] *Ibid*.
[68] P. Lipton, "The Introduction of Limited Liability into the English and Australian Colonial Companies Acts: Inevitable Progression or Chaotic History?", *Melborne University* Law, 41, (2018): 32. See also A. Graham, "Incorporation and Company Formation in Australia, 1790-1860, *Australian Economic History Review*, (2019): 1-24.

in the Australian Colonies. J. McCracken highlights that the Cape's administration and general institutional configuration were modelled on the developments in New South Wales and Canada.[69]

The most important event that influenced the transformation of the Cape's company law was the copper mining crash of the 1850s. The mining sector, as in the Australian Colonies, played an important role in the coming of limited liability to the colony. Copper discoveries in Namaqualand[70] led to rapid company formations which attracted both rich and poor investors. This led to rapid speculation and inevitably to the bursting of the copper bubble. Since many of these enterprises were unincorporated, many people lost their wealth and property.[71] This provided an important lesson for the Cape Colony. The impact of this crash was sufficiently severe that several reputable merchants and private citizens were declared insolvent. Among these were the *Chiappini and Company* as well as many other prominent figures in the colony.[72]

In August 1861, the Acts 23 and 24 of Limited Liability Joint Stock and Limited Partnership were introduced to the Colony. Under the first act, the precursor of the act under study, all that was needed to register a joint stock company was twenty-five shareholders. However, there were some differences between this legislation and the British Company Act of 1844. There were about 380 sections in the British Acts compared to only 23 sections in the Cape Company Act. The main difference was that the British principle stipulated the following: "Register the company first and then incur liability", while at the Cape the legislation stated: "Incur the liability first and then register the company."[73] This meant that companies had to prove losses in their business to be eligible for limited liability.

Other concerns about the 1861 Act was that its sections XII and XIII stipulated that shareholders were to be held personally liable for the debts of the company if their shares were

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69 J. McCracken, *The Cape Parliament 1854-1910* (London: Oxford University Press, 1967), 8.
70 Today Namaqualand is part of the Northern Cape province.
71 J. M. Smalberger, *Aspects of the History of Copper Mining in Namaqualand 1846-1931*, (Cape Town: Struik, 1975), 47-48.
72 *Ibid*.
73 C. H. Van Zyl, "Joint Stock Company Act", The Cape Law Journal, (1880), 238.

not paid up.[74] Furthermore, it lacked provisions for winding up a company. The term "winding up" was described by the Legislative Council as "a mechanism that helped terminate a company in the event that it faces difficulties."[75] The need for this instrument in the Cape Company Act was emphasised by Mr Wood during a meeting of the Legislative Council. He referred to a "great catastrophe" that had occurred in England a few years ago due to the absence of a winding-up instrument in the British Company Act of 1844. The lack of transparency upon dissolving a company due to the absence of a Bill on winding up companies in the Company Act had led to terrible consequences in Britain that affected tens of thousands of people. Furthermore, Mr Landsberg, a member of the Legislative Council, added that company creditors incurred great losses from spending too much time winding up a company. A winding-up instrument was therefore important to enable parties to dissolve companies and to claim their properties from the business much faster.[76]

In 1868 the Council passed the Winding-up Act No. 12 which was meant to provide a convenient and feasible way of winding up companies. It covered both limited and unlimited companies.[77] Important clauses in this act stipulated that a company could wind up if it stopped operations within one year of incorporation, when the number of shareholders reduced below the one outlined by the company law, or when three-quarters of the subscribed capital had been lost or become unavailable for the business of the company, or whenever the company failed to pay its debts, or whenever the court saw it just and equitable for the company to wind up.[78]

As the years progressed, members of the Legislative Council continued to debate the limitations of the Cape Company Law. One of these was that the number of members necessary to constitute a company had to be reduced to seven from the current stipulated number which was twenty-five.[79] In 1888 Act No.13 was passed making these provisions. An additional

[74] D. Burdette, "A Framework for Corporate Insolvency Law Reform in South Africa", PhD Thesis, University of Pretoria, 2002, 51.
[75] *Debates in the Legislative Council, Fifth Session of the Third Parliament of the Cape*, May 20, 1868, 106.
[76] *Debates in the Legislative Council, Fifth Session of the Third Parliament of the Cape*, June 06, 1868, 109.
[77] *Debates in the Legislative Council, Fifth Session of the Third Parliament of the Cape*, July 09, 1868, 158.
[78] D. Burdette, "A Framework for Corporate Insolvency Law Reform in South Africa", 53.
[79] *Debates in the Legislative Council, Fifth Session of the Third Parliament of the Cape*, June 30, 1886, 106.

important feature enabled joint stock companies' juristic personalities to own lands and other properties.[80]

In 1892, Act No. 23 of 1861 was amended to make way for the Joint Stock Company Act No. 25. This legislation was based on the British Company Act of 1855. It was therefore regarded as the first legislation to properly regulate the incorporation of companies at the Cape.[81] This is because it incorporated all the provisions that were discussed above. This made it more efficient than its precursor.[82] For the convenience of companies that still operated under the previous legislation, Section I No. 5 of the Company Act stipulated that all companies that existed upon the amendment of the Company Act could register themselves without payment of any fees.[83] An important development brought about by this new Company Act was that companies no longer had to incur liability to incorporate. Their liabilities were limited from the day of registering the company. Furthermore, with very few members constituting a joint stock company, many ambitious entrepreneurs took advantage of this new legislation and the outcome was the rapid growth of companies in the colony. In order to fully describe the objectives of this dissertation, the following section discusses the literature covering the importance of joint stock companies, and exactly where this study seeks to make a contribution to this body of knowledge.

Research agenda and contribution

This study comes after calls by G. Verhoef, an authority in South African business history, for more work to be done on the business history of Africa. She argues that since Africa is not the home of the world’s largest multi-national corporations, business historians pay scant attention to the development trajectory of this continent's businesses. However, given the impressive growth performance of African economies since the last decade of the twentieth century and the emergence of African multinational corporations, she posits that there is now a greater need for more histories of African business.[84] Adding to her observations, G. Austin, C. Davila and

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[80] D. Burdette, “A Framework for Corporate Insolvency Law Reform in South Africa”, 55.
[81] *Ibid.*, 56.
[82] *Ibid.*, 56.
[83] H. Tennant, *The Companies Act, 1892, with Marginal Reference to the English Statutes* (Cape Town: J. C. JUTA and C.O, 1894), 4
[84] G. Verhoef, *The History of Business in Africa: Complex Discontinuity to Emerging Markets* (Johannesburg: Springer International Publishing, 2017), v.

G. Jones emphasise the value of emerging markets to the discipline of business history.[85] They state that economies in these developing regions responded differently to economic institutions, and that this creates fresh perspectives to the discipline. The study of limited liability at the Cape then becomes an important contribution to the research on the impact of British institutions on frontier economies. This is especially relevant considering that work has been done on the impact of limited liability in former British territories such as Australia[86], but to a far lesser extent on its impact on South Africa. A study of this nature not only broadens our knowledge on the impact of British institutions on its imperial territories, but can be useful in future when assessing the different development trajectories British territories took during the twentieth century.

This study also contributes to existing discussions on the origins and evolution of capitalism in South Africa. Scholars like S. Schirmer (1997), V. Padayachee (2013), and K. Hart and V. Padayachee (2013) have suggested that capitalism in South African history took different forms. Schirmer's work traces the beginning of capitalism in South Africa to the period of Dutch arrival at Table Bay. He explains that free burghers were the first entrepreneurs to operate in the colony, and that their endeavours were successful because of support from the colonial authorities.[87] Emphasis, however, is placed on how this capitalist system was informed by notions of race. This was characterised by conflicts between various economic and cultural groups, racial groups, employers and workers.[88] Padayachee supports these observations and cites various theories that have been forwarded by scholars to explain the development of capitalism in South Africa. These includes the African National Congress's (ANC) theoretical interpretation of South African capitalism as a "colonialism of a special type", M. Lipton's (1985) suggestions that South African capitalism developed with little involvement of segregation. Other interpretations suggested that cheap labour was the foundation of South African capitalism, and recently scholars have described South African capitalism as a Minerals Energy Complex. Given all these interpretations, this study discusses a more nuanced

[85] G. Austin, C. Davila and G. Jones, "The Alternative History: Business in Emerging Markets", *Business History Review*, 91(3), 537.
[86] P. Lipton, "The Introduction of Limited Liability into the English and Australian Colonial Companies Acts: Inevitable Progression or Chaotic History?", *Melborne University Law*, 41, (2018), 2-3.
[87] S. Schirmer, "The Nature and Origins of Capitalism in South Africa", Seminar Paper, University of Witwatersrand Institute for Advanced Social Research, 1997, 23, Accessed 15 January 2021, http://wiredspace.wits.ac.za/handle/10539/9694.
[88] *Ibid.*

mode of capitalism less acknowledged in literature that involved the role played by joint stock companies.[89] Joint stock companies introduced a new dynamic that enabled individuals from previously less privileged groups in the society (women and the working class) to venture into entrepreneurial capitalism – an activity previously dominated by capitalists, merchants and rentiers. Although race relations remain a contentious issue in the history colonial South Africa, this study identifies a few African investors in the Cape's private capital market. Although these individuals constituted less than a percent of the capital market, their emergence towards the end of the South African War suggested that they could also invest, and start joint stock companies.

The importance of this study is further reinforced by E. Penrose who notes that the nature of an economy can be defined by the kind of companies that compose it.[90] This includes their size, how they are established, their methods of business, and the relationships between them.[91] In South African history, such a concise examination of company formation, and their long-term impact on the economy, remain under-explored by both business and economic historians. Apart from financial organisations and mining companies, little is known about the general nature of companies in colonial South Africa. The dearth of this knowledge becomes apparent when examining the main strands of literature on South African business history. These include sector-based studies, economic history studies, work on important entrepreneurs, non-academic studies by commissioned writers and studies on legislation that governed companies in colonial South Africa.

The first strand covers important sectors of South Africa's colonial economy like mining, banking, and insurance. From the mining perspective, J. Davenport's 2013 publication is arguably the most rigorous study on South African mining history. It spans from the mid-nineteenth to the early twenty-first century. She begins with the earliest commercial copper mining expeditions in Namaqualand and proceeds to the mineral revolution and what it entailed to the extractive industry. Like the title of her study, *Digging Deep*, she narrates how the mining sector became a capital-intensive industry as the years progressed because different minerals

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[89] V. Padayachee, "Introducing Varieties of Capitalism, *Transformation Critical Perspectives on Southern Africa*, 81, 1, (2013), 13-16.
[90] E. Penrose, *Theory of the Growth of the Firm,* (Oxford: Oxford University Press, 1959), 8.
[91] *Ibid*.

demanded different techniques and equipment to extract. This called for modern forms of business and finance which resulted in the formation of joint stock mining companies.[92]

Although she mentions the existence of joint stock companies as well as mining magnets that financed them, her study focuses on the methods of mining as well as output of the industry. Studies by E. J. Epstein (1982), C. Newbury (1989), and P. Carstens (2001) display similar approaches to the history of mining in South Africa. Epstein's work largely focuses on the mechanisms that were used by mining firms to control the price and availability of diamonds,[93] whilst Newbury discusses both the history of production and the marketing of diamonds. His work emphasises the role played by merchants in financing and organising the diamond trade.[94] Carstens on the other hand gives a socio-economic impact of the diamond industry in Kleinzee through the *De Beers Consolidated Mines Limited Company*.[95] As a result, these works only provide micro-studies of industries and companies. In line with the objectives of the study, this barely gives a complete reflection of the importance of joint stock companies to the colonial economy during the nineteenth century.

Many works on financial institutions have also contributed to sector-based studies in South African business history. Important among these is E. H. D. Arndt's work (1928, 1938 and 1941), which forms the foundation for most studies in this particular field. His first publication focuses on the history of banking and currency in South Africa from 1652 to 1927.[96] It covers the legislation that was involved in the establishment of banks and coinage. This specific publication also outlines the first companies to ever operate as banks in the colony, as well as the purposes they served to the colonial society. For the years not covered by Arndt, S. Jones's edited book, containing contributions from a variety of scholars, provides micro-studies of banking in South Africa from the mid-nineteenth to the late-twentieth century. Although these

[92] J. Davenport, *Digging Deep: A History of Mining in South Africa, 1852-2002*, (Johannesburg: Jonathan Ball Publishers, 2013), 2-10.
[93] E. J. Epstein, *The Rise and Fall of Diamonds: The Shattering of a Brilliant Illusion* (London: Simon and Schuster, 1982), 4.
[94] C. W. Newbury, *The Diamond Ring: Business, Politics, and Precious Stones in South Africa, 1867-1947* (London: Clarendon Press, 1989), 1-2.
[95] P. Carstens, *In the Company of Diamonds: De Beers, Kleinzee, and the Control of a Town* (Ohio: Ohio University Press, 2001), 150.
[96] E. H. D. Arndt, *Banking and Currency Development in South Africa (1652-1927)* (Johannesburg: Juta and Co., Ltd, 1928), 2-4.

studies only provide nuanced histories of banking companies in South Africa, they provide insight to the wealth of the Cape society. For this study, this information is relevant, as one of its objectives is to answer the question of who financed joint stock companies at the Cape after 1892. In order to answer this question, it is essential to have knowledge of the wealth of this society, as well as its money-saving culture.

Arndt also pioneered the study of insurance in South Africa with his 1937 and 1941 publications.[97] These studies draw our attention to early forms of legislation that were put in place to govern insurance companies. Despite focusing on a specific sector of the economy, they laid an important foundation for this study, as they provide insight into the various laws that were passed to control companies in the different sectors. They show the many hurdles and complicated procedures hampering the functioning of colonial businesses, and why the 1892 Act was much-needed. More studies focusing on the development of legislation in the insurance industry in South Africa followed by B. C. Benfield, and G. H. Beak. There are also company studies by R. W. Vivian (1996) on the History of Fire and Life Insurance Company,[98] and more recently by S. Halleen (2013) on the history of Sanlam's client base from 1918 to 2004.[99] Similar to the one by Carstens, these two studies reveal the tendency by business historians to focus on company case studies, which makes it difficult to assess the overall nature of company development in colonial South Africa. It is the purpose of this study to fill this void using records from the limited company archive.

The history of companies and the institutions that governed them can also be found in various studies on the economic history of South Africa. These include those of C. G. W. Schumann

[97] E. H. D. Arndt, *An Analysis of the Investment Policies of Life Insurance Companies in the Union of South Africa: The need for more Constructive Legislation* (Pretoria: De Busy, 1937), and, E. H. D. Arndt, *Insuring our Insurance: A Survey Legislation with Recommendations for the Union* (Pretoria: Union Booksellers, 1941).
[98] R. W. Vivian, "A History of the South African Fire and Life Assurance Company: South Africa's First Insurance Company", *South African Journal for Economic History*, 11, 1, (1996), 145-146.
[99] S. Halleen, "From Life Insurance to Financial Services: A Historical Analysis of Sanlam's Client Base, 1918-2004", PhD Thesis, Stellenbosch University, 2013, p.1-5. Apart from Halleen's work on Sanlam, there are several other studies that have focused on the history of Sanlam. See W. P.G. Koen, "Sanlam se eerste vyf jaar 1918 – 1923, Sy stigters, stigting, strewe en stryd om 'n ekonomiese staanplek vir die Afrikaner", Honours Dissertation, University of South Africa, 1984; W. P. G. Koen, "Sanlam tussen twee wêreldoorloë: Sy stigting, groei en stryd om 'n ekonomiese staanplek vir die Afrikaner 1918 -1939", PhD Thesis, University of South Africa, 1986; R, Adams, "Die ver-Suid-Afrikanisering van die Suid-Afrikaanse ekonomie: 'n Studie van SANLAM (1918-1980)", Master's Dissertation, Stellenbosch University, 2011; G. Verhoef, *The Power of Your Life: The Sanlam Century of Insurance Empowerment, 1918-2018* (Oxford: Oxford University Press, 2018).

(1938, G. De Kiewet (1957),[100] D. H. Houghton (1967),[101] and C. H. Feinstein (2005).[102] Although different aspects of the economy are discussed in these works, they cover important epochs in South African economic history, and how these affected the colonial economy. For instance, Schumann discusses structural changes and business cycles in South Africa from the time of Dutch occupation to the early twentieth century. He narrates how certain sectors of the economy became heavily commercialised. Among these was the mining sector in the nineteenth century, which he describes as having led to the rapid development of the colonial economy. He then highlights how capital was accumulated to finance this industry as well as the prominent companies that were involved in the sector.[103] However, very little is said about the impact of company legislation and the role of joint stock companies on economic growth.

Meltzer's study is perhaps the only economic/business history study on colonial South Africa that covers similar aspects to those examined in the present investigation. Her dissertation examines the growth of companies in South Africa from 1835 to 1859, as well as the institutions that governed them.[104] She discusses how the absence of limited liability delayed the growth of these companies. Although companies in the financial sector, railways, and mining feature prominently in her study, her research is incredibly valuable to this study, because it provides a strong foundation for this dissertation. Since her main source ends two years before the adoption of limited liability, her work only discusses its potential advantages to commerce at the Cape. This dissertation, therefore, contributes to her investigation by analysing the growth of companies in colonial South Africa after the introduction of the Companies Act.

Commissioned writers and academic works that focus on the development of South African corporate law have also provided valuable information about the development of joint stock companies and the institutions that govern them. For instance, Rosenthal's work on the Johannesburg Stock Exchange chronicles the first ever joint stock companies to operate in

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[100] G. De Kiewiet, *A History of South Africa: Social and* Economic (Cape Town: Oxford University Press, 1957), 1-10.
[101] D. H. Houghton, *The South African Economy* (Oxford University Press, Cape Town, 1967), 100.
[102] C. H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development*, 98.
[103] C. G. W. Schumann, *Structural Changes and Business Cycles in South Africa, 1806-1936*, 1-4.
[104] J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 1-15.

South Africa both prior and after the Union.[105] Although his main objective is to illustrate the many ways investors bought and sold shares, he briefly mentions the names of companies that were formed before and after the Companies Act of 1861, their nominal capital, share prices as well as their directors. However, very little is said about the limitations of the 1861 Act and the amendment of the act in 1892. Moreover, he barely explores the possible impact the 1892 Act had on share dealings at the Cape.

The only studies that account for the 1892 Amendment Act in greater detail are those by P. I. Blumberg and J. J. Henning (1986), D. A. Burdette (2002), and S. Oosthuizen (2017). Although their research covers different aspects of South African corporate law, they provide a concise background on the evolution of South African company law. For instance, Blumberg and Henning look at the origins of limited liability in South Africa, its differences and similarities with the English law, and what its main features were,[106] while Burdette and Oosthuizen discuss the insolvency law[107] and Companies Act of 2008 respectively.[108] The examination of these aspects of South African company law involves analysing the legislation that existed in the previous years. However, because these studies have a largely legal perspective, they hardly examine the possible impact of company law on the conducting of business at the Cape.

Biographies of prominent entrepreneurs have also contributed significantly to our knowledge about companies in South Africa. These include biographies of C. J. Rhodes, A. Rupert, B. Barnato and Sir D. Graaff by R. I. Rotberg, E. Dommisse and W. P. Esterhuyse and A. Davis. In these biographies are detailed stories about the social and political networks of these individuals, but most importantly the businesses they pioneered. In his book, Rotberg details Rhodes' numerous investments in the mining and the agricultural industries. Notable outcomes from his entrepreneurial acumen include the *De Beers Consolidated Company Limited* and the *Rhodes Fruit Farms*, which became some of the most important companies in the Cape's

[105] E. Rosenthal, *On' Change Through the Years: A History of Share Dealings in South Africa*, 2-6.
[106] P. I. Blumberg and J. J. Henning, "Limited Liability and Corporate Groups", *Journal for Corporation Law*, 11, (1986), 574.
[107] D. Burdette, "A Framework for Corporate Insolvency Law Reform in South Africa", PhD Thesis, University of Pretoria, 2002. 1.
[108] S. Oosthuizen, "The Normative Value System Underpinning the Companies Act 71 of 2008 with Specific Reference to the Protection of Creditors and Employees", 1.

commercial landscape.[109] Likewise, Dommisse and Esterhuyse chronicles Rupert's commercial expeditions which included mining, tobacco and the founding of the Rembrandt Group,[110] while Davis narrates Barnato's life from being a comedian to a millionaire, and also tells of the importance of his relationships with Rhodes. His company the *Barnato Diamond Company* was a strong competitor to Rhodes' *De Beers Consolidated Company Limited*.[111]

Sir Graaff's biography by Dommisse details the most important contribution he made to colonial business. The first was the *Imperial Cold Storage and Supply Company,* which introduced cold storage to the Cape Colony.[112] After this, Graaff built an empire out of his business and investments in the mining industry. Other works include R. Mendelsohn's biography of S. Marks, *The Uncrowned King of Transvaal*. This biography narrates Marks's entrepreneurial journey from his early share dealings in diamond shares to his distillery factory in the Transvaal, gold and coal mining, iron and steel production and brick making.[113] Recently a similar study by J. C. dos Santos was produced on the history of S. Press and his role in the growth of the Edgars group of textile enterprises between 1929 and 1982.[114] These biographies provide perspective for this dissertation and shed light on the financial networks that existed prior to the introduction of the Company Act.

The studies mentioned above contributed to providing the perspective for this study, and provided it with a strong foundation on which to base this study. What is apparent, however, is that the methodologies that were used in these studies seem to be linear. Very few of them triangulate research paradigms. For instance, Meltzer's work is based on the works of J. Fairbarn,[115] and Dos Santos's biography of S. Press is based on documents that were donated by his family to the University of Johannesburg.[116] Such approaches in the study of history

[109] R. I. Rotberg, *The Founder: Cecil Rhodes and the Pursuit of Power* (Oxford: Oxford University Press, 1990), 41.
[110] E. Dommisse and W. P. Esterhuyse, *Anton Rupert: A Biography* (Cape Town: Tafelberg, 2005), 4.
[111] A. Davis, *King of Diamonds: Life of the Barney Barnato* (Cape Town: Create Space Independent Publishing Platform, 2016), 1-10.
[112] E. Dommisse, *First Baronet of De Grendel* ((Cape Town: Tafelburg, 2011), 1-4.
[113] R. Mendelsohn, *"The Uncrowned King of the Transvaal"* (Cape Town: David Philip, 1991), 1-10.
[114] J. C. dos Santos, "Entrepreneurship in the Fashion Retail Industry: Sydney Press and the Rise of Edgars 1929-1982", D. Phil Thesis, University of Johannesburg, 2018, 1-4.
[115]J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 1.
[116] J. C. dos Santos, "Entrepreneurship in the Fashion Retail Industry: Sydney Press and the Rise of Edgars 1929-1982", i.

according to J. Jones unintentionally resulted in the neglect of other important facets of the study.[117] Similar concerns were raised by M. Fraser in the discussion on how the subject fields best represented in the South African Company archives were mining, banking and insurance.[118] Records for these sectors were easily accessible, because these were amongst the most successful industries in South Africa, so they had large archives. Although Fraser's observations were based on the Barlow Rand Archive, they gave possible explanations to why these sectors had been covered more extensively in the company histories of South Africa.

To overcome these challenges, this dissertation combines methodologies as well as sources, and employs data visualisation techniques to support findings from qualitative sources. Such methodological innovations have already been adopted in other branches of history in South Africa. For instance, studies by J. Fourie and J. L. Van Zanden (2012), and Fourie, Jansen and Siebrits,(2013) have been instrumental in providing new perspectives on the economic development of colonial South Africa. Using economic models and micro-data from colonial records, these scholars succeed in rewriting history, which had previously presented the colony under Dutch rule as a mere economic backwater.[119] Although this work focuses on a different epoch, their works have inspired effort on the business front to revisit the archives, and to re-examine some of the neglected aspects of the discourse.

To achieve this, the present study draws on methodologies from existing research on joint stock companies in the nineteenth century. Since this study is based on legislation borrowed from Britain, its methodology will be heavily influenced by case studies of British joint stock companies. L. Newton's work on joint stock companies in Sheffield's manufacturing industry offers an ideal blueprint.[120] She narrates the rise of limited companies in Britain and how different regions responded differently to the new Company Acts.[121] Her work also investigates the sizes of companies that operated in the Sheffield industrial area, the structure of the textile

[117] J. Jones, "Business Imperialism and Business History", *South African Journal of Economic History*, 11, 2, (1996), 8.
[118] M. Fraser, The value of Business Archives with Special to Barlow Rand's Archives, 120.
[119] J. Fourie and C. Swanepoel, "'Impending Ruin' or 'Remarkable Wealth'? The Role of Private Credit in the 18th Century Cape Colony", 144.
[120] L. Newton, "The Finance of Manufacturing Industry in the Sheffield Area c.1850-c.1885", PhD Thesis, Department of Economic and Social History, University of Leicester, 1993, 1.
[121] *Ibid*, 2.

industry, as well as the social and geographic origins of company shareholders.[122] She pursues this by consulting registration documents, shareholders lists and liquidation documents of the companies – primary data for this study too. This provided information on the nominal capital of companies, their number, size, value of shares, as well as the names, addresses and occupations of shareholders.[123]

Another important study is the enquiry of G. Acheson, G. Campbell and J. D. Turner's into the financiers of British joint stock companies in the Victorian era. Using records from 453 firms they identify more than 172,000 shareholders who financed joint stock companies.[124] They break down these shareholders into smaller sections using occupation details provided by company shareholders lists. Adding to this, their paper assesses clientele effects[125] between firms and investors. Apart from the latter perspective on the use of company documents to establish clientele effects between companies and investors, data used for the present study provides background information of the people who financed Cape joint stock companies. This made it an obvious choice to adopt Acheson, Campbell and Turner's framework for this study.

In summary, the work that has been discussed above shows that there is scope for further discussions on the history of companies in South Africa, as well as their impact on the economy of the country. This includes analysis of how the passing of the Company Act changed the way in which business was conducted in the Cape Colony. As mentioned earlier, this study makes a methodological contribution by consulting company records, which provide a fresh perspective on the history of companies in South Africa. This, as shown in the previous paragraphs, was made possible by scrutinising existing studies on the history of joint stock companies in Britain. Below are the questions that will be answered in this dissertation, followed by the framework and the proposed methodology.

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[122] *Ibid*, 5.

[123] The information was collected for 90 companies which adopted limited liability in the Sheffield region between 1855 and 1885.

[124] G. Acheson, G. Campbell, J. D. Turner, "Who Financed the Expansion of the Equity Market? Shareholder Clienteles in Victorian Britain", Working Paper, Queens University Centre for Economic History, 2015, 2. Accessed 13 May 2017, http://www.quceh.org.uk/uploads/1/0/5/5/10558478/wp15-07.pdf.

[125] "Clientele effect" refers to a case where certain characteristics or policies of a company attract specific investors.

Research questions

This study seeks to answer three important questions about the development of modern capitalism in the Cape Colony during the nineteenth century.

The first: What the impact was of the 1892 Amendment Act of the Limited Liability Joint Stock Companies legislation on the nature and distribution of companies at the Cape? In this dissertation an overview will be provided of the pattern which companies developed before and after the legislation was passed, the sectors in which these companies were involved, their size, average lifespan and their geographic location.

The second question is: Who financed these companies? Using microdata from company records with personal information of investors, this study describes the nature and character of the colonial private capital market. This, once again, provides new perspectives on the individuals who financed joint stock companies. This is a meaningful contribution to existing studies that have often focused on prominent capitalists and businessmen as the basis of capital in the colony. This study is an attempt to interrogate this focus and notion by shedding light on the broader demographics of the financiers of companies in colonial South Africa.

The third question: What motivated these individuals to invest in joint stock companies? Answering the second question revealed that people from different groups exhibited different behaviours in the private capital market. The most notable among these were women and farmers. Their investments in the private capital market were different from other groups. This dissertation examines why this was the case.

Framework and research methodology

South Africa during this period was divided into four territories. These were the Cape Colony, the Natal Colony, the South African Republic also known as the Transvaal Republic, and the Orange Free State Republic. Out of these four territories, the Cape Colony is the focus of this study because it was the oldest British Colony in Southern Africa. Figure 1 below shows the area of the Cape Colony covered before the South African Union in 1910.[126]

[126] The South African Union occurred in 1910 when territories neighbouring the Cape Colony were unified. These territories were The South African Republic (Transvaal), Orange Free State Republic and the Natal Colony. See L. Sowden, *The South African Union* (California: R. Hale Limited, 1945), 2.

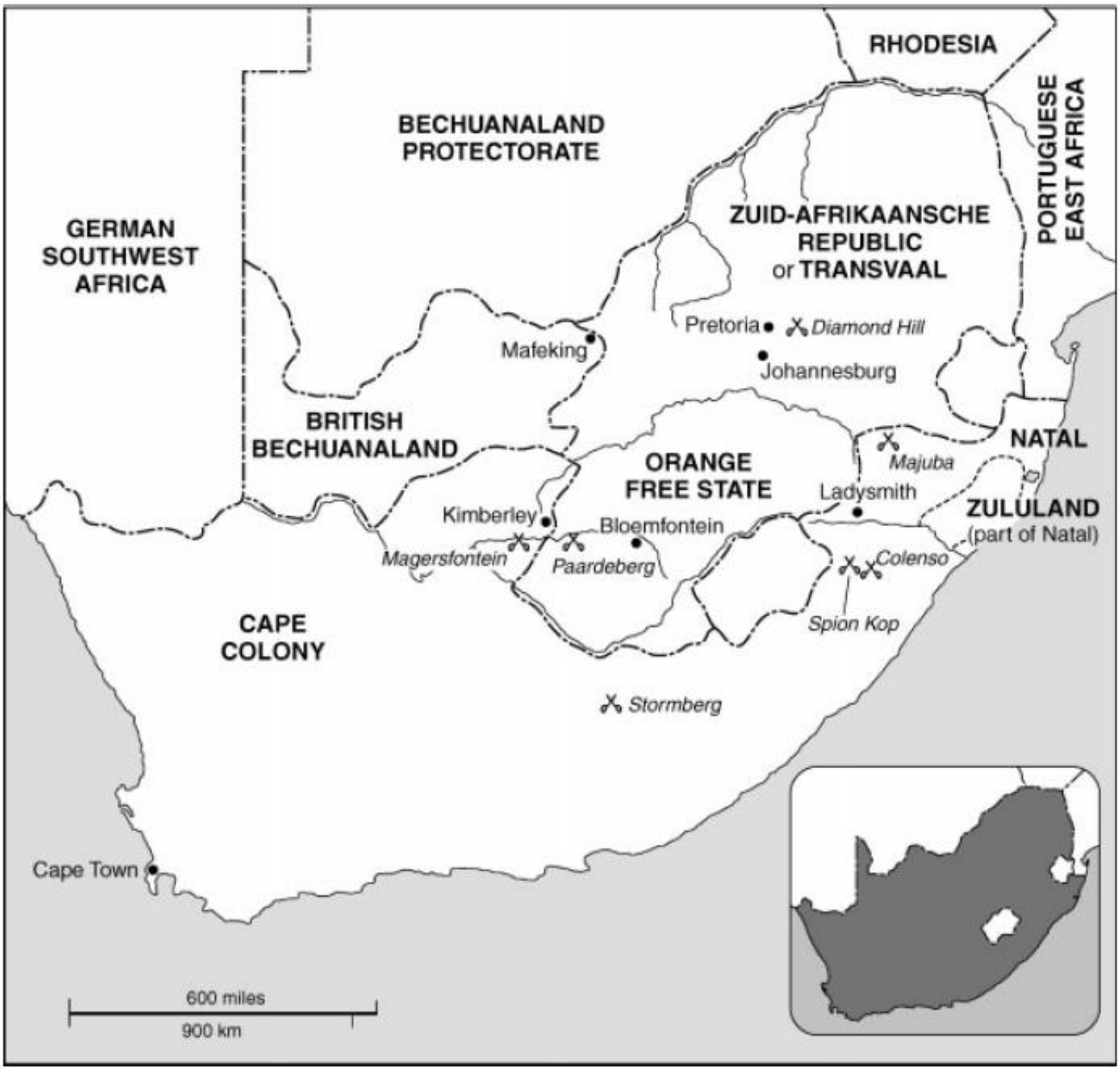

Figure 1: Map of the Cape Colony.

Sources: S. Badsey, "Anglo-Boer Wars (1880-1881, 1899-1902)", *The Encyclopaedia of War*, (2011), 2.

For many years after the Dutch occupation in 1652, the population of the colony was concentrated in the south-western part of the territory. When the British made their first appearance in 1795, the population continued to grow, and it accelerated even further in the 1820s when more European immigrants arrived. By 1850, the Cape Colony had expanded east and northwards from Cape Town, then the capital, to the Orange River.[127] In fact, the town of Port Elizabeth on the eastern frontier was founded in 1820 by Sir Rufane Shaw Donkin, who named it after his late wife Elizabeth Markham.[128] However, despite this expansion, the western region continued to have a larger share of the European population. Simkins and Heyningen confirm this using population records of port cities in the Cape's most commercially active regions. They find that against Port Elizabeth and East London, Cape Town had a far larger population between 1891 and 1904 than either East London or Port Elizabeth.[129] This can be attributed to the fact that the settlement in the western region was much older than those in other regions of the colony. This is perhaps the reason why a larger percentage of this population was of Dutch extraction compared to those in the eastern region who were largely of British descent.[130]

Although certain institutions may have developed simultaneously in other colonies, such as the Joint Stock Companies Limited Liability Law of 1864 in Natal, the Cape Colony provided the best foundation since its population was much older, more integrated and had much accumulated wealth. For example, the revenue of Transvaal in 1872 was £73862, only 4% of the Cape's revenue that year, and the entire revenue of the Free State was £84282, which was 4.6% of the Cape's revenue.[131] It is for this reason S. Marks argues that the Cape was Britain's most valued colony in Africa.[132] Its model of the Companies Act was emulated not only by Natal, but Griqualand West[133], although it adopted its own ordinance for establishing and regulating savings banks. It took different forms in other territories such as the Transvaal (*De Acte van Maatscappijen met Beperkte Verantwoordelijkheid* of 1874), and the Orange Free State (*De Wet over Beperkte Verantwoordelijkhein van Naamloze Vennootschappen*).[134]

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[127] A. Malan, "Households of the Cape, 1750 to 1850 Inventories and the Archaeological Record", PhD Thesis, University of Cape Town, 1993, 1.
[128] A. Wilmot, *A Historical and Descriptive Account of the Cape of Good Hope* (Cape Town: Messrs De Villiers, Noble and Co., 1863), 19.
[129] C. Simkins, and E. van Heyningen, "Fertility, Mortality, and Migration in the Cape Colony, 1891-1904", 99.
[130] A. Wilmot, *A Historical and Descriptive Account of the Cape of Good Hope*, 36.
[131] *Ibid*.
[132] S. Marks, *Government Publications Relating to the Cape of Good Hope, 1860 to 1910* (London: Microform Academic Publishers, 1980), 1.
[133] This was before Griqualand West was annexed into the Cape Colony.
[134] S. Oosthuizen, "The Normative Value System Underpinning the Companies Act 71 of 2008 with Specific Reference to the Protection of Creditors and Employees", 81.

Furthermore, Mabin confirms the relative maturity of the Cape compared to its sister colonies by stating that although both the Natal and Cape Colonies could be treated as bases for expansion into the interior, their circumstances differed substantially. He cites A. Atmore and S. Marks who write that, "the relationship between Britain and the Cape, as we see it, is fairly straightforward; Natal always presented a peculiar and rather special case…"[135] He further argues that the government of the Natal Colony was substantially less autonomous than that of the Cape until the 1890s. Its economy was also smaller, and its contribution to international trade miniscule. He then concludes that compared to the Cape Colony, its capital resources were grossly limited. Thus, the economic changes which were associated with the diamond fields and other interior developments were centred in the Cape, not Natal.[136]

This dissertation examines a ten-year period that stretches from 1892 to 1902. In 1892, the Companies Act was amended, and records from the limited companies archive start in this year. It concludes in 1902, because this was the official year the South African War ended. It is anticipated that the years after the war may have brought along a new dynamic in company formation, which might be a suitable topic for future study. In addition, the effects of changes that happened at the Cape in the years leading up to the Company Amendment Act will also be taken into account.

Table 1 below provides a timeline of the years from 1861 to 1902. It shows that this period was both prosperous and disastrous, especially considering that the Companies Act was passed during a long-standing drought and economic depression.[137] This was contrary to the experience of other colonies in Australasia where company laws were passed upon the discovery of precious metals.[138] Nevertheless, this difficult period was quickly overcome by diamond and gold discoveries in 1867 and 1886. This provides an interesting context to analyse the emergence of limited liability at the Cape because, as mentioned earlier, the mineral revolution in South African economic history has often been cited as the core of economic

[135] A. S. Mabin, "The Making of Colonial Capitalism: Intensification and Expansion in Economic Geography of the Cape Colony, South Africa, 1854 -1899", PhD Thesis, Simon Fraser University, 1984, 8.
[136] *Ibid*.
[137] E. Rosenthal, *On' Change Through the Years: A History of Share Dealings in South Africa,* 36.
[138] P. Lipton, "The Introduction of Limited Liability into the English and Australian Colonial Companies Acts: Inevitable Progression or Chaotic History?", 32.

development in the nineteenth century.[139] This is proven by records consulted for this study, as they show that there was rapid company formation in the mining sector.

Table 1: Social, political, and economic events in the years leading to the Companies Act and after its implementation, 1861-1902.

Year	Event
1861	The Cape Company Act (based on the British Company Act of 1844)
1866	Economic depression
1867	The Discovery of diamonds
1872	The granting of Responsible government
1880	The first Anglo-Boer War
1882	The diamond crisis
1886	The discovery of gold in the Transvaal and the outbreak of *phylloxera vistarix* at the Cape
1892	The Cape Company Amendment Act (based on the British Company Act of 1855)
1895	The Jameson Raid and the gold share crisis
1896	The outbreak of the rinderpest epidemic in southern Africa
1899	The Second Anglo-Boer War (South African War)
1902	The end of the South African War

Source: Author's own formulation.

Furthermore, it should be emphasised that Responsible Government status in 1872 at the Cape, according to L. E. Davis and R. Huttenback, created favourable conditions for the investment of foreign capital.[140] They state that self-governance provided the much-needed safety for British investors. This coincided with the golden age of the "international economy" – the period spanning from 1870 to 1914 during which the movement of capital, both private and government, was almost entirely free of formal restrictions.[141] Capital-exporting countries devoted far larger proportions of their savings to foreign investment.[142] For instance, British

[139] M. H. De Kock, *Selected Subjects in the Economic History of South Africa* (Pretoria: Juta and Co. Ltd, 1924), 258.
[140] L. E. Davis and R. Huttenback, *Mammon and the Pursuit of Empire: The Economics of British Imperialism,* 49.
[141] A. I. Bloomfield, *Patterns of Fluctuation in International Investment Before 1914* (New Jersey: Princeton University Press, 1968), 1-2.
[142] *Ibid.*

long-term capital exports during this period flowed predominantly to the United States, Canada, Australia and New Zealand, India, South Africa and Argentina. This confirms M. J. Murray's assertion that the economic activities in the Cape Colony were linked to the rapidly expanding capitalist world market.[143] This connection, however, was not always positive, as illustrated by the 1882 diamond crisis, which was the result of a slump in diamond prices in the international market.[144] It is therefore interesting to assess the role of foreign capital in this context, and how the Company Act influenced this participation.

Of even greater importance are events from 1895 to 1902, which not only shaped the geographical and political boundaries of modern South Africa, but had important implications on business and company formation. For instance, the Jameson Raid and the Second Anglo-Boer War, hereon referred to as the South African War, reconfigured political relations between Dutch and British territories in Southern Africa. The effects of these conflicts culminated in the South African Union which was established 1910. In addition to this, the chief plotters of the Jameson Raid were members of the two deep-level companies in the Rand. These included, among other businesspeople, Dr S. L. Jameson, A. Beit, C. J. Rhodes and B. Barnato. G. Blainey notes that the Transvaal government, as a result of excessive taxing of all state-owned minerals, jeopardised the future of deep level mines.[145] The outcome was an unsuccessful plot to overthrow the Transvaal Republic. Rhodes' involvement in this insurrection resulted in him being forced to resign as Prime Minister of the Cape Colony in 1896, together with Beit, who was also forced to relinquish his duties as the Director of the British South Africa Company.[146] Jameson was arrested and while Barnato was free, there are scholars who attribute his possible suicide to the depression he suffered as a result of this failed political expedition.[147]

The grievances that led to the Jameson Raid were closely related to the ones that ignited the South African War. This is because it had further strained the relations between the Dutch and English in southern Africa. As a result, the South African War had a much greater economic impact and political implications. For instance, unlike the 1880 and 1895 conflicts that were

[143] M. J. Murray, *South African Capitalism and Black Opposition* (Cambridge: Schenkman, 1980), 84.
[144] *Ibid*.
[145] G. Blainey, "Lost Causes of the Jameson Raid", *The Economic History Review*, 18, 2, (1965), 361.
[146] *Ibid*.
[147] J. Leasor, *Rhodes and Barnato: The Premier and the Prancer* (London: Leo Cooper, 1997), 221.

mostly located in the Transvaal Republic, it spread into the cities and towns of the Cape Colony and those of other neighbouring British and Dutch territories. S. Marks notes that towards the end of 1899, invading forces of the Transvaal and Free State Republics had infiltrated British colonies in southern Africa.[148] These included the Cape and Natal towns of Mafeking, Kimberley, and Ladysmith.[149] Although they recorded early victories at Modder River, Stormberg, Magersfontein and Colenso, the Afrikaans succumbed to British combined military tactics which included a scorched earth policy. This led to victory for the British and the signing of the Treaty of Vereeniging in 1902, which saw the republics being absorbed into the British Empire.[150] As will be shown in the following chapters, the effects of these conflicts can be clearly seen in the data consulted for this dissertation.

Apart from conflict, other important developments during this period include the expansion of communication networks in the colony. Mabin argues that the distribution of economic activity, investment, and of the population changed significantly between 1850 and the late 1890s. The interaction between different centres and regions in the colony by road, railway and telegraph improved in the 1850s and trickled down to the diamond fields in the 1870s and then to Transvaal goldfields in the 1880s and 1890s.[151] This spatial expansion had a significant impact on capital mobility, which in turn influenced the growth pattern of joint stock companies.

Research design

This study has adopted the descriptive case study research design and there are two important reasons why this seemed appropriate. The first is that such a research design allowed for a detailed analysis of the subject. It makes it possible in this dissertation to provide in-depth research on the impact of the 1892 Companies Act in the Cape Colony. The second reason is that a case study approach also makes it possible in this dissertation to explore different aspects of the impact of joint stock companies in the colony. This could have been compromised in a

[148] S. Marks, "War and Union, 1899-1910", in *The Cambridge History of South Africa: Volume 2, 1885-1994*, ed., R. Ross, A. K. Mager and B. Nasson (Cambridge: Cambridge University Press, 2015), 158.
[149] *Ibid*.
[150] *Ibid*.
[151] A. S. Mabin, "The Making of Colonial Capitalism: Intensification and Expansion in Economic Geography of the Cape Colony, South Africa, 1854 -1899", 15.

comparative study research design. Given that the Company Act was adopted by other British colonies around the same period as in the Cape, a comparative study on its impact on the Cape and other colonies would have made a much greater contribution to this area of study. However, it had the potential to obscure the experience of each colony.[152] For instance, although New Zealand, Canada and the Australian Colonies adopted the British Companies Act around the same period as the Cape, they adopted different versions of it. Moreover, their population structures, economic activities and natural endowments were different from those at the Cape. It is therefore important to first have an in-depth investigation of each colony before attempting a comparative study.

Data collection procedures and methodology

This study combined quantitative and qualitative sources. Company records from the limited company archives constituted the largest volume of primary data that was used in this study. It is worth noting that this data has never been used before, and that this study is the first to collect it systematically. This archive contained all the company records in the Cape Colony, because every company that registered for limited liability had to forward their registration documents to Cape Town, where the headquarters of the company registrar was located.[153] In total, 457 companies and 6883 investors were examined for the purpose of this dissertation. The convenience sampling technique was used to complete this task. This method was mostly used to collect data about investors because some of the companies were missing this information. This was because of various reasons. Some company records had been damaged beyond comprehension and others simply did not have shareholder lists. After enquiring with the archivist why this was the case, it was explained that some companies destroyed their records for reasons unknown. Convenience sampling was therefore the most practical method to adopt for this study. It is a non-random technique that is used to collect data for a study where it is impossible to sample the entire population. I. Etikan, S. Musa, and R. Alkassim also state that it is used to study subjects of a population that are readily accessible to the researcher.[154] Critics often argue that this method does not provide a true representation of the population under

[152] G. Magee, L. Greyling, and G. Verhoef, "South Africa in the Australian Mirror: Per Capita Real GDP in the Cape Colony, Natal, Victoria, and New South Wales, 1861-1909", *Economic History Review*, 69, 3, (2016), 896.
[153] H. Tennant, *The Companies Act, 1892, with Marginal Reference to the English Statutes*, 5.
[154] I. Etikan, S. Musa, and R. Alkassim, "Comparison of Convenience Sampling and Purposive Sampling", *American Journal of Theoretical and Applied Statistics*, 5, 1, (2016), 2.

study and that one may not make inferences using results from this technique. However, for this study, this limitation does not pose a grave problem because the data collected illustrated a consistent trend. For every year that was analysed, the results were consistent. Where the results differed, there were reasonable explanations to support why this was so. Given this pattern, it is possible to argue that convenience sampling allowed this investigation to give a general overview of company formation at the Cape as well as the structure of its private capital market.

The availability of this data in the Cape archives was made possible by the stipulation in the Company Act that all companies upon registration were requested to deliver copies of their documents to the company registrar (see appendix 1 and 2 for samples). These records were then placed in the Western Cape Archives and catalogued under 2997 companies. Within this catalogue, company documents were placed into different volumes with specific numerical codes. These companies were allocated a number that followed a chronological order based on the year in which they were incorporated. This format made access to company data less strenuous. Figure 2 below shows the information that was found in these records.

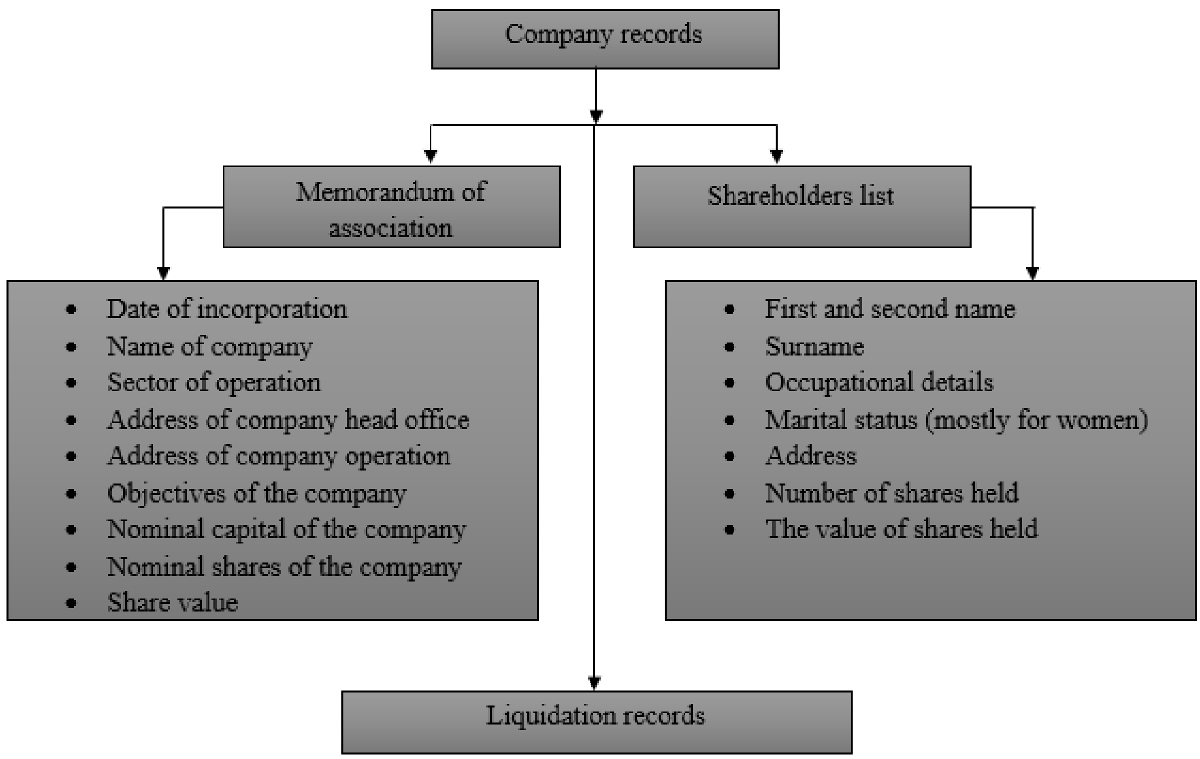

Figure 2: Data from company records.

Source: Author's own formulation.

In these documents, companies provided in a memorandum of association the names, addresses and occupations of the seven founding members of the company. This included information about the number of shares each of these members held. Companies were also requested to disclose their nominal capital and the number of shares into which this capital was divided, the number of shares taken, and the amount paid on each share.[155] These records also provided the name of the company, the address of its offices, as well as that of its operation. In the memorandum of association, the company had to provide information about its objectives, a brief background about the company, which in many cases revealed previous business arrangements that the company held before seeking limited liability.

This data was transcribed into an excel spreadsheet for further analysis. Since this dissertation answers different questions about joint stock companies at the Cape, information about companies and that of its investors was transcribed separately. As already mentioned, there were instances of missing data in the records, but this was more in the records concerning investor information than company information. For companies, the main challenge was inconsistencies in the information about issued capital and shares. This data was missing in some of the company records. As a result, nominal capital and nominal shares were used to analyse the size of the companies. There were also inconsistencies with termination information of the companies. Some company records simply did not provide this information, but some had company records that extended to the mid-twentieth century. This suggested that they could have still been in operation.

Regarding investor information, only 60% of the 457 companies had information on their investors. Like the above, some simply did not have this information while some had it, but it was difficult to comprehend. The handwriting was difficult to read in some instances and sometimes the documents were damaged and illegible. The other challenge, as will be shown in chapter three, was that investors provided inconsistent information. This included their addresses and occupational details. However, this did not pose a serious hurdle, because people

[155] *Ibid.*, 5-6.

changed locations during this period and they also took up different jobs. To shed light on how this data was used, the section below discusses the guiding theoretical framework for this study.

Theoretical perspective

The study of joint stock companies has been shaped by ideas of important thinkers from the past. It is for this reason that the framework of this dissertation borrows from the works of John Stuart Mill, Joseph Schumpeter, Simon Kuznets, Ronald Coase and Alfred Chandler. As previously stated, the first critique of the joint stock corporation came from Adam Smith, who argued that they could never maintain themselves except in the branches of banking and finance.[156] This was based on the observation that they had a poor survival rate, and that this would be worse in other sectors of the economy. However, John Stuart Mill, who had been impressed by the success of joint stock companies in the USA, responded by stating that during Adam Smith's time there were a few instances of successful joint stock companies. Since then, he argued that there were many successes to the extent that their continued multiplication would have a positive impact on the economy.[157] During the time of his writing, England lagged far behind the USA in terms of issuing charters with the privilege of limited liability. This issuing of charters seemed to have yielded positive results in the USA. Mill then recommended the adoption of limited liability in England with the anticipation that it would encourage investment.[158] Likewise, the impact of the 1892 Amendment Act at the Cape was seen in the variety of companies that emerged across its commercial landscape. More so, in line with Mill's observations on the success of joint stock companies, this study shows that joint stock companies which engaged in other sectors of the economy had a positive survival rate at the Cape.

Joseph A. Schumpeter's work on economic development provides the leading framework for this dissertation. In this study, the stimulus for economic development is innovation, which is defined as the commercial or industrial application of something new, i.e., a new product, process, or method of production; a new market or source of supply, a new form of commercial,

[156] A. L. Harris, "J. S. Mill on Monopoly and Socialism: A Note", *Journal of Political Economy*, 67, 6, (1959), 604.
[157] *Ibid*.
[158] F. G. Kempin Jr, "Limited Liability in Historical Perspective", *American Business Law Association Bulletin*, 4, 11, (1960), xxx.

business, or financial organisation.[159] He emphasises that the great innovations in history, such as railroads, emerged from commercial and industrial sectors of the economy, and not the "sovereign consumer" as classical theory had previously suggested. He describes how this process incessantly revolutionised the economic structure from within, destroying the old one, and creating a new one – a process he called "Creative Destruction". This process of innovation, however, needed to be financed. It could not be financed by ploughed-back capital, because the risk involved with shifting to new systems of production was beyond the reach of meagre ploughed-back capital. Therefore, ground-breaking innovation was dependent on the availability of credit.[160] As will be shown in the next chapter, companies engaged in new sectors, such as laundry and recreational facilities, emerged, and a few of those that existed experienced significant changes after the Company Act was passed.

Joint stock companies have also been discussed as transaction-cost minimising agents. Important thinkers in this paradigm include R. Coase whose work suggests that if external costs exceeded internal costs in a company, greater profits could be realised. If the opposite was the case, very little room was available for it to grow.[161] The many instruments that accompanied the Company Acts such as limited liability, winding-up laws and the transferability of shares, among other things, reduced the time and financial costs that entrepreneurs would have incurred internally. In this study, this is shown by the gradual rise in the number of companies incorporating, as well as by the number of company take-overs that were recorded in the period under study. This illustrates how relatively easy it had become for failing companies to change ownership.

In addition, John Stuart Mill's work also pioneered the idea that managerial changes in joint stock companies brought great advantages with them. He believed that the efficiency and responsibility of managers of these companies could be increased by giving them part of their remuneration in the form of a percentage of profits.[162] This was followed by A. D. Chandler's seminal work on "strategy and structure", which made him one of the most recognised scholars

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[159] J. E. Elliott, *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle* (London: Transaction Publishers, 1980), 10.
[160] *Ibid*.
[161] M. Kipping and B. Udisken, "Management History and Management Studies", ed., Jones, G and Zeitlin, J. *The Oxford Handbook of Business History* (Oxford: Oxford University Press, 2007), 100.
[162] A. L. Harris, "J. S. Mill on Monopoly and Socialism: A Note", 604.

in business history. Like Mill, his work acknowledges the importance of professional management in the performance of firms. It suggests that the rise of large-scale business in the USA before 1940 was because of professional managers. In his 1990 publication, Chandler makes a comparison between the USA, Great Britain, and Germany, and concludes that firms that made a three-pronged investment in production, distribution, and management were able to become first movers in many industries.[163]

Apart from managerial structures, the introduction of limited liability expanded the capital market. As companies multiplied, capital demands surged, thereby expanding the capital market. Simon Kuznets' work suggests that during this process, efficient capital markets play an important role in economic growth and distributing income. This is based on the argument that when initial income disparities are high, and the savings rate is low, economic growth leads to a more equal income distribution.[164] His hypothesis is that income inequality distribution would increase in the early phases of development, later to decrease again.[165] Although this study does not seek to test his hypothesis, his work confirms the importance of the modern company.

Structure and outline of the study

Following the introductory chapter, this dissertation contains five chapters that will examine specific themes. Chapter two, titled "Incorporating Growth: Joint Stock Companies at the Cape, 1892-1902", examines the impact of limited liability in company formation at the Cape Colony. It looks at the sizes of these companies, their geographical location, as well as the sectors in which they operated. Most importantly, this chapter shows that the 1892 Company Act had a positive impact on business at the Cape. This is shown by the gradual growth of companies in the colony between the period under study. Findings from this chapter also reveal that although mining companies registered the highest number of joint stock companies, there was a considerable number of enterprises that incorporated under the 1892 Act. Moreover, they survived longer than the mining companies did. The diversity of companies in the colony also

[163] G. Jones and J. Zeitlin, "Introduction", ed., Jones, G and Zeitlin, J. *The Oxford Handbook of Business History* (Oxford: Oxford University Press, 2007), 2.
[164] T. F. Totheli, "The Kuznets curve: determinants of its shape and the role of finance", *Studies in Economics and Finance*, 2, (2010), 1-2.
[165] S. Kuznets, "Economic Growth and Income Inequality", *American Economic Review*, Vol. 45, 1, 3, (1955), 4.

suggested that as new companies emerged, new markets and products were created. This meant that limited liability had assisted the growth of new production systems. In this chapter, this is illustrated by the growth of manufacturing companies, as well as the mechanisation of agricultural enterprises.

The third chapter, titled "People's capitalism? Share dealings and speculation at the Cape between 892-1902", discusses *who* financed Cape joint stock companies and *why* they did it. This chapter contributes to the literature on the history of entrepreneurship at the Cape. It adds to the knowledge about the people who financed businesses at the Cape. Contrary to preceding studies which have often emphasised the role of merchants and prominent capitalists in financing businesses, this chapter shows that the Cape capital market was diverse, and that its local capital base had individuals from different social and economic backgrounds. This chapter suggests that limited liability reduced the risks that were often associated with investments. This gave many people the opportunity to build wealth by means of capitalist activities such as investing in shares. An important finding from this study is that of all the investor categories discussed in this chapter, the middle-class constituted the largest group of investors in the colony. More so, this unique dominance of the middle-class was accompanied by the rise of women investors. As will be discussed in detail in the chapter, women during this period were excluded from most income-generating opportunities. It was therefore interesting to see them participate in the securities market. In addition to this, this chapter discusses the various behaviours that were displayed by investors at the Cape. The most notable of all was the behaviour of farmers in the capital market. Unlike other investor groups that had diverse investment patterns, farmers only invested in financial organisation and agricultural companies.

The fourth chapter titled ""Invest like a woman": Capitalism and Opportunities for Mobility for White Women at the Cape, 1892-1902" discusses the growth in the number of women investing in the capital market. This includes examining the reasons *why* they invested, *where* they got the money to do so, and the type of companies in which they preferred to invest. This chapter also discusses the behaviour of women in the capital market.

Chapter five is titled "“Crisis and resistance”, How farmers navigated environmental disasters through joint stock companies between 1892 and1902” discusses the behaviour of farmers in the capital market. Since farmers had specific investment preferences, this chapter narrates the potential reasons that may have influenced this. Chief among them are the effects of the *phylloxera* and rinderpest epidemics. Faced with such environmental disasters, farmers' incomes were compromised. Their hopes to salvage what was left from their vineyards and livestock were shattered when the government struggled to compensate them adequately for their losses. As a result, they turned to private capital for solutions. Many of the agricultural companies that emerged during this period provided specific services and products, which helped farmers cope with the fatalities that had been caused by the two epidemics. It is therefore the guiding argument of this chapter that farmers were biased in their investments, because they sought to salvage the economic sector from which they derived their livelihoods.

Chapter two: Incorporating growth: Joint-stock companies in the Cape Colony, 1892-1902

Introduction

After the 1892 amendment of the Cape Joint Stock Company Act, there was a rise in the number of companies in the colony. This chapter proposes that the changes that were embedded in this legislation played an important role in this development by making the incorporation of joint stock companies easier than it had been in previous years. Although the mining industry recorded the largest number of joint stock company formations, enterprises from various sectors of the economy also registered for limited liability. Moreover, these companies survived longer than the mining companies did. This chapter analyses the impact of this legislation on entrepreneurship, i.e., how it changed the company landscape of the colony. This includes analysing the sectors that opted for company incorporation, the sizes of these companies, as well as their geographical distribution.

Drawing from Schumpeter's theory of economic growth, this chapter illustrates how limited liability enabled the gradual process of creative destruction at the Cape. Production processes gradually shifted from proto factories[1] located on the farms to relatively large capitalised joint stock companies in towns and cities. This is shown by the significant drop in the number of merchant corporations at the Cape, and the simultaneous proliferation of manufacturing companies. This suggested a gradual break from the usual dependence on British imported products. Although the colony continued to import certain articles, it is not far-fetched to suggest that the process to becoming self-sufficient began during this period, a process for which the joint stock company legislation was a catalyst. The range of these manufacturing companies included food and beverage producers, clothing manufacturers, and those producing manufactured mining equipment.

These developments, however, should not be seen in isolation. This is because the Company Act came after important economic changes at the Cape, which included the discovery of minerals and rapid population growth. All these processes ushered the colony towards a finance-led economy. Consumption patterns had increased during this period due to mining

[1] This was a form of rural manufacturing that had its roots in feudal Europe.

activities, and this created a high demand for goods, services, and houses. New business opportunities arose, and the introduction of limited liability provided an institutional mechanism to facilitate their realisation.

This chapter is divided into four sections. The first discusses the impact of the Company Act in Britain. The second provides background on the nature of business at the Cape prior to limited liability. The third examines company development after the 1861 legislation up to 1892, and the fourth is a section on the effects of the 1892 Amendment Act on company formation. This is followed by a conclusion.

The impact of the Company Acts on Company formation in Britain

Even after the repeal of the Bubble Act in 1825 and the passing of the 1844, 1856 and 1862 Company Acts, businesses continued to operate as partnerships in Britain.[2] A rapid increase of companies registering for limited liability only became a reality in the 1880s.[3] J. Mokyr argues that the absence of limited liability was not an obstacle to technological progress and industrial growth. This was because during the Industrial Revolution there was almost no incorporation allowed for manufacturing companies or limitation of liabilities for investors in the industry.[4] As a result, Britain had led the Industrial Revolution by means of partnerships which, in many cases, were closely tied to family firms. The inclusion of strangers as passive partners was not common practice. In the few instances when it happened, active partners were quick to buy out these individuals.[5]

There are various reasons that have been proposed to explain the anxieties around forming or investing in joint stock companies. The most obvious one, partly discussed in the previous chapter, is that joint stock companies earned a bad reputation because of the South Sea Bubble. The insolvencies that followed that event may have left many wondering about the practicalities of storing and building wealth by means of joint stock company shares. J. B. Jefferys' work, on the other hand, suggests that after the passing of the Acts, companies

[2] J. Mokyr, "Editor's Introduction: The New Economic History and the Industrial Revolution", in *The British Industrial Revolution: An Economic Perspective*, ed. J. Mokyr (New York: Westview Press, 2018), 34.
[3] H. A. Shannon, "The Limited Companies of 1866-1883", *The Economic History Review*, 4, 3, (1933), 290.
[4] P. Mathias, "Financing the Industrial Revolution", in *The First Industrial Revolutions*, ed. P. Mathias and J. A. Davis (London: B. Blackwell, 1990), 69.
[5] J. Mokyr, "Editor's Introduction: The New Economic History and the Industrial Revolution", 64.

voluntarily reduced the impact of limited liability by issuing shares of high par value with large amounts of unpaid capital.[6] This compromised the advantages that came with limited liability, because if a company failed, the shareholders were liable for large amounts of unpaid shares, even though they were shareholders in a limited liability company.[7] This only changed after the crash of 1866 when company promotors were forced to revise their approach of high share denominations and unpaid capital. As a result, in 1867 many companies had lower share denominations and fully paid shares. This attracted investors from all spheres of the society, not only because shares had become accessible to all, but because fully paid shares were easily tradeable.[8]

The crisis of 1866 was also another contributing factor of anxieties about joint stock companies. It was a result of a financial crisis sparked by *Overend, Gurney and Company*. For over a century this company provided short-term loans to London banks. Its success in the financial sector earned it the title of "the banker's banker".[9] In the 1860s, a new generation of management adopted a speculative approach, which was characterised by investments in long-term assets in the railways sector. Consequently, a few years later it found itself in a liquidity trap, caused by a balance sheet of long-term assets and short-term liabilities. In 1865, it was decided that the company should convert from a partnership to a limited liability company to shore up its capital. This was during the height of the railway boom, which was an ideal period for the company to float its shares. Unfortunately, the boom did not last.[10]

When the Bank of England refused to provide liquidity, *Overend, Gurney and Company* suspended payments. This initiated a panic caused by runs at its branches across England.[11] Many banks to which it owed money were faced by crisis, and this caused the failure of over 200 companies, which included financial institutions. The company's directors were tried for fraudulent closure, but it was found that the company's failure was purely a result of error, and not of fraud. This made the confidence of the public dwindle with regard to limited liability

[6] J. B. Jefferys, "The Denomination and Character of Shares, 1855-1885", *Economic History Review*, 16, 1, (1946), 45.
[7] *Ibid*.
[8] *Ibid*.
[9] A. Fallis, *Evolution of British Business Forms: A Historical Perspective* (London: Institute of Chartered Accountants in England and Wales, 2017), 19.
[10] *Ibid*.
[11] *Ibid*.

companies.[12] This is because apart from this crisis, companies which were registered in the 1850s and 1860s were speculative, and often failed.[13] Fraudulent activities were often the reason for these failures, although there were instances of mismanagement and misfortune, such as in the above case.[14] As a result, the public continued to be wary of holding shares in these joint stock corporations. However, these experiences, together with those from the 1866 crisis, led to very important reforms in company legislation, which reduced the level of anxiety among investors with regard to joint stock companies across society.[15]

It is therefore clear that the impact of limited liability in Britain was gradual. Using a nine-year interval system to gauge the rate of company growth, H. A. Shannon shows that company registration in London after the Acts were passed, was 25% higher in 1866-1874 than in 1856-1865, and 55% higher in 1875-1883 than in 1866-1874.[16] This period was characterised by an acute rise in company formations, share manias for companies in various sectors, and slumps due to over-speculation. As a result, many of these companies had a very short average lifespan. Of the companies that were formed between 1856 and 1865, 35% became insolvent within five years, 37% of those formed between 1866 and 1874, and 36% of those formed between 1875 and 1883.[17]

However, to fully understand the impact of the Company Act, it is necessary to revisit company formation before the era of limited liability in Britain. The section on the evolution of joint stock companies in the previous chapter shed light on the legal restrictions that were placed on the accessibility of limited liability in the period before 1844. Amidst these restrictions, the work by C. E. Walker (1931) and J. Mickelthwait and A. Wooldridge (2003) shows that banks, merchant, mining, canal and railway companies recorded the highest numbers of charters or

[12] *Ibid*.
[13] M. Lobban, "Nineteenth Century Frauds in Company Formation: *Derry v Peek* in Context" *Law Quarterly Review*, (1996), 317.
[14] *Ibid*.
[15] A. Fallis, "Evolution of British Business Forms: A Historical Perspective", 19.
[16] H. A. Shannon, "The Limited Companies of 1866-1883", 290.
In absolute figures, the first nine years of limited liability (1856-65) recorded 4859 company registrations in London. From 1866 to 1874 there were 6 111 registrations, and in the next nine years 1875 to 1883, there were 9551. See also H. A. Shannon, "The Limited Companies of 1866-1883", 292.
[17] *Ibid.*, 302.

Acts by parliament to permit limited liability.[18] One of the reasons for this pattern was that joint stock companies played a very important political role during this period. After the growth of maritime trade in the seventeenth century, they secured trade routes for the Royal Crown and accumulated bullion from different corners of the globe. They were pivotal in the expansion of the British Empire.[19] It is perhaps the reason why the government was not willing to make the privilege of limited liability easily accessible to any business. This was because these organisations had the potential to grow and wield power that could challenge the authorities.[20] Therefore, businesses in other sectors of the economy operated as partnerships or sole traders. In fact, industrialists from established sectors of the Industrial Revolution such as iron, steel and cotton opposed limited liability in the 1850s.[21]

Despite this slow start, the growth of private joint stock companies was an immediate outcome of the passing of the Acts. Although public companies continued to dominate, there was a strong rising trend of private companies in the shipbuilding and railways sectors.[22] The period between 1863 and 1865 also saw rapid company formation in the financing, banking, insurance, and hospitality sectors. After the passing of the Company Act of 1867, there was a further 5% increase in the number of company registrations.[23] This was followed by a boom in mining companies in the 1870s. There were 135 companies formed for foreign mining operations between 1871 and 1873. About 41% of these companies were incorporated in 1871. Within the overall figure, 52 companies were in the gold and silver industry, 17 in copper and lead, 18 in iron and coal, and 48 in unspecified mining explorations.[24] Coal mining companies throughout 1873 were formed at a rate of two companies a week. By 1874 there were 84 coal mining companies.[25]

Apart from the mining companies, there were also company formation booms in the recreational and hospitality sectors. The first was alleged to have resulted from the passing of

[18] C. E. Walker, "The History of the Joint Stock Company", *The Accounting Review*, 6, 2, (1931), 99; J. Mickelthwait and A. Wooldridge, *The Company: A Short History of a Revolutionary Idea*, 24.
[19] J. Mickelthwait and A. Wooldridge, *The Company: A Short History of a Revolutionary Idea*, 24.
[20] *Ibid*.
[21] P. Lipton, "The Introduction of Limited Liability into the English and Australian Colonial Companies Acts: Inevitable Progression or Chaotic History?", *Melborne University Law*, 41, (2018), 30.
[22] *Ibid.*, 29.
[23] H. A. Shannon, "The Limited Companies of 1866-1883", 304.
[24] *Ibid*.
[25] *Ibid*.

the 1872 Ballot Law. The emergence of the secret ballot changed the electioneering law in Britain, and Shannon claims that this period was followed by massive registrations for local political pubs. He argues that this was followed by a temperance wave in the 1870s, which resulted in the rapid growth of tea and coffee taverns, as well as hotels and restaurants. In the second boom, the year 1876 recorded the registration of 29 skating rinks.[26]

Following this spate of company formations in the recreational and hospitality sector, Lipton notes that the cotton, iron, and steel industries began to embrace the advantages offered by limited liability. This was because by the 1880s, capital demand for technological advancements had surged. Moreover, many family businesses engaged in these sectors needed extra capital to avoid the risk of insolvency.[27] One of the outcomes was that in the mid-1880s, Sheffield and Oldham became leading centres of cotton joint stock companies in the country. Of these two districts, Oldham had a more acute increase in company formations.[28] Between 1858 and 1896, the cotton industry in Oldham recorded a total registration of 154 joint stock companies.[29]

The following sectors to experience booms in company registrations were electric companies and single-ship companies. From 1881 to 1883, 126 electric companies were formed.[30] This rapid rise in electric companies could have been a response to the massive technological advancements discussed above. However, this growth was followed by several disputes and litigations over patent rights. For the single ship companies, the boom was mostly concentrated in Liverpool where there was a lot of merchant activity. Shannon states that there was one such company in 1878, then 9 in 1879 and 20 in 1880. The figures doubled after this period with 66 single-ship companies registered in 1881, 96 in 1882 and 111 in 1883, which made up a total of 273 in three years.[31]

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[26] *Ibid.*, 305.
[27] P. Lipton, "The Introduction of Limited Liability into the English and Australian Colonial Companies Acts: Inevitable Progression or Chaotic History?", 30.
[28] L. Newton, "The Finance of Manufacturing Industry in the Sheffield Area c.1850-c.1885", 3.
[29] *Ibid.*
[30] H. A. Shannon, "The Limited Companies of 1866-1883", 306.
[31] *Ibid.*

The 1880s was also the decade of great mineral discoveries in the Empire, particularly in South Africa, India, and Australia. This led to another spike in the registration of mining companies for overseas explorations. Between 1880 and 1881, 22 companies were registered for mining gold and silver, and two for diamonds explorations.[32] In the following year, 19 companies were formed for mining gold and 13 for diamonds. This trend continued throughout the 1880s decade, as more minerals like copper and lead were discovered in large quantities in British territories. However, this momentum was halted in 1890 because of the Baring Crisis – a recession that closely resembled the *Overend, Gurney and Company* crisis. It began when the Baring Bank of London, led by Edward Baring, faced insolvency in 1890 after making poor investments in Argentina. In a panic, scores of British investors sold off their Latin American securities leaving the Bank on the brink of insolvency.[33] The trickle-down effect of this recession was company liquidations in Britain.[34]

After this crisis, British joint stock companies continued to grow well into the twentieth century. Work by L. E. Davis and R. Huttenback, and D. R. Green, A. Owens, J. Maltby and J. Rutterford has shown that in the 1890s and 1900s there were various investment opportunities for British investors both within and beyond Britain.[35] Having discussed the growth of British joint stock companies throughout the nineteenth century, a key finding was that the introduction of limited liability did not result in an immediate surge in company formations. A notable rise in Britain came about 23 years after the first Company Act had been passed. From the 1860s, there were booms and bursts in the formation of company engaged in various sectors of the economy. As a result, the survival rate among these companies was very low. The analytical perspectives from these studies will be used to show what impact the Cape Company Act had on the growth and distribution of companies between 1892 and 1902. But first, the following section gives a background on the distribution of companies at the Cape prior to the passing of the Company Acts. This will help determine the extent to which limited liability changed the Cape's commercial landscape.

[32] *Ibid.*, 305.
[33] A. G. Ford, "Argentina and the Baring Crisis of 1890", *Oxford Economic Series*, 8, 2, (1856), 127.
[34] H. A. Shannon, "The Limited Companies of 1866-1883", *The Economic History Review*, 4, 3, (1933), 295.
[35] L. E. Davis and R. Huttenback, *Mammon and the Pursuit of Empire: The Economics of British Imperialism* (Cambridge: Cambridge University Press, 1988), 59; D. R. Green, A. Owens, J. Maltby, and J. Rutterford, "Men, Women, and Money: An Introduction", edited by Green, D. R., Owens, A., Maltby, J., and Rutterford, J., *Men, Women, and Money: Perspectives on Gender, Wealth, and Investment 1850-1930* (Oxford: Oxford University Press, 2011), 2.

Business and company formation at the Cape before 1892

Throughout the course of this investigation, commerce and agriculture were the largest economic sectors in the colony – dominated by merchants and farmers. This was followed by the financial sector, which in the earlier years was often financed by foreign capital.[36] Apart from these sectors, manufacturing, mining and even the transport industry remained rudimentary. This was partially because the cash income of the majority of people was too meagre to provide much purchasing power, and because much of the population was rural and isolated. This was particularly true in the seventeenth century when the need to develop large commercial structures was not immediate. The food that was consumed by white farming families as well as articles such as soap and candles were made at home by farmers' wives and daughters, while each farmer built and repaired his wagon himself and made his rough harness and boots. There was almost no market for factory goods.

In addition to this, throughout the seventeenth and bits of the eighteenth century, business at the Cape was concentrated in the western region around Cape Town. After the arrival of the 1820 settlers' businesses spread to the east with Port Elizabeth at the centre, although they were still less capitalised than the ones in the western region.[37] To fully appreciate the dynamics behind the growth of business and company formation at the Cape, it is important to acknowledge that commerce between 1652 and 1861 evolved during two different administrative epochs. The Cape Colony shifted between Dutch and British rule during this period and this has led to numerous inquiries by scholars on which of the two contributed significantly towards South Africa's economic growth in the 1890s.[38]

When compared like this, Britain is often credited for furnishing the institutions and capital that engineered economic progress.[39] In 1795 after British occupation at the Cape, a VOC official, Johannes Frederick Kirsten, wrote a letter to the British government describing how

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[36] J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", Master's Dissertation, University of Cape Town, 1989, 88.
[37] *Ibid*.
[38] *Ibid*.
[39] S. Jones, "Business Imperialism and Business History", *South African Journal of Economic History,* Volume 11, No 2: 1996, 1.

the colony was facing ruin. He claimed that most farmers, as well as the inhabitants of the towns, were in enormous debt and that most of their property was under sequester.[40] S. Jones also describes how the economic climate at the Cape before to the so-called Mineral Revolution was "far from favourable".[41] His argument is informed by the prevalence of subsistence agriculture during Dutch rule, a rudimentary education system and slavery. These conditions, according to him, stifled the process of modern capitalism. While this may be true, economic historians such as R. Havemann and J. Fourie have proven that the Cape under Dutch rule was relatively more vibrant than it was thought to be, based on its response to the 1788-1793 financial crisis.[42] Moreover, J. Fourie and C. Swanepoel by using probate inventories show that there was development of strong credit markets in the colony under Dutch rule. These were used for long-term investment in land by means of bonds. Considering that credit markets develop concurrently with a market economy, this challenges the earlier perceptions of the Cape as an economic backwater under Dutch rule.[43]

Given these debates, it is fair to treat both epochs equally as they both, to varying degrees, contributed to the development of entrepreneurial capitalism in the colony. The foundation of the modern company in South Africa, therefore, should be traced back to 1652 when the VOC settled in Table Bay. For the purposes of this study, the most important event from this time is when the company released free burghers.[44] Increased maritime traffic five years after the settling of the victualling outpost at the Cape escalated the demand for services. As a result, the Company freed a few of its servants to augment supplies by means of agricultural production.[45] This was the beginning of entrepreneurial capitalism in the colony.

[40] J. Fourie and C. Swanepoel, "'Impending Ruin' or 'Remarkable Wealth'? The Role of Private Credit in the 18th-Century Cape Colony", *Journal of Southern African Studies*, 44, 1. (2018), 7.
[41] J. Nattrass, *The South African Economy: Its Growth and change* (Cape Town: Oxford University Press, 1981), 130.
[42] R. Havemann and J. Fourie, "The Cape of Perfect Storms: Colonial Africa's First Financial Crisis, 1788-1793", Working Paper, Economic Research Southern Africa, 2015, 2.
[43] J. Fourie and C. Swanepoel, "'Impeding Ruin' or 'Remarkable Wealth'? The Role of Private Credit in the 18th-Century Cape Colony", 7.
[44] C. Hamilton, *The Cambridge History of South Africa Vol. I: From Early Times to 1885* (Cambridge: Cambridge University Press, 2012), 174.
[45] *Ibid.*

The stipulations of this arrangement were that burghers were to sell their produce only to the company and at a designated price.[46] In this seemingly mercantile economy, commerce existed both legally and illegally. Legal commerce in agricultural produce was carried out under a concession known as a *pacht,* which expanded the market for burghers beyond the VOC.[47] It allowed them to supply commodities such as meat, butter, wine and beer to both the company and the public for a specific period of time. Sometimes this concession extended to passing ships. The *impost* was another legal concession which, unlike the *pacht*, was specifically designed for burghers who sought to trade their wine directly with passing ships.[48]

Illegal trade, on the other hand, thrived in goods and services, which the company could not provide in sufficient quantities. It was often conducted by individuals connected to company officials, who also had the help of passing ships. These illicit traders took advantage of the extra services that merchants, and crewmen demanded in their long stays anchored at Table Bay, which amounted to approximately 27 days on average. Thus, a group of traders, composed of transporters, ship builders and retailers emerged along the coastline to provide these services. Some even developed into specialised traders who covertly procured exotic products that could not be supplied by the company. These products included textiles, wood, Japanese wood, and many other products.[49]

Wine production was another trade that took off during Dutch occupation. This was quite ironic considering that the Dutch were predominantly beer drinkers when compared to other European societies. Less than a decade after their settlement at the Cape, they began to produce wine from vines that had been brought by Jan van Riebeeck – the first commander of the Dutch contingent at the Cape as well as the colonial administrator.[50] Since priority was placed on the production of foodstuffs to supply passing ships, wine production was low. This was also due to the small number of European settlers in the colony, coupled with capital constraints. However, N. Vink, W. H. Boshoff, G. Williams, J. Fourie and L. S. Mclean note that the

[46] J. Fourie and C. Swanepoel, "'Impending Ruin' or 'Remarkable Wealth'? The Role of Private Credit in the 18th-Century Cape Colony", 144.
[47] J. L. Meltzer, "The Growth of the Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 18.
[48] *Ibid.*
[49] *Ibid.*
[50] D. J. van Zyl, "Vineyards and Wine and History", Working Paper, History Department, Stellenbosch University, 33.

favourable climatic conditions and terroir of the Cape later turned viticulture into a lucrative and thriving industry. This was particularly augmented by the arrival of wine-producing French Huguenots in 1688.[51] Originally from the wine-producing southern parts of France, these men introduced new farming techniques that transformed the Cape's wine industry.[52]

Apart from agriculture, the VOC also made attempts at mining. In 1740, a self-proclaimed 'master miner', Diederik Muller, alleged that there were rich silver deposits near Groot Drakenstein. Under the mercantilist policies of the VOC, no action could be taken without the consent of the government. As a result, a group of burghers formed themselves into an 'Association to work the mine' and applied to the Governor to search for minerals in the region. This application for a charter was approved three years later. Their establishment, the *Octrojeerde Society der Mynwerken aan de Simonsberg* (*Chartered Society for Mining Work in the Simonsberg*), only commenced explorations in 1743.[53] Unfortunately after patiently awaiting approval, and attracting investments from esteemed members of the Cape society, such as like Baron Gustaaf Willem van Imhoff, grandee from the Netherlands, and two future governors, then senior officials, Hendrik Swellengrebel and Ryk Tulbagh, the mining expedition failed.[54] With the hopes high among the investors, it was later discovered that Muller was a crook. The substance he claimed to be silver was later found out to be nothing of the sort.[55]

The Dutch mercantile system also gave birth to a group of men who had great entrepreneurial ambitions. Amongst these were Dirk Gysbert van Reenen[56] who became a renowned meat entrepreneur, and Maarten Melck[57] who was both a wine and building material supplier to the

[51] N. Vink, W. H. Boshoff, G. Williams, J. Fourie and L. S. McLean, "South Africa", in *Wine Globalization: A New Comparative History*, edited by K. Anderson and V. Pinilla (Cambridge: Cambridge University Press, 2018), 285.
[52] J. Fourie and D. Von Fintel, "Settler Skills and Colonial Development: The Huguenot Wine-Makers in Eighteenth Century Dutch South Africa", *Economic History Review*, 67, 4, (2014), 932.
[53] E. Rosenthal, *On Change Through the Years: A History of Share Dealings in South Africa* (Cape Town: Flesch Financial Publications, 1968), 16.
[54] *Ibid*.
[55] *Ibid*.
[56] Apart from being a meat trader, Dirk van Reenen also made much of his wealth from brewing beer. However, despite his initial wealth, he is said to have died insolvent. See D. W. Kruger, *Suid Afrikaanse Biografiese Woordeboek II* (Pretoria: Raad vir Geesteswetenskaplike Navorsing, 1986), 818-819.
[57] Maarten Melck built his wealth after marrying Anna Margaretha Hop in 1752. She was the widow of his former employer, Johan Giebeler, who owned Elsenburg farm. During this period, marrying rich widows for their wealth

company.[58] There were also a few retail specialisations across the colony during this period, but they were few. Meltzer notes that by 1786 there were 36 flour and wheat dealers in Table Valley, whose trading activities more closely reflected that of general dealers in merchandise, and this included hardware, soft goods, and food.[59]

This was followed by the emergence of financial institutions in the colony. The first of these, which was established under the VOC, was the Lombard Bank in 1793.[60] This bank was important as it provided loans to settlers in the colony. J. Fourie and C. Swanepoel also refer to the growth of private credit markets in the colony during this period. These were also instrumental in providing Europeans (both wealthy and poor) with financial assistance to expand their productive capacity. It was organisations such as these that laid the foundation for similar businesses that were to emerge in the nineteenth century.[61]

Notwithstanding commercial transformations in the period highlighted above, there were inequalities in Cape society, so the advancements discussed above did not trickle down to every corner of the colony. This has been a bone of contention for scholars, such as J. Nattrass, who argue that the conditions in most areas of the colony before British occupation were generally backward.[62] They remained predominantly agrarian, and the settler population there seemed not to have been firmly established. D. Denoon supports this by stating that in these regions the African communities seemed likely to control and contain white penetration of the interior.[63] While this is true, their studies were predominantly qualitative. This posed the risk of homogenising experiences in the colony, therefore, it would be grossly unfair to taint the Cape Colony entirely as an economic backwater during period, especially given the findings presented by twenty-first century South African economic historians. The progress that

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was common. See D. W. Kruger and C. J. Beyers, *Suid Afrikaanse Biografiese Woordeboek II* (Pretoria: Raad vir Geesteswetenskaplike Navorsing, 1977), 612-613.

[58] *Ibid.*, 17.

[59] J. L. Meltzer, "The Growth of the Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859), 18.

[60] E. H. D. Arndt, *Banking and Currency Development in South Africa (1652-1927)* (Johannesburg: Juta and Co., Ltd, 1928), 165.

[61] C. Swanepoel and J. Fourie, "Impending ruin" or "remarkable wealth"? The Role of Private Credit Markets in a Settler Colony", *Journal of Southern African Studies,* 44, 1, (2017), 15.

[62] J. Nattrass, *The South African Economy: Its Growth and change* (Oxford: Oxford University Press, 1988), 129.

[63] D. Denoon, *South Africa Since 1800* (New York: Praeger, 1972), 64.

followed British occupation should be treated as a continuation of a system that was already on course.

When the British occupied the colony in 1795, they implemented changes that catalysed entrepreneurship. For instance, although mercantilist policies were retained, the British implemented indirect rule that limited government intervention, and this promoted a *laissez-faire* approach.[64] This shift in colonial policies was influenced by Britain's unexpected loss of the American colonies in 1783, and it was hoped that a liberal approach would minimise future revolts against the Crown.[65] This arrangement, coupled with the increased number of Europeans in the colony, enhanced the prospect of business growth. In an 1801 report, the British Agent stationed at the Cape, John Pringle, stated that consumption in the colony had increased ten-fold and that he urgently needed assistance in the business of supplying food and other basic commodities.[66]

Signs of escalating demands and Britain's free trade policies were witnessed in the rise of individuals such as Frederik Korsten[67] and Micheal Hogan (important businessmen). In 1811 Korsten established a permanent trading post at Algoa Bay, and within a year substantial butter exports were being shipped to Mauritius. He also opened branch stores at Uitenhage and Grahamstown, the latter centre having been established as a military outpost in 1814.[68] The rapid expansion of his commercial activities to the interior was a good indication of the trading opportunities that were available. Hogan, on the other hand, imported European goods on a large scale and was given permission to supply rice and wood from the east on his ships.[69] The prospects of business were further increased by a guaranteed market in Britain. For instance,

[64] J. L. Meltzer, "The Growth of the Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859), 20.
[65] D. M. Goodfellow, *A Modern Economic History of South Africa* (London: George Routledge and Sons, LTD, 1931), 196.
[66] J. L. Meltzer, "The Growth of the Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859), 20.
[67] Frederick Korsten is remembered as the first man to have settled in Algoa Bay. J. C. Chase notes that he was the founder of Eastern Province Commerce and the builder of the once famous Cradock Palace. See J. C. Chase, *Old Times and Odd Corners: Issue 1 of Port Elizabeth Series* (Port Elizabeth: Historical Society of Port Elizabeth and Walmer, 1969), 5.
[68] B. A. Le Cordeur, *The Politics of Eastern Cape Separatism 1820-1854* (Cape Town: Oxford University Press, 1981), 37-40.
[69] J. L. Meltzer, "The Growth of the Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859), 20.

in 1813 preferential tariffs on wine were introduced.[70] From this point onwards the production of wine grew in leaps and bounds in the colony as farmers and merchants dedicated much of their energy towards it.[71] The sector expanded, and wine became the largest export commodity until the 1840s. It became one of the most important training grounds for early Cape businessmen.[72]

Land speculations also gained momentum around this time. Dooling postulates that it was a great source of profit for the gentry and was even more rewarding when there was slave stability. This enabled slave owners and landholders to increase agrarian output.[73] As a result, there was significant investment in land and, especially, slaveholding.[74] K. Ekama, J. Fourie, H. Heese and L. Martin state that because slaves were more liquid than land, they were commonly used as collateral when securing loans.[75] This was also common in North America as mentioned by F. Gonzalez, G. Marshall, and S. Naidu's in their 2016 publication. They too describe how slaves were a valuable financial asset that could be sold in auction markets, pledged as collateral for loans, and used to settle payments and debts over long distances.[76] Apart from this, other important episodes in the history of company formation during this period included the founding of a non-commercial joint stock company in the form of an amateur theatre stage in Cape Town. It was established by a group of military officers and civil servants, soon after the first British occupation, to reduce boredom.[77]

Furthermore, the arrival of the 1820 settlers was another driving force behind the growth of entrepreneurial capitalism. A. Webb notes that the economy was given a substantial boost by these immigrants. He argues that coming from a rapidly industrialising economy, many of them

[70] D. J. van Zyl, "Vineyards and Wine and History", 37.
[71] *Ibid.*
[72] A. J. Christopher, *Southern Africa: An Historical Geography* (London: Dawson, 1976), 59.
[73] W. Dooling, The Making of a Colonial Elite: Property, Family and Landed Stability in the Cape Colony, c1750-1834, *Journal of South African Studies,* 31(1), 161.
[74] *Ibid.*
[75] K. Ekama, J. Fourie, H. Heese, and L. Martin, "When Cape Slavery Ended: Evidence From a New Slave Emancipation Dataset", Working Paper, African Economic History Network, 2020, 15. Accessed 12 June 2020. https://www.aehnetwork.org/working-papers/when-cape-slavery-ended-evidence-from-a-new-slave-emancipation-dataset/.
[76] F. Gonzalez, G. Marshall, and S. Naidu, "Start-up Nation? Slave Wealth and Entrepreneurship in Civil War Maryland", Working Paper, National Bureau of Economic Research, 2016, 2.
[77] E. Rosenthal, *On' Change Through the Years: A History of Share Dealings in South Africa* (Cape Town: Flesch Financial Publications, 1968), 16.

were imbued with a strong sense of material progress via the accumulation of wealth. The linkage effects of their presence were soon seen in the expansion of trade and the emergence of a more intensely capitalist-oriented agriculture.[78] This was followed by a general influx of British multinational organisations, which in effect cultivated capital relations that were crucial for the development of local companies.[79] Apart from these foreign corporations, there was an increase in the use of charters and Acts of Parliament in the colony in the 1820s. A good example of this is the *Borradailes, Thompson and Pillans Company*, which was incorporated in 1827 under the provisions of the special charter granted by the British Crown.[80] It was a local merchant company that was engaged in international trade.

In the 1830s, capitalist agriculture extended to the eastern region with the growth of the wool industry. British Settlers in this area were armed with advanced techniques to produce wool, and one of the important steps they took was to improve their stocks with imported Merino sheep which were ideal for the trade.[81] The emergence of this industry also happened at the most fortuitous moment, when demand for wool was high in Britain's textile industries. For that reason, Settler farmers on the eastern frontier received a tremendous boost from an immediate market provided by the British Industrial Revolution. By 1834 there were more than 12 000 pure-bred sheep in the Albany district, which together with an even greater number of cross-breeds, supplied nearly 36 500kg wool worth £4 000.[82] Connections with British textile firms played a crucial role in the survival of companies engaged in this trade, as purchasing arrangements with British manufacturers and wholesalers were often made on favourable terms or even short-term commercial credit arrangements.[83]

Apart from being a lucrative industry, wool production was pivotal in catalysing capitalism at the Cape, especially in the eastern region. Jones sees the development of wool as a cash crop

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[78] A. Webb, "Early Capitalism in the Cape: The Eastern Province Bank, 1839-73", in *Banking and Business in South Africa*, 48.
[79] J. Iliffe, "The South African Economic History, 1652-1997", *The Economic History Review, New Series*, 52, 1, (1999), 110.
[80] M. Arkin, *Storm in a Teacup: The Later Years of John Company at the Cape, 1815-36* (Cape Town: Flesch Financial Publications, 1973), 49-52.
[81] *Ibid.*, 90.
[82] A. Webb, "Early Capitalism in the Cape: The Eastern Province Bank, 1839-73", in *Banking and Business in South Africa*, 48.
[83] J. Iliffe, "The South African Economic History, 1652-1997", 90.

as a turning point in the economic history of the Cape Colony, because it led to an accelerated rate of growth and massive investment in a modern infrastructure.[84] The initial stage, which involved wool production, influenced the growth of other sectors that were both directly and indirectly related to it. These were the developments of the wool washing industry at Uitenhage, road infrastructure, and improved harbour facilities at Port Elizabeth.[85]

The wool industry also influenced the expansion of the financial sector on the eastern frontier. Jones and Webb in their separate studies agree that the wool boom and its general need for cash and capital encouraged the development of modern banking in the colony.[86] About ten new local banks emerged in the eastern region of the colony between 1857 and 1862 and they were linked to the growth of the wool industry.[87] Jones argues that although Cape Town led the way with its first modern bank in 1836 (the Cape of Good Hope Bank), the Eastern Province Bank was the first to respond to the stimulus emanating from wool growing.[88]

Apart from wool, slave compensation money in 1837 played an important role in the formation of the colony's earliest joint stock companies.[89] Records from the 1837, 1838 and 1839 Cape almanacs indicate that there was a twofold increase in the number of joint stock company formations after 1837.[90] Figure 3 below illustrates this.

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[84] S. Jones, "Introduction", in *Banking and Business in South Africa*, 3.
[85] A. Webb, "Early Capitalism in the Cape: The Eastern Province Bank, 1839-73", edited by S. Jones in *Banking and Business in South Africa* (New York: Pilgrave Macmillan, 1988), 48-49.
[86] *Ibid*.
[87] *Ibid.*
[88] S. Jones, "Introduction", in *Banking and Business in South Africa*, 7.
[89] K. Ekama, J. Fourie, H. Heese, and L. Martin, "When Cape Slavery Ended: Evidence From a New Slave Emancipation Dataset", 17.
[90] The Cape of Good Hope Almanac and Annual Register for 1837, 1838 and 1839.

Figure 3: Cumulative number of company formations, 1831-1838.

Source: The Cape of Good Hope Almanac and Annual Register for 1837, 1838 and 1839.

This was an anticipated outcome according to the *Advertiser*, as the colonial businesses now had abundant capital in the hands of former slave owners.[91] Slave compensation money jolted the Cape's commercial life and provided new business opportunities for new found wealth. In the following years, the *Advertiser* featured several company formations that were engaged in various sectors that were mainly of financial nature.[92] Among these were banks, insurance and trust companies, and Boards of Executors. A. Ehlers's works reinforces this by showing that from 1834, up until the late 1890s, trust companies could be found in most urban areas of the colony. Examples of these companies include the Board of Executors Company, Cape Town, the Port Elizabeth Assurance and Trust Company, and the Griqualand West Board of Executors Trust and Agency Company Limited established in Kimberley.[93]

In the 1840s, the effects of the slave compensation money began to slow down. In 1838 there was a dramatic halt in new company establishments, until 1844 when the Colonial Bank was

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[91] *Southern African Commercial Advertiser*, February 03, 1849, 44.
[92] *Ibid*.
[93] A. Ehlers, "Die Geskiedenis van die Trustmaatskappye en Eksekuteurskamers van Boland Bank Beperk tot 1971", PhD Thesis, Stellenbosch University, 2002, 4.

founded.[94] Recently D. Bijsterbosch and J. Fourie suggested that this could have been a result of the closure of a tax loophole previously enjoyed by holders of slave compensation money in the 1840s.[95] This was a coffee trade loophole, which made it possible for producers outside the British Empire to avoid high tariffs for imports to Great Britain by travelling via the Cape. Whilst these were strong contributing factors, the wool industry in the eastern region was booming. A. J. Christopher states that the mid-1840s were the years that merino wool farming took off. By 1855 the colony was exporting 12 million pounds of wool. The annual average number of wool exports during this period amounted to £984,000. During this period wool had become an important product in the colony – surpassing wine, which had been the colony's main export.[96]

This period was followed by the discovery of copper in the mid-1850s. This spiked company formation and in a single year, 1855, these companies were worth £100 000 in paid-up capital.[97] As already mentioned in the first chapter, developments during this period influenced the arrival of limited liability. In 1849 *The Philips and King Company* speculated in copper in Springbokfontein in Namaqualand, and it turned out to be a success.[98] Newspapers reported that this could be the next biggest export from the colony, and this fed into the imagination of the public. The copper mining craze reached its height in 1853 when the colonial authorities, after obtaining representative government status, formulated the minerals lease regulations. This lease stipulated that the British monarchy had a right to all minerals on the land not privately owned. Therefore, individuals and companies that had the desire to mine had to rent the right to do so from the government.[99] Like authorities in the previous speculative manias, the colonial government had a direct interest in this industry, hence they designed a legislation that would make capital available to companies interested in the trade.

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[94] J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 89.

[95] D. Bijsterbosch and J. Fourie, "Coffee, Slavery and a Tax Loophole: Explaining the Cape Colony's Trading Boom, 1834-1841", *Southern African Historical Journal*, 72, 1, (2020), 125-126.

[96] A. J. Christopher, *Southern Africa: An Historical Geography* (London: Dawson, 1976), 80.

[97] J. M. Smalberger, *Aspects of the History of Copper Mining in Namaqualand 1846-1931* (Cape Town: Struik, 1975), 47.

[98] *Ibid.*, 18.

[99] *Ibid.*, 22.

Both speculators and investors embraced this opportunity to create wealth. Within six months of the discovery of copper, 200 applications for licences had been received, of which 105 had been issued, and dozens continued to pour in. The only problem was that many of the so-called 'mining companies' did not have the technical expertise to be successful in the mining industry. Moreover, they raised capital based on very vague information. Consequently, all caution had been swept away among many of the investors. Even though companies had little seemingly reliable information, the public had faith in them, purely based on the success of *The Philips and King Company*.[100]

When the initial phase of company promotion had passed, and companies were compelled to commence business, it was realised that Namaqualand did not have a massive bed of copper. In fact, the deposits occurred in irregular veins, with large concentrations of the metal only occurring in a few localised areas.[101] It was not long until investors became aware of these difficulties, as well as to the lack of know-how on the part of the so-called mining companies. This was followed by a slump in copper shares which was the result of the investors wishing to dispose of them. By mid-1855 the copper bubble had burst, leaving behind a string of failed ventures and bankruptcies. The colonial authorities stopped issuing licences, but the damage had already been done.

Events such as these led to severe restrictions on the use of the joint stock company to raise equity capital to finance commercial assets. The crash in copper mining resulted in several reputable merchants and private individuals becoming insolvent.[102] Business appeared to be too risky at the Cape, and the need for limited liability was apparent – an institution that would provide greater safety and transparency. Apart from the risks involved in business, it was generally a cumbersome process to incorporate a company at the Cape. This not only stifled entrepreneurship, but also compromised economic growth in the colony. This was perhaps the reason why the growth of companies was slow in the Colony. The next section discusses the impact of limited liability.

[100] *Ibid.*
[101] *Ibid.*, 24.
[102] J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 169.

Limited liability at the Cape, 1861-1892

Like in Britain, the passing of the first Company Act was not followed by an immediate surge in company formation. The limitations of the 1861 Act that were discussed in the first chapter may have had an influence on this delay in company formation. Using company records from the Cape almanacs, figure 4 below shows that in the space of five years, only 37 companies registered for limited liability.

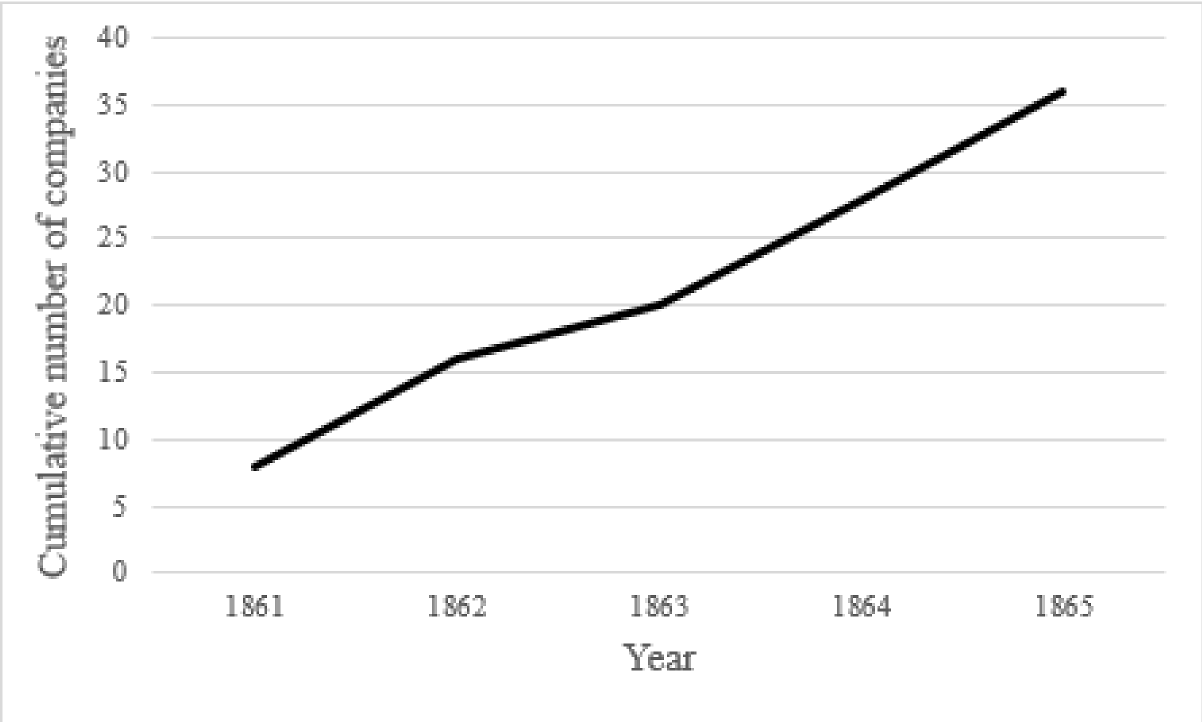

Figure 4: Cumulative number of joint stock companies, 1861-1865.

Source: The Cape of Good Hope Almanac and Annual Register for 1868 and 1869.

Of these companies, 70% were in the financial sector (banks, insurance, and trust companies).[103] This was partly because the Cape economy, unlike the British one, was less developed. Companies in other sectors included mining, real estate and merchant companies. Within this five-year period, a total of 276 806 shares were issued, and the mode of these

[103] The Cape of Good Hope Almanac and Annual Register for 1868 and 1869.

companies' share value was £10. This was relatively modest compared to high share prices in Britain after the passing of the Company Act of 1844. Meltzer notes that overseas companies were among the first companies to convert to limited liability in these early years. They also dominated in terms of capital to the extent that the only local organisations to rival the scale and operation of overseas concerns were five banks, i.e., The Eastern Province Bank, Cape Commercial Bank, Cape of Good Hope Bank, Southern African Bank and The Union Bank.[104]

The Cape Joint Stock Company Act of 1861 also came into being a few years before the Mineral Revolution; arguably the most important epoch in South African history .[105] Scholars have argued that this period planted the seed of rapid economic growth in the nineteenth century.[106] S. H. Frankel argues that the hopes of the Colony were immediately ignited and the long-awaited "miracle which Europeans in South Africa needed, had occurred".[107] The discovery of gold in the United States of America, Australian colonies and Canada had also fed this excitement, and the Cape looked forward to expanding its overseas export market with this new-found resource.[108] This was an opportunity for the colony to break out of stagnation and enjoy export-led growth.[109] For an import-dependent colony such as the Cape, foreign currency earned from diamond exports would improve its buying power.[110]

The early years of excavation in Kimberley did not fulfil these hopes. During this period limited liability had not yet become popular in the mining fields, and this is potentially the reason why progress was slow. One would argue that this was because of the incur-liability-then-register-for-limited-liability principle embedded in the 1861 Company Act.[111] Other potential reasons include the fact that diamonds in Kimberley could be mined using rudimentary techniques.[112] The ore appeared near the surface, which made it easy for individual diggers to exploit it with

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[104] *Ibid*.
[105] This is a term used by historians to describe a period of rapid industrialisation and economic growth in South Africa. This period begun in 1867 after the discovery of diamonds in Kimberley. See D. A. Farnie, "The Mineral Revolution in South Africa", *The South African Journal of Economics*, 24, 2, (1956), 125.
[106] S. H. Frankel, *Capital Investment in Africa – Its Course and Effects",* (Oxford University Press, London, 1938), 52.
[107] *Ibid.*
[108] *Ibid.*
[109] C. H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development*, 90.
[110] *Ibid.*
[111] H. Tennant, *The Companies Act, 1892, with Marginal Reference to the English Statutes*, 5.
[112] J. Nattrass, *The South African Economy: Its Growth and change*, 132.

rudimentary techniques. Most of the companies that operated in the region were incorporated or chartered in England.[113] This is supported by L. E. Davis and R. Huttenback who argue that each year between 1856 to 1892 Britain granted about 380 corporate charters to English companies operating in the empire.[114] Some of these companies operated in the Cape Colony.

Despite the dominance of companies incorporated in Britain at the mining fields, there were a few locally incorporated companies, although they were mostly financed by foreign capital such as the *Hope Town Diamond Mining Company* and the *Adolph Mosenthal and Company*. The former was the first locally incorporated enterprise to speculate in Kimberley with a start-up capital of £5000 pounds and 1000 shares at £5 pound each.[115] The latter, on the other hand, had previously been a merchant house which had capital links with the esteemed European diamond magnates of the Posmo family (major Amsterdam Jewellers), Ochs Brothers (diamond brokers), and C. Martin (a London diamond merchant).[116] Even with such capital connections and experience, Nattrass maintains that the industry was still not adequately capitalised.[117]

As individual digging prevailed and dominated excavations in the fields, the industry suffered from poor communication and lack of technical expertise. All mining requisites and materials during this period had to be transported to Kimberley by wagon.[118] Moreover, as digging proceeded, the problems posed by flooding and rock collapses became severe. In 1874 a Kimberley Mining Board was established to combat these challenges, but it proved to be incapable of salvaging the situation. After spending more than half a million pounds without much success, it abandoned the task.[119] Bit by bit the days of the individual digger became

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[113] *Ibid*.
[114] L. E. Davis and R. Huttenback, *Mammon and the Pursuit of Empire: The Economics of British Imperialism* (Cambridge: Cambridge University Press, 1988), 59.
[115] *Ibid*.
[116] R. V. Turrell, *The Capital and Labour on the Kimberley Diamond Fields 1871-1890* (Cambridge: Cambridge University Press, 1987), 3.
[117] J. Nattrass, *The South African Economy: Its Growth and change*,132.
[118] M. H. De Kock, *Selected Subjects in the Economic History of South Africa,* (Pretoria: Juta and Co. Ltd, 1924), 258.
[119] *Ibid.*

harder, and the final nail to the coffin was the 1875 Black Flag revolt.[120] This was a violent conflict between diggers and colonial authorities over high taxes.[121]

Facing uncertainties and paralysis, the fortunes of the digger were suddenly reversed by transformations made in 1880. Speculation during this period hit the diamond industry, and in 1881 alone, 59 joint stock companies were formed within six months with an issued capital of £8 000 000.[122] This was made possible by consolidating most individual claims into joint stock companies, and it is argued that this prepared the way for important changes in the methods of diamond mining, which served to revolutionise the industry.[123] The *De Beers Consolidated Mining Company* was formed around this time with a capital of £200 000; more than ten times that of the *Hope Town Diamond Mining Company*.[124] This increased in 1885 to £841 550 making *De Beers* the wealthiest diamond mining company in the field.[125] Given such financial resources, it was the first corporation to introduce the American shaft- sinking and subterranean-mining method.[126]

As limited liability facilitated the growth of the industry, more companies formed, and this consequently led to competition. This resulted in the oversupply of diamonds to the market, hence causing the Diamond Bubble and the share crisis of 1886.[127] It was declared as the worst financial crisis to be experienced by South Africa in the nineteenth century.[128] Share prices plunged from £400 to just £25.[129] Capitalists then realised that for profitability to be maintained, the supply of diamonds to the market had to be controlled.[130] This led to a bitter battle between Cecil Rhodes' De Beers Group of mines and Barney Barnato of Kimberley Mines. In the end, through his manoeuvres and capital connections, Rhodes solicited a £1 000 000 loan from Rothschild bank, which he used to buy a large holding in the Kimberley Mine. This

[120] L. Greyling and G. Verhoef, "Savings and Economic Growth: A Historical Analysis of the Cape Colony Economy, 1850-1909", 36.
[121] *Ibid.*
[122] J. Nattrass, The South African Economy: Its Growth and change, 132.
[123] M. H. De Kock, *Selected Subjects in the Economic History of South Africa,* 258.
[124] *Ibid.*
[125] J. Nattrass, The South African Economy: Its Growth and change, 132.
[126] M. H. De Kock, *Selected Subjects in the Economic History of South Africa*, 259.
[127] L. Greyling and G. Verhoef, "Savings and Economic Growth: A Historical Analysis of the Cape Colony Economy, 1850-1909", *Economic History of Developing Regions*, Vol. 32, No. 2, (2017), 20.
[128] C. G. W. Schumann, *Structural Changes and Business Cycles in South Africa, 1806-1936,* 84.
[129] *Ibid*.
[130] J. Nattrass, The South African Economy: Its Growth and change, 132.

immediately transferred the effective control of the industry to the *De Beers Consolidated Mines*.[131]

Apart from mining companies, incorporation also took place in other sectors. For instance, in 1882, an official list of 111 companies operating in Southern Africa published that year showed that of these companies 19 were devoted to insurance, 47 to diamond mining, one to copper mining and one coal mining with 43 falling under the classification of "miscellaneous". Furthermore, several overseas concerns were also registered in Southern Africa, including the *Castle Mail Packet Company*, the *Union Steamship Company*, the *Eastern Telegraph Company*, and the *Reuter's Telegraph Company*.[132]

As this was unfolding, the Gold Rush occurred in 1886. Feinstein argues that the revolutionary developments in the diamond fields were surpassed by the exceptional pattern of growth in the Transvaal goldfields.[133] The largest and most permanent goldfield in the world had been discovered, and from its inception, the Transvaal generated an annual average production of about £38 000 000. [134] This was about half of the world's annual production.[135] Although Feinstein maintains that the fortunes and experience gained in Kimberley shaped the early development of the gold mines,[136] Nattrass postulates that the capitalisation of these two industries was different.[137]

Unlike the diamond mines which were sufficiently profitable in the early years to produce the major portion of the capital invested in the industry from the surplus earned, the early development of the gold mining industry was largely due to the nature of the ore bodies themselves, which were on average low-grade and found at the deep levels.[138] It was essentially an underground exercise from its inception, and this demanded large sums of capital.[139] Since

[131] *Ibid.*
[132] E. Rosenthal, *On Change Through the Years: A History of Share Dealings in South Africa*, 118.
[133] C. H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development, 99.*
[134] M. H. De Kock, *Selected Subjects in the Economic History of South Africa*, 243.
[135] *Ibid.*
[136] C. H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development, 99.*
[137] J. Nattrass, *The South African Economy: Its Growth and change*, 143.
[138] *Ibid.*
[139] *Ibid*.

the economy was not, at this time, sufficiently developed to provide capital from domestic sources, the development of the gold mines led to an influx of foreign capital.[140] Between 1887 and 1934, some £200 million were invested in the gold mining industry, 60% of which came from foreign sources.[141]

The boom in mineral explorations also resulted in the expansion of the wagon-making industry in the Cape Colony. Although this industry dated back to the eighteenth century, developments in the 1870s made Paarl, Wellington and Worcester the wagon centres of the colony.[142] One of the key players in this industry was Pieter De Ville – the son of a prominent wagon maker Jean De Ville, who died in 1839. Pieter De Ville and his brother Jan Daniel De Ville continued with the family business but registered the P. B. Deville and Company in 1879. This move is said to have revolutionised wagon making in the colony, because it saw the first use of steam machinery in the wagon industry. While this yielded immense advantages for him, other wagon factories in the vicinity, which lacked the capital, closed down. Reports of such insolvencies came from the Swellendam and Worcester areas.[143] As the demands for wagons escalated in the 1880s due to the First Anglo-Boer War and the discovery of gold, the company merged with *Koos Retief Wagon Company* to form the *Retief, De Ville and Company*. Appendix 4 shows the company's vehicle catalogue and evidence of its registration as a joint stock company.

There was very little company formation 1888, but several new mining companies made their appearance in 1889. Rosenthal confirms that many of them were registered for limited liability.[144] The total nominal capital of these companies during this year was £68 000 000. Like the diamond industry, over-speculation and over-capitalisation burst this bubble and this resulted in a crash at the end of that year. This had disastrous effects on the credit available to this industry, as the crash happened at a time when the industry needed new capital for development and equipment. Some companies resorted to reconstruction, but a few of them

[140] *Ibid.*, 143-144.
[141] *Ibid.*, 144.
[142] H. Van der Merwe, "Die Wamakersbedryf van die Paarl tot 1893", *Southern African Journal of Cultural History*, 7, 4, (1993), 66.
[143] C. Esau, "Saul Januarie: Bibliography of a Wagon-maker and Blacksmith from Worcester, Western Cape, South Africa", Master's Dissertation, 2007, 38.
[144] E. Rosenthal, *On Change Through the Years: A History of Share Dealings in South Africa*, 119.

retired from the producing list during the process.[145] By the end of 1890, some companies had regained stability and secured working capital. New and better equipment was installed, and mining operations continued. In 1891 a substantial number of dividends were paid out by many mining companies, which suggested that business was going well.

Notwithstanding the new company formations from 1861 to 1891, only a handful of sectors registered incorporation. Financial organisations, mines, and merchants' companies, like before, were the sectors in which there was company formation. This was potentially because of the limitations of the 1861 Act, which were discussed in the first chapter. Another observation is that companies were located in large cities and urban areas. The following section seeks to show how this changed after the 1892 amendment.

The Joint Stock Companies Amendment Act and its impact, 1892-1902

The 1892 Amendment Act ushered in a new wave of company registrations in the colony. In the decade that followed, these incorporated at a much faster rate than those which were formed under the 1861 Act. For instance, in a space of five years, 160 companies were recorded under the Amendment Act compared to 37 under the 1861 Act.[146] The average value of shares in these companies was £1 each.[147] This rapid growth confirmed that the new legislation had rectified the limitations that were embedded in the preceding legislation, and that company formation had been made less complicated. All that was needed to create a limited company was the names and signatures of seven members of the association. Figure 5 illustrates the rate of company formation during this time.

[145] M. H. De Kock, *Selected Subjects in the Economic History of South Africa*, 248.
[146] CAD, LC 1 – LC 467, 1892-1902.
[147] *Ibid*.

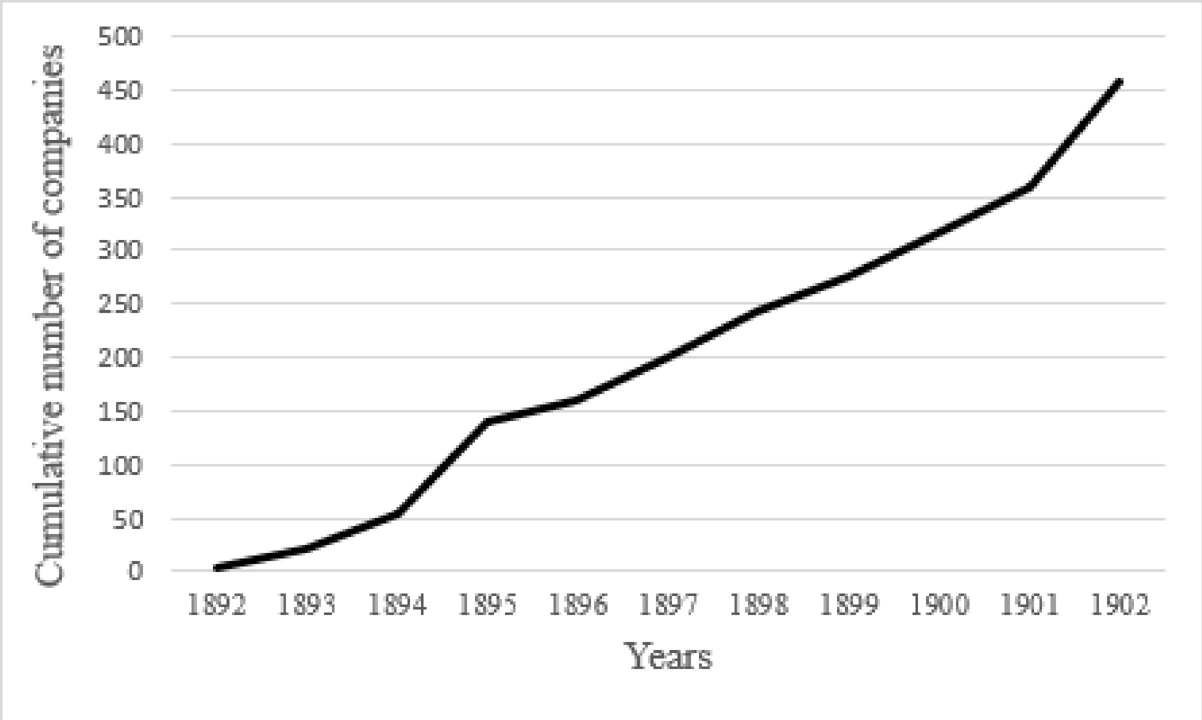

Figure 5: Cumulative number of companies forming, 1892-1902.

Source: Cape Archives Depot, Cape Town (CAD), Archives of the Limited Companies (LC), LC 1 – LC 467, 1892-1902.

However, a small number of companies registered for limited liability in the first two years after the passing of the Amendment Act. The rapid growth in the number of companies began in 1894 on the eve of the 1895 mining company boom. Unlike British joint stock companies which exhibited booms in various sectors of the economy, the Cape only experienced a boom in the mining sector. This, however, does not imply that there was no variety in the companies that took up limited liability during this period. As will be shown below, joint stock companies engaged in different economic sectors emerged during this period, and were spread across various corners of the colony.

This distribution of companies was concentrated in the western region of the colony. Appendix 5 and 6 show that 55% of the companies in the colony operated in the western region, while 24% were in the northern region, 16% in the eastern region and 5% in the neighbouring territories.[148] This trend was the same with companies' head offices, as 57% of Cape joint stock companies had their head offices in the western region, 24% in the northern region, 17% in the eastern region and 1% in the neighbouring territories.[149] Figure 6 below uses company addresses to show the varying pattern of incorporation per year.

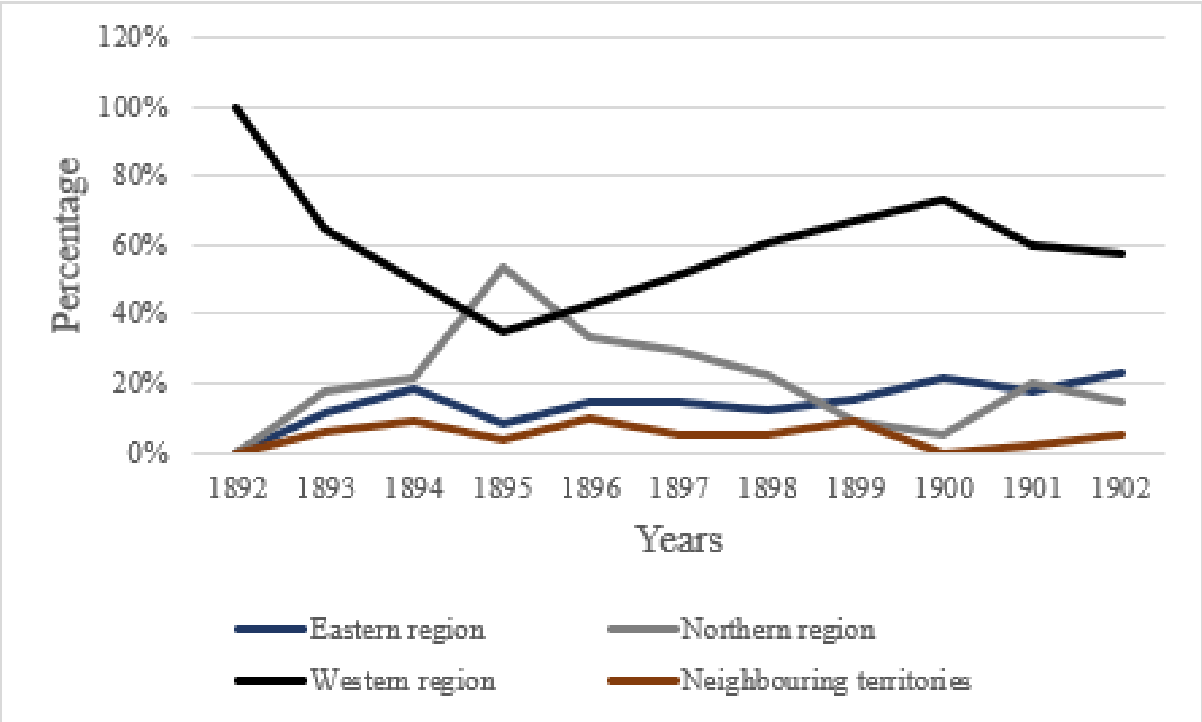

Figure 6: Annual distribution of company incorporation, 1892-1902.

Source: (CAD), LC 1 – LC 467, 1892-1902.

Throughout the decade under study, the western region continued to have the largest concentration of joint stock companies, except in 1895, when the northern region surpassed it. As the oldest settlement, it was expected that the western region would record more company incorporations. In addition to this, the South African War contributed to the disparities between the western region and the other territories shown in figure 6. R. J. Constantine notes that from 1899 to 1900 the western region was untouched by Afrikaans forces while the other territories

[148] CAD, LC 1 – LC 467, 1892-1902.
[149] *Ibid.*

experienced several invasions.[150] In the northern region, attacks were launched on Modder River, Magersfontein, Colesberg and Kimberley,[151] and Winterberg (the western part of the region) and Bamboesberg (the north west part of the region) in the eastern region were the centres for guerrilla attacks.[152] In 1900 trains that were travelling to East London came under heavy fire in the Bamboesberg area.[153] Such political instabilities in these two regions may have affected the development of joint stock companies at the same rate as the western region. For instance, the siege of Kimberley by the Boer forces had far-reaching consequences on mining companies, as shown by the sharp drop in companies operating in the northern territory.

To reinforce the point made earlier on about the sectors in which Cape joint stock companies were involved, figure 7 below shows that after 1892 there was a notable rise in the use of limited liability in other sectors such as manufacturing, real estate, agriculture, transport and utilities. This was a notable shift from a large concentration of companies in the financial sector and mining. Although mining companies dominated the use of limited liability, the gradual growth of this institution in other sectors signalled the dynamic transformation of the Cape economy. For instance, sectors in the recreational services, hospitality, utilities, printing, candle, and brick manufacturing began to adopt limited liability.[154]

[150] R. J. Constantine, "The Guerrilla War in the Cape Colony During the South African War of 1899-1902: A Case Study of the Republican and Rebel Commando Movement", Master's Dissertation, University of Cape Town, 1996, 98.
[151] S. Marks, "War and Union, 1899-1910", 158.
[152] R. J. Constantine, "The Guerrilla War in the Cape Colony During the South African War of 1899-1902: A Case Study of the Republican and Rebel Commando Movement", Master's Dissertation, University of Cape Town, 1996, 113.
[153] *Ibid*.
[154] CAD, LC 1 – LC 467, 1892-1902.

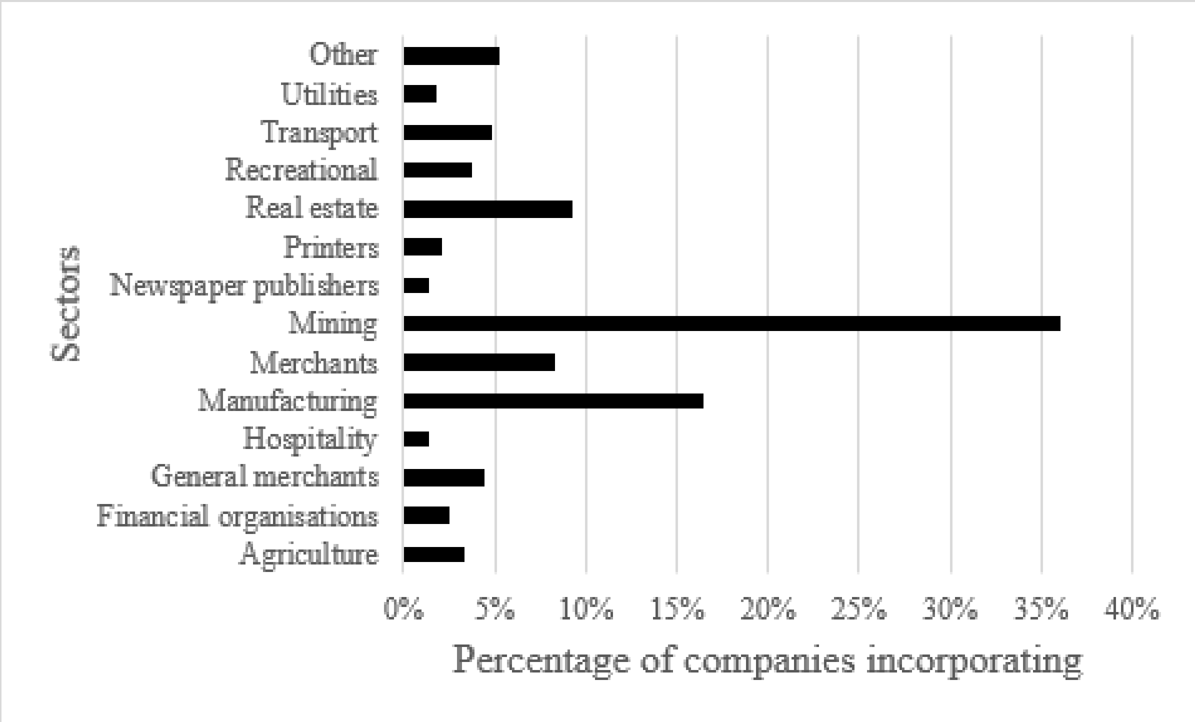

Figure 7: Sectors taking up limited liability, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

Before this period, the use of this institution was uncommon in these sectors, partly because they were less risky and were often carried individually by Europeans. However, after the passing of the Amendment Act, it became so popular in business that even some family businesses adopted it. *The Nannuci limited*[155] and *The Fraser and Son Limited*[156] were among some of the family organisations that converted to limited liability. The former was a laundry business formed in 1879, while the latter was a saddle and harness manufacturing company (original date of formation not specified). In the previous years, as mentioned in the previous section, harnesses and saddles were usually produced by settlers or farmers in their backyards. More so, the laundry services business carried on by Mr Nannuci was not typical of the joint stock company in the Colony. Henceforth, limited liability in this instance was a mechanism that enabled entrepreneurs to expand and penetrate new markets for their products and services.

[155] CAD, LC 278, The Nannuci Limited, 1899.
[156] CAD, LC 345, The Fraser and Son Limited, 1901.

Furthermore, the reduced number of merchant corporations in the colony, and the subsequent growth of manufacturing and agricultural companies, suggested the destruction of the old system. This is because the growth of the manufacturing industry in the past few years had been hindered by the Cape's dependence on imported articles from Europe. There are claims suggesting that because most important businesses (mining and merchants) were dominated by foreign capital, the development of a local manufacturing industry was seen as a threat to the interests of other foreign based industrial activities.[157] As a result, they tried by all means to discourage it. However, with the gradual growth of the colonial population, particularly in urban areas, the demand for these products surged. This demand was then met by ambitious entrepreneurs who used joint stock companies to start-up businesses in various sectors of the colonial economy. Some of these companies included clothing manufacturers (ranging from hat to boot manufacturers), flour mills and bakeries, soap and perfume manufacturers, those concerned with the production of wine and brandy, canned food producers (ranging from fish, to jams and dried fruits), as well as musical organ manufacturers.[158]

In addition, the manufacturing sector was not limited to these products. *The Cordes Patent Friction Reducer Syndicate Limited*, for example, duplicated a friction-reducing product which was to be used in a steamship (between the main shaft and the thrust of the ship) – a product often imported from Europe.[159] In agriculture, this process unfolded through the creation of multifaceted companies which included, inter alia, the marketing of agricultural produce. This gradually reduced the need for wheat, wine, and fruit merchants since these companies within their structures had branches that dealt with the marketing of produce. More so, there was no need to procure farm input via merchants, as these companies had their own means of getting these products. For instance, after the *phylloxera* outbreak, many farmers depended on merchants to procure American rootstocks, which were essential for the renewal of Cape vines.[160] However, companies such as *The Hex River Vineyard Company Limited*,[161] and *The Paarl Vineyards Renewing Association Limited,*[162] not only practiced viticulture, but procured

[157] D. Kaplan, "Capitalist Development in South Africa: Class, Conflict and State", Working Paper, Institute of Development Studies University of Sussex, 1974.
[158] CAD, LC 1 – LC 467, 1892-1902.
[159] CAD, LC 287, The Cordes Friction Reducer Syndicate Limited, 1900.
[160] D. J. Van Zyl, "Phylloxera Vastarix in die Kaapkolonie, 1886-1900: Voorkoms, Verspreiding En Ekonomiese Gevolge", *Southern African Historical Journal*, 16, 1, (1983), 46.
[161] CAD, LC 337, The Hex River Vineyard Company, Ltd, 1901.
[162] CAD, LC 181, The Paarl Vineyards Renewing Association, Ltd, 1897.

American rootstocks themselves, and did not depend on merchants. These companies also marketed their produce without making use of merchants.[163]

Apart from possessing the ability to market their own produce, enlarged capital sources enabled agricultural joint stock companies to develop specialised services, which would have otherwise been sought elsewhere. *The Cape Orchard Company Limited* is an ideal example of a company that produced a variety of fruits, and also provided other secondary services.[164] Its main operations were in De Doorns, although it also owned a few farms outside the town. This company conducted all the processes of fruit growing, packing, drying, and canning. The business was established in 1892, but was incorporated in 1895, and operated on about 500 acres of fruit trees, which comprised plums, peaches, nectarines, apples, pears, prunes, and vines, while a further 1000 acres was devoted to various other crops, such as melons, potatoes, onions, pumpkins, and calabashes. It was well equipped with power, which was derived from 80 HP suction gas engine, and from a Pelton wheel and generator installed in a kloof on the property. Cold stores, which contained nine spacious chambers, had been erected for the storage of fruits. The total area of the cold stores amounted to 60 000 cubic feet. Large amounts of the fruits produced were sent to the European markets, but the bulk was marketed in the principal centres of the colony and the South African territory at large. For quality purposes, the company employed supervisors from overseas during the season.[165]

Furthermore, a cannery was established on the property soon after the company was incorporated in 1895. It operated under the name of the *Western Province Preserving Company Limited*, which was regarded a sister company to the *Cape Orchard Company* and was run under the same management. Combined, these two were the largest canneries of their kind in the colony. Apart from providing employment to several hundred people, they provided a valuable outlet for the produce of the smaller fruit growers in their neighbourhood. They also purchased fruits for canning from neighbouring farms, and those that were outside the region.

[163] *Ibid*.
[164] CAD, LC 125, The Cape Orchard Company Limited, 1895.
[165] S. Playne, "Wine and Fruit Districts", edited by S. Playne, *Cape Colony (Cape Province), Its History, Commerce, Industries, and Resources* (London: Juta, 1910), 176.

For those farms that were further away, the fruits were brought to the cannery by rail in fruit trucks.[166]

The incorporation of companies in various sectors was also because of structural changes in the colony, particularly the expansion of the urban population. C. Simkin and E. Heyningen show that by the 1890s a large proportion of the Cape population resided in the urban areas.[167] For instance, the development of suburbs between Sea Point and Wynberg during this period was rapid. Between 1863 and 1872 there were only 700 houses built in this area, but in 1882 alone there were 800 new buildings that were erected.[168] This created large capital demands as the requirements for standard urban living increased. Jones notes that by the late nineteenth century paved streets and rows of houses in the Cape's urban centres proved to be insufficient for the growing population. It is possible to associate the emergence of joint stock companies in brick manufacturing and real estate with these rising needs. The growth of companies providing recreational facilities, general merchants, and laundry services can also be interpreted as a response to the rising urban population.

The expansion of the urban population also meant that water had to be provided, sewers and drains laid down and gas and electricity installed. Water supply and storage had always been a problem at the Cape, since the seventeenth century. However, D. Grant notes that although these problems started during Dutch settlement, it was not until the mid-nineteenth century that it began to have an impact on the colony's economic, social, and political development.[169] He notes that in Cape Town, rapid population growth began in the 1870s and that the costs associated with it brought political turmoil to the town's local government. During this period, suburban municipalities had already been established and the duty of rectifying the water problems was in their hands. Unfortunately, there were rivalries between the city and suburbs for the control over water resources of the hinterland. This delayed the realisation of a solution to such an extent that the water storage and supply problem was only resolved in 1913.[170]

[166] *Ibid*.
[167] C. Simkins and E. van Heyningen, "Fertility, Mortality, and Migration in the Cape Colony, 1891-1904", *The International Journal of African Historical Studies*, 22, 1, (1989), 111.
[168] M. Marshall, "The Growth and Development of Cape Town", PhD Thesis, University of Cape Town, 1968, 77-78.
[169] D. Grant, "The Politics of Water Supply: The History of Cape Town's Water Supply 1840-1920", Master's Dissertation, University of Cape Town, 1991, 1.
[170] *Ibid*., 2-3.

During the course of this period, before a solution was identified, numerous water companies were established in the colony to alleviate this crisis. Examples of these companies were *The Green and Sea Point Water and Electric Lighting Company Limited*,[171] and *The Kabousie Water Rights Syndicate Limited*.[172] In their memoranda of associations, these companies emphasised that their objectives were to provide efficient water services amidst the growth of the suburban population.[173]

The demands for electricity during this period were also heightened by the expansion of the urban population. The 1880s were described as the age of electricity, as Charles Parsons had revolutionised power generation by inventing the steam turbine that could generate electricity for uses other than lighting.[174] Many municipalities across the world began to provide electricity as a service, and the Cape was no exception. Legislation concerning the supply of electricity in the colony was passed in 1895, but it did not regulate installation standards or voltages. Thus, service providers in the Colony were permitted to produce a wide variety of voltages.[175]

The Cape Peninsula Light Company, which converted to a limited liability company in 1900, was the main supplier of electricity to the Cape Town municipality from the mid-1880s to the 1890s. However, in 1895 the municipality established the Graaff Electric Light Station with the objective of minimising its dependence on the former. However, this did not inhibit the proliferation of lighting services joint stock companies, because the consumer base continued to expand. As a result, more electricity companies emerged in the Cape division including the *Cape Peninsula Light Company* and *The Cape Town and Suburban Electric Lighting Syndicate Limited*. By 1902 Paarl entrepreneurs, and those in the eastern region of the colony, began to explore the utilities sector. In the same year, *The Paarl Electric Power Syndicate Limited* and

[171] CAD, LC 41, The Green and Sea Point Water and Electric Lighting Company Limited, 1894.
[172] CAD, LC 397, The Kabousie Water Rights Syndicate Limited, 1902.
[173] *Ibid*.
[174] J. Carruthers, "Cape Town's Electricity Supply 1870-c. 1930", Royal Society of South Africa. Accessed 15 May 2020, http://www.royalsocietysa.org.za/?page_id=1735.
[175] *Ibid*.

The King Electric Lighting and Cold Storage Company Limited were incorporated in Paarl and East London, respectively.[176]

Figures 8 and 9 below use the dates of incorporation, operational addresses of the companies and their sectors to show the annual distribution of companies that took up limited liability during the period of study. This is important for assessing how certain events affected company formation, and to fully understand when the use of the new company legislation gained momentum in the different parts of the colony. The sharp rise in the number of joint stock companies between 1894 and 1896 was a result of the mining share boom, and figure 9 confirms that this took place in the northern region. Figure 9 also confirms that the mining sector comprised more than 60% of the companies that formed in the northern region.

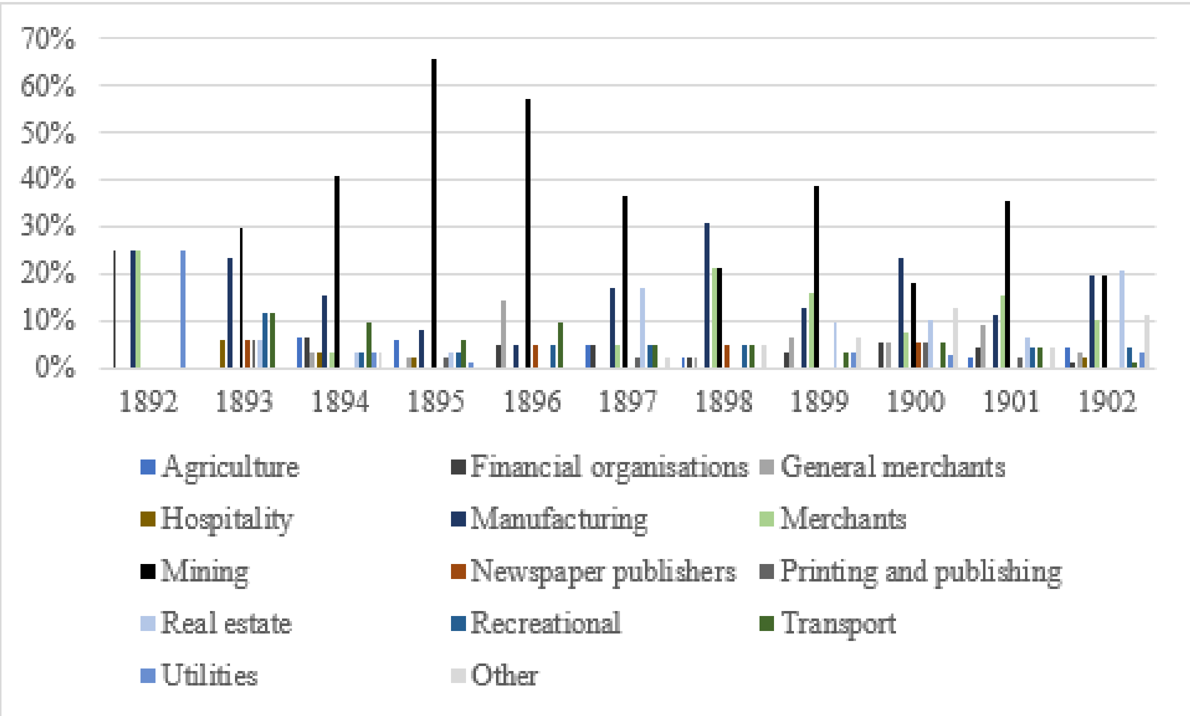

Figure 8: Annual distribution of companies adopting limited liability, 1892-1902.
Source: CAD, LC 1 – LC 467, 1892-1902.

[176] CAD, LC 397, The Paarl Electric Power Syndicate Limited, 1902, and LC 444, The King Electric Lighting and Cold Storage Company Limited, 1902.

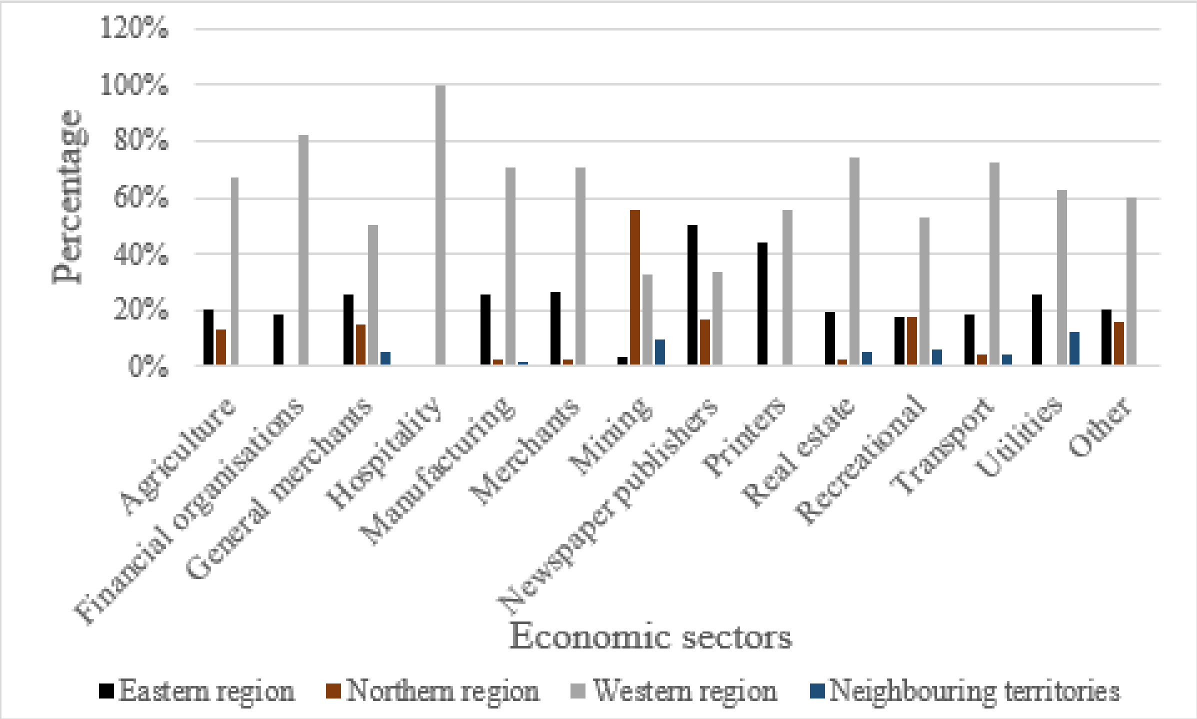

Figure 9: Geographic distribution of the sectors that Cape joint stock companies operated in, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

The mining boom during this period was so rapid that some companies began to speculate beyond the colony's borders. After promises of the second Rand in Rhodesia, companies such as *The Paarl Matabeleland Syndicate Limited*, *The Ross Matabeleland Prospecting and Developing Syndicate Limited*, *The Orion Gully Development Syndicate Limited* and *The Stella (Rhodesian Development) Syndicate Limited* were among the first to incorporate for the purposes of speculating gold in the new-found colony.[177]

The growth of the mining industry in general gave rise to increased coal mining activities due to power requirements. In addition, Feinstein states that giant mining houses had some industrial interests, which were related to their needs for items such as chemicals and explosives.[178] As a result, they often diversified their investment to smaller industries in order

[177] CAD, LC 50, The Paarl Matabeleland Syndicate Limited, 1894; LC 52, The Orion Gully Development Syndicate Limited, 1894; LC 120, The Ross Matabeleland Prospecting and Developing Syndicate Limited, 1895; LC273, The Stella (Rhodesian Development) Syndicate Limited,1899.
[178] C. H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development, 109.*

to reduce operating costs.[179] For example, D. Innes notes that the *De Beers Consolidated Company Limited* set up an explosives manufacturing plant in the Strand in the western region.[180] Although he does not provide the names of these enterprises, company records show that there were a few chemical companies that formed during the mining boom years, which were financed by key players in the mining sector. These were the *Cape Nitrate Syndicate*,[181] the *Cape Chemical Syndicate*[182] and the *Griqualand West Nitrate Syndicate*.[183] Other enterprises included small concerns such as *P. Barnett Company Limited* that exploited the opportunities that had arisen with the mining industry. This was a boot-manufacturing company located in Kimberley.[184]

Overall, the use of limited liability in the colony gained momentum in the late 1890s. This is shown by the variety of companies that incorporated during those years. The "other" category, which included companies engaged in a variety of trades, experienced rapid growth during these years. Companies in this category included drapers, laundry services, advertising agencies, law firms, catering services, storage services, cold storage services, and factories.

Having discussed the pattern in which companies incorporated at the Cape, it is also important to know why they took up limited liability. Using the objectives of the companies in their memoranda of associations, companies were categorised based on the type of reasons why they took up limited liability. Figure 10 below shows that there were three main types of reasons, as well as a fourth which comprised of companies that did not have records. From this data it was possible to determine the reasons why companies decided to adopt the new company legislation. For instance, there were companies like The *Port Elizabeth Electric Tramway Company Limited* that were start-ups, and had the objective of providing a service, but needed capital to procure the necessary equipment.[185] As illustrated in the figure below, such companies were common in the colony and constituted 62% of the total number of companies.

[179] D. Innes, "The Mining Industry in the Context of South Africa's Economic Development, 1910-1940", Seminar Paper, The Societies of Southern Africa in 19th and 20th Centuries at the Institute of Common Wealth Studies, 1977.
[180] *Ibid.*
[181] CAD, LC 38, Cape Nitrate Syndicate.
[182] CAD, LC 59, Cape Chemical Syndicate.
[183] CAD, LC 57, Griqualand West Nitrate Syndicate.
[184] CAD, LC 131, P. Barnett Company Limited.
[185] CAD, LC 148, The Port Elizabeth Electric Tramway Company Limited, 1896.

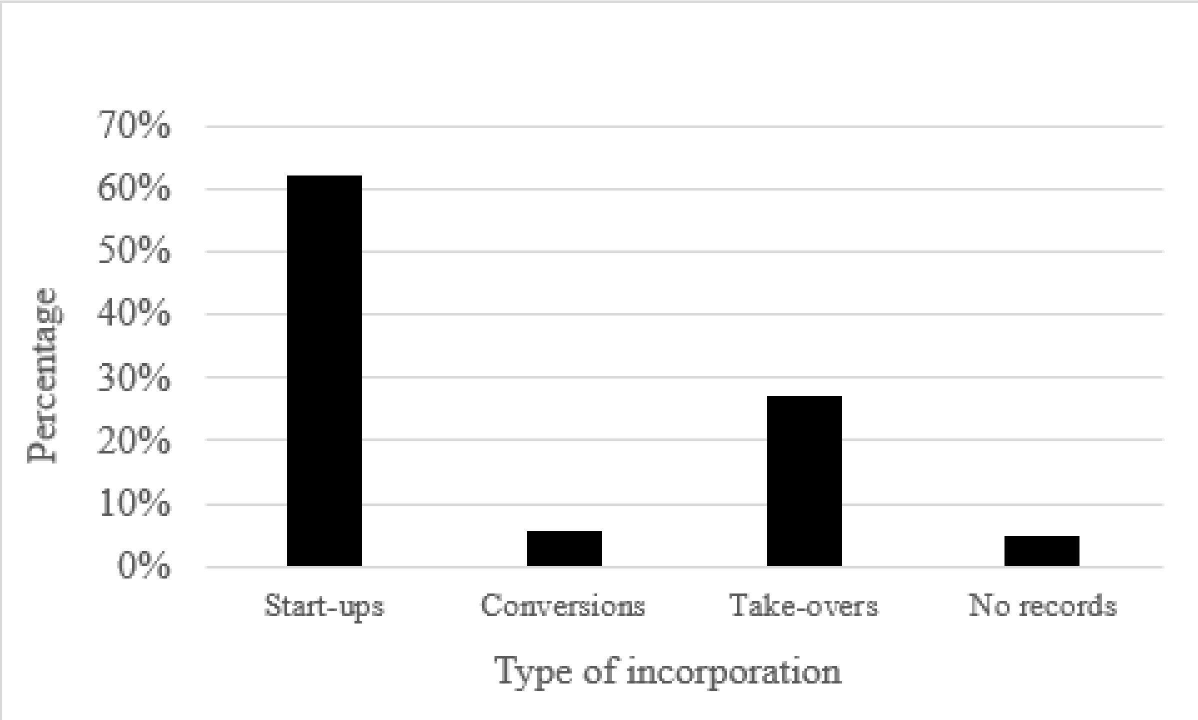

Figure 10: Type of incorporation, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

The remaining percentage of companies either converted to limited liability, or were takeovers. These were two different factors that provided different reasons for incorporation. For instance, conversion in many instances was a matter of convenience. A few companies were initially incorporated in Britain, but resolved that it would be more convenient to make use of the Cape's company legislation. Another reason included greater prospects for profit if the business was to adopt limited liability. A good example of such a company is *N. O. Ruffel Limited*.[186] This was an unincorporated chemist and druggist company that operated in Kimberley. However, upon conversion the intention was to open branches elsewhere, and it was anticipated that this would yield greater profits.[187] Take-overs, on the other hand, had different reasons why they opted for incorporation. This was common in companies, often in the mining and transport sector, that were being liquidated, or in those that had already been dissolved. For example, in its memorandum of association, *The Bultfontein Diamond Mines Limited* stipulated that it sought to take over 109 claims in the *Bultfontein Diamond Mine*, as well as the property of the

[186] CAD, LC 392, N. O. Ruffel Limited, 1902.
[187] *Ibid.*

Bultfontein Star Diamond Mining Company Limited, which was no longer in operation.[188] Takeovers were also common in smaller companies such as the *Makado Creamery Company Limited*. In its memorandum of association, the directors of the company stated that the objectives of the company were to:

> "Acquire, purchase, and take over from George Henry Snelling certain leases, rights, goodwill, plant, machinery, stock-in-trade and other effects in connection with the business carried on by him in Cape Town under the name of 'The Makado Creamery'."[189]

This was typically how information was structured in the memorandum of association. This suggests that another positive outcome of limited liability legislation at the Cape was business continuity. Contrary to Adam Smith's criticism of the short survival span of joint stock companies, take-overs after the companies act resuscitated struggling companies. From this, it is worth noting that companies at the Cape had a relatively high average lifespan compared to those in Britain. Figure 11 below shows a frequency distribution of company survival at the Cape.

[188] CAD, LC 149, The Bultfontein Diamond Mines Limited, 1896.
[189] CAD, LC 96, The Makado Creamery Company Limited, 1895.

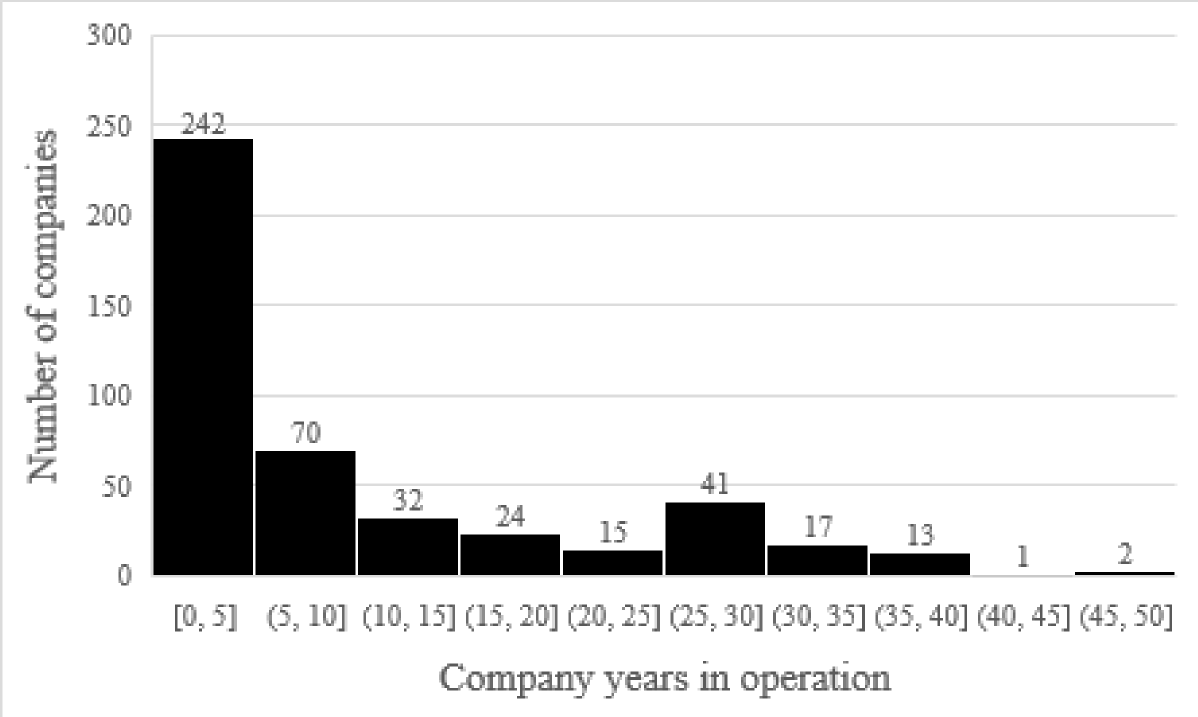

Figure 11: Frequency distribution of company survival, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.0

The incorporation date as well as the date of liquidation were used to calculate the average lifespan of companies at the Cape. There were a few companies that did not provide this information, and some that did not have any records of liquidation, but had files in evidence until the mid-twentieth century. Both these types of companies were not considered for this study, as it was difficult to tell whether the companies had been liquidated, or whether they were still in operation. Despite this limitation from the company records, it was found that the mean number of years of company operation at the Cape was ten years, and that the median was six years. The minimum number of years of operation was one month, and the maximum was 47 years. This indicated a much longer survival rate than companies in Britain. Overall, 35% of the companies in the colony survived between one month and four years. To get a clearer picture of the correlation between a company's sector of operation and its survival, figure 12 below provides descriptive statistics for company survival per sector.

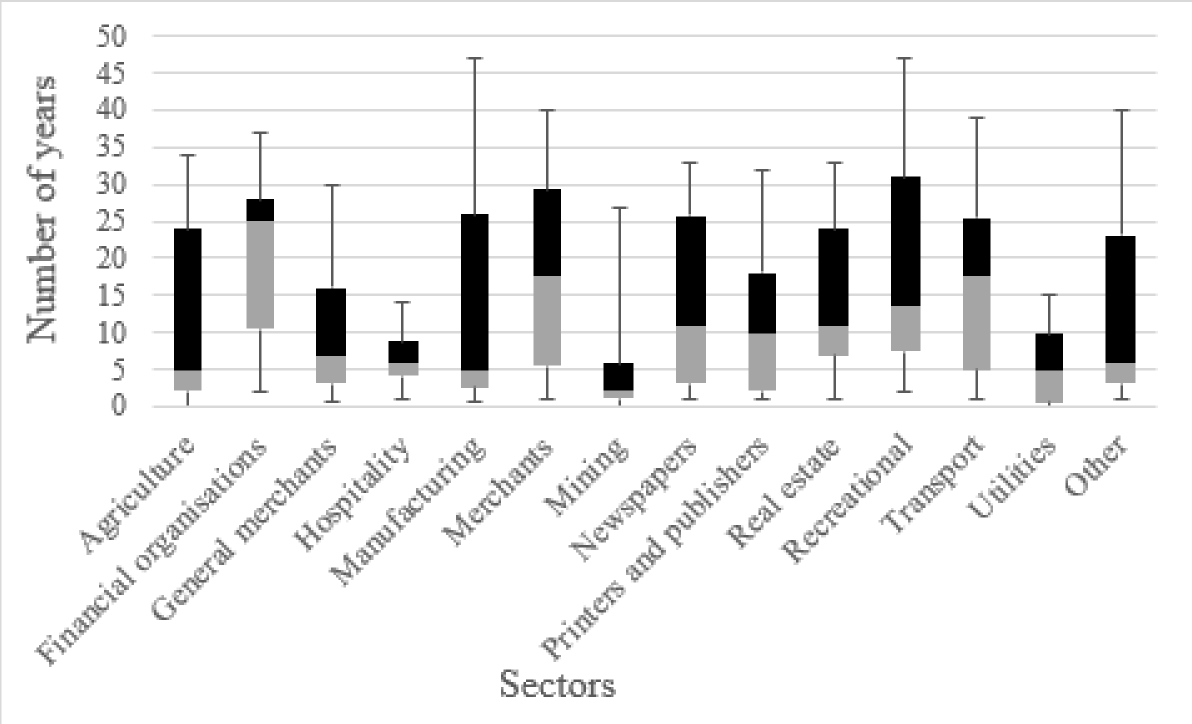

Figure 12: Company survival, 1892-1902.

Source: CAD, LC 1 – LC 467.

Findings show that although some Cape companies had short lifespans, the way this was distributed varied significantly. For instance, the interquartile range for mining companies was greater than that of merchant companies. In addition to this, figure 12 shows that mining companies had the lowest survival record. Their minimum period of operation was one month while their mean period of operation was just one year compared to five years for merchant corporations, and ten years for financial organisations. The longer years of operation for companies in the latter sectors was possibly because they posed minimum risks compared to the mining sector, which was prone to crisis. For instance, the reason for the very low average lifespan was the 1895 boom. More than 50% of the companies that incorporated in that year liquidated in the following year. De Kock notes that during the boom years several companies were exploited to a dangerous degree by false individuals posing as financiers.[190] To show the severity of this tendency, he argues that by 1900, 50 mining companies had been reconstructed 190 times, i.e., on an average each company had its capital manipulated nearly four times.[191] What was interesting was that it was small companies with an average capital of £1500 that

[190] M. H. De Kock, *Selected Subjects in the Economic History of South Africa*, 258.
[191] *Ibid.*, 248.

were being swindled.[192] Strategies such as group control or syndicate systems were used to avoid these dangers in Kimberley and the Rand. Here large financial houses such as *De Beers Consolidated Company Limited* were established to secure the large sums of money required to develop the mines. This proved to be successful, and other syndicates such as *Rand Mines Limited, Rand Deep Levels Limited* as well as *Rand Consolidated Deep Levels Limited* emerged.[193]

Nonetheless, there were a few other companies that outlived mining companies by a great margin. These included financial organisations, which had a relatively longer average life expectancy. Their minimum lifespan was two years, which they shared with recreational organisations. Financial organisations also had the third highest 75th percentile, and recorded a maximum of 37 years of operation, which was the sixth highest lifespan observed in the data set. Recreational organisations, manufacturing companies, merchants, transport and real estate companies also had the least varying quartile ranges and had relatively longer average years of operation. At the bottom, apart from mining companies, were utility organisations, general dealers, and companies in the hospitality sector.

Perhaps size could have influenced the lifespan of these companies. To determine the size of companies, nominal capital was used. In total, the capital value of companies at the Cape from 1892 to 1902 was £16 792 210. This was significantly greater than the capital for companies before the introduction of limited liability. Using nominal capital from the company records, the mean nominal capital of Cape companies was £37 233, and their median value was £10 000. The minimum observation for these companies was £25 and the maximum was £600 000. These varied significantly, which is confirmed by their standard deviation, which was £70 146.51 and an interquartile range which was £37 000.

[192] CAD, LC 1 – LC 467.
[193] M. H. De Kock, *Selected Subjects in the Economic History of South Africa*, 248.

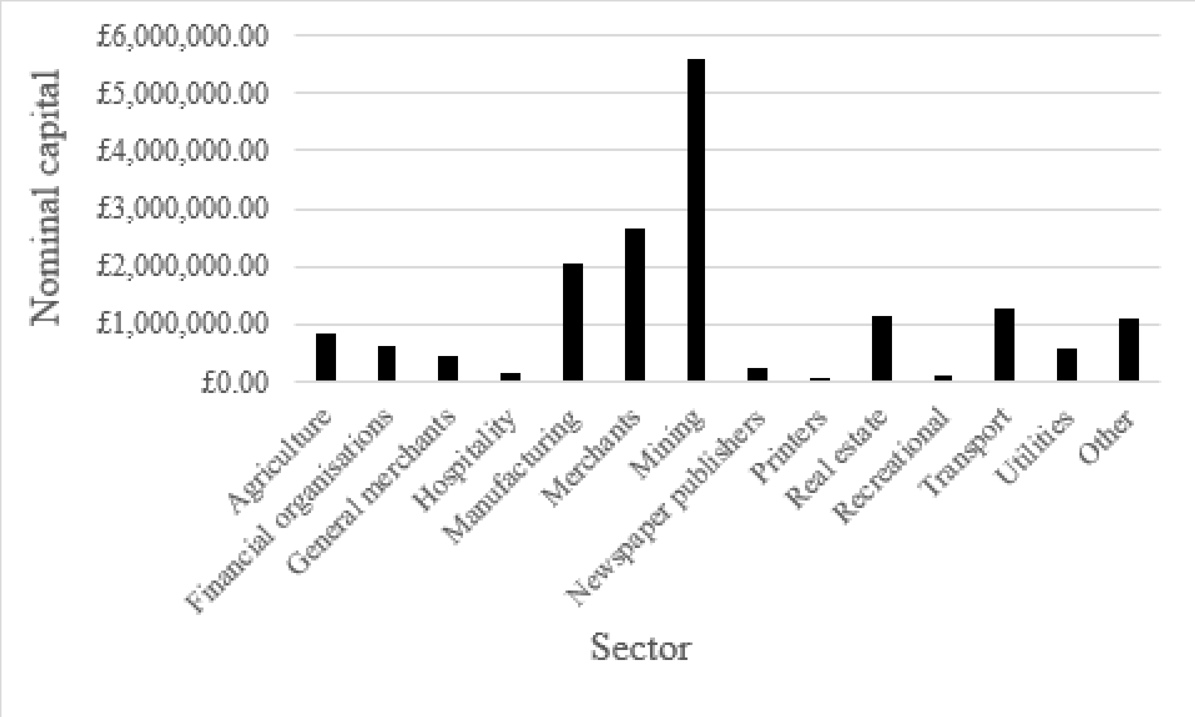

Figure 13: Company size according to nominal capital, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

In the case of mining companies, size seemed not to have had a positive impact on life expectancy. They had the largest joint stock companies with a maximum nominal capital of £5 576 876, but still had the highest likelihood of a short lifespan. Perhaps for manufacturing and merchant companies it can be assumed that size had a positive impact on survival, although there were other smaller companies which had a better survival rate. For instance, recreational and financial organisations were relatively small, but tended to survive longer than the larger companies. Nonetheless, figure 13 shows that the largest companies in the colony were concentrated in the mining, merchant, and manufacturing sectors. These were admittedly capital-intensive sectors that involved the purchasing of equipment, compared to other smaller companies that were mostly in the service industry. The transport, utilities and agricultural sectors were also capital-intensive, but their relatively small size meant that they were still emerging sectors. Explanations for why these companies emerged during this period have much to do with the individuals that financed them, an issue investigated in the next chapter.

Conclusion

From the discussion above, it is not far-fetched to argue that limited liability had a positive impact on the Cape economy. After the passing of the 1892 Amendment Act, the nature and distribution of joint stock companies increased significantly. Under the 1861 Act, banks, trusts, insurance, and mining companies dominated company registers. As a result, there was very little company formation recorded. When the new Act came into being, a variety of companies adopted limited liability. These ranged from manufacturing, agriculture, hospitality, real estate, and recreational companies. This chapter was also important in quantifying the geographic distribution of joint stock companies in the colony. This is because even though the western region possessed the largest percentage of joint stock companies, there were many companies that made use of limited liability in other parts of the colony.

Other important findings from this chapter include the long average lifespans of Cape companies. Apart from mining companies that in some instances survived for less than a month, companies in the colony operated for 10 years or more. Findings above also illustrate the process of creative destruction in the case of the Cape Colony through the proliferation of manufacturing companies and the reduced number of merchant corporations. The first phase of this can be observed under the 1861 Act in the wagon-making industry. The growth of *De Ville and Company* in the late 1870s revolutionised the wagon- building industry and resulted in the absorption of other wagon-making companies. The mechanisation of the agricultural sector by the *Cape Orchard Company Limited* also brought important technology to the farming industry. The question in the following chapter is on *who* financed these joint stock companies? This will shed light on the pattern of company formation in the colony.

Chapter three: People's capitalism? Share dealings and speculation at the Cape between 1892-1902

Introduction

This chapter is an enquiry into who financed Cape joint stock companies in the decade following the amendment to the Joint Stock Company Act in 1892. Chapter Two has shown that this period experienced a notable rise in the number of joint stock companies engaged in various sectors of the economy. The question is *who* financed them and *why* these individuals chose to do this? Two important studies have interrogated these questions for the period prior to the one under examination. The first, by A.S. Mabin suggests that merchants, as well as British financiers, constituted the largest sources of capital.[1] The second study by J. L. Meltzer presents a similar argument, but emphasises the roles that 'commercial and farming bourgeoisies' played in the growth of companies at the Cape. She suggests that this category, comprising of merchants and farmers, not only laid the foundation for commercial activity at the Cape, but remained an important source of local capital for large firms.[2]

This investigation used this as a foundation and found that after 1892 the middle class was the largest group of investors in the capital market. It included individuals ranging from medical practitioners to store boys and messengers. It was a diverse capital market which exhibited different investor behaviours. This suggests that ordinary people could now navigate the securities market without risking loss of their personal property. Limited liability had reduced the risks associated with business, which in turn extended entrepreneurial opportunities to all spheres of the population. N. Reamer and J. Downing describe this as the 'democratization of

[1] A. S. Mabin, "The Making of Colonial Capitalism: Intensification and Expansion in the Economic Geography of the Cape Colony, South Africa, 1854-1899", PhD Thesis, Simon Fraser University, 1984, 65.
(Although Mabin notes that to a greater extent the capital market comprised of merchants and foreign capital, he does acknowledge that there was a presence of what he referred to as associates of the merchants in the capital market. This group included accountants, lawyers, agents and 'others'. 64-65).
[2] J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 142.
(In her study she attempts to trace capital and company growth in the Cape Colony to 1840 and 1859. In her endeavour she establishes that much of the monetary wealth in the colony was concentrated in the hands of the farmers and merchants. This was partially because of the strong relationship between agriculture and trade. For that reason, these individuals played a pivotal role in the establishment of various firms in the colony both as directors and financiers. 88).

investment'[3], and J. Rutterford calls it 'people's capitalism'.[4] These terms are interchangeably used to describe how capitalism became 'inclusive' after the passing of the Company Acts, although the latter features prominently in many studies on the rapid increase of individual investments in Britain and the USA during the mid-nineteenth and early twentieth centuries.[5] Its provenance is unclear, but V. Perlo traces it to American[6] companies that used it to market securities by means of public advertisements. The Standard Oil Company, for instance, referred to Karl Marx's dialectic materialism to describe how modern capitalism had mutated, but not as he had anticipated.[7] They argued that:

> 'Yes, the people own the tools of production… By his own definition, Karl Marx's prophecy has been realized… How odd to find that it is here, in the capitalism he reviled, that the promise of the tools has been fulfilled.'[8]

Influenced by Friedrich Hegel's work, Marx believed that capitalism during the Industrial Revolution set-off class struggles between the minority owners of production resources and the proletariat who made up the majority working class. The inevitable outcome was conflict and the replacement of capitalism with socialism, thereby, transferring control of capitalist activities to the masses.[9] According to Standard Oil, this process in the modern society materialised through the emergence of joint stock companies; not conflict. Therefore, 'people's capitalism' meant that the production facilities of Britain and the United States became increasingly owned, indirectly, by people in the middle- and lower-income classes by means of company shares.[10]

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[3] N. Reamer and J. Downing, *Investment: A History* (New York: Columbia University Press, 2016), 2.
[4] J. Rutterford, "The Rise of the Small Investor in the US and the UK, 1900 to 1960", *Enterprise and Society*, 18, 3, (2007), 2.
[5] *Ibid*.
[6] The terms America and United States in this study will be used interchangeably to refer to the United States of America.
[7] V. Perlo, "'People's Capitalism' and Stock Ownership", *The American Economic Review*, 48, 3, (1958), 333.
[8] *Ibid.*
[9] R. D. Wolff, *Understanding Marxism* (New York: Democracy at Work, 2018), 5-8.
[10] V. Perlo, "'People's Capitalism' and Stock Ownership", 334.
(The theory, therefore, is that the multiplication of investment opportunities redistributed incomes from the rich to the poor. Furthermore, R. M. Blough and A. D. H. Kaplan, cited by Perlo, also claim that this is indicated by the extent to which stockholders in nineteenth century companies exceeded the numbers of employees of the same companies, thus, supporting the argument that every citizen had become a capitalist. For more details on this discussion, please see, R. M. Blough, "Address Before the Economic Club of New York", 1957; and, A. D. H. Kaplan, *Big Enterprise in a Competitive System* (Washington: Greenwood Press, 1954).

Although this was the case in Victorian Britain, the coming of the Company Acts did not entirely lead to an 'inclusive capitalism' at the Cape. Joint stock company investors were mainly of European descent. This was largely because of the long history of land dispossession and discriminatory and repressive institutions that affected the livelihoods of African societies. Colonial labour laws ensured that Africans often earned only a fraction of what their European counterparts did, and colonial banks and financial institutions were inaccessible to them throughout the nineteenth century.[11] As a result, Africans hardly participated in the financing of joint stock companies.

Given these exclusions, people's capitalism at the Cape was a qualified success. It allowed more people to participate in private capital markets than ever before, notably those that were from the lower rungs of white society, but a large section of the population was still often excluded. But even this was changing. The emergence of African investors in 1900, as well as the companies they started, signified the gradual inclusion of Africans into modern capitalism.

To understand this phenomenon, it must be emphasised that the transformation of capitalism was anchored in the distribution of wealth to all spheres of the population. For instance, after the British Industrial Revolution unskilled labourers faced lowered productivity due to new technologies which resulted in a 'dismal stationary state'.[12] To resolve these problems, John Stuart Mill suggested the redistribution of wealth through joint stock companies. This was based on two important observations which were from the productivity and property perspectives. The first was that large-scale production was promoted by the accumulation of large capital through joint stock company formations and that the co-operation of people, and the labour force, would lead to superior productivity. In the second observation, Mill emphasised the just distribution of wealth and the necessity of managerial reforms. He believed that superior productivity would reduce the total cost of labour, and increase the real wages of labourers and profits of capital.[13]

[11] G. Verhoef, *The History of Business in Africa: Complex Discontinuity to Emerging Markets*, 69.
[12] N. Maehara, "John Stuart Mill's Theory of Joint-Stock Companies: On the Basis of His Theory of an Ideal Civil Society", *The History of Economic Thought*, 52, (2011), 100.
[13] *Ibid.*

This was also articulated in Kuznets' previously mentioned study on capital markets and inequality. He highlighted that the growth of companies and the expansion of capital markets increased the distribution of incomes across the population.[14] To explain how this unfolded at the Cape, this chapter is divided into four sections. The first will discuss the theoretical framework of this study and its methods. This will be followed by a section on the Cape's capital market prior to 1892. The third section will discuss the growth of the Cape capital market after the passing of the Company Amendment Act of 1892, followed by a section on the nature and distribution of investors in the colony after the passing of this legislation. The fifth and final section will be the conclusion.

Framework and methods

While the previous chapter used Schumpeter's *Theory of Economic Development* to shed light on the development of companies in the colony, this chapter uses it to analyse the changing pattern of the capital market. Schumpeter was among the first scholars to describe capitalism as a changing machine, and Chapter Two showed how old businesses at the Cape gradually transformed and embraced new methods, and in the process, annihilated other businesses that were in the same field.[15] Innovation and entrepreneurial action were at the core of this transformation.[16] These two agents were responsible for overcoming constraints inhibiting economic development, in this case unlimited liability, and were also credited for initiating the transformation of the capitalist class. Thus, according to Schumpeter, the process of innovation created new elites. He believed that although there was a single capitalist class, the people in this circle changed during the process of 'Creative Destruction'.[17] In the Cape colony signs of this mutation are shown by how the middle class surpassed the commercial and farming bourgeoisies as the dominant class in the capital market.[18]

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[14] T. F. Totheli, "The Kuznets curve: determinants of its shape and the role of finance", *Studies in Economics and Finance*, 2, (2011), 2.
[15] See section that include the Cape Orchard Company Limited and how it began to provide services that would have otherwise been solicited from other service providers. Also see the section that discusses the surge in manufacturing companies and the reduction of merchant companies. All these were signs of a changing system.
[16] H. Hanusch and A. Pyka, "Principles of Neo-Schumpeterian Economics", Seminar paper, University of Augsburg Institut fűr Volkswirtschaftslehre Volkswirtschaftliche Diskussionreihe, No. 278, University of Augsburg, 2005, 9.
[17] *Ibid.*
[18] This work also contributes to Schumpeter's hypothesis on the circulation of the elite by showing that creative distraction did not always annihilate the existing capitalist class, but introduced new individuals to the circle, hence the term people's capitalism.

Although entrepreneurs in this paradigm are described as drivers of economic change and primary innovators, the fruition of their ideas was dependent on the availability of credit. Thus, in addition to creativity, the financial sector was the second most important force behind economic dynamics. Schumpeter argued that these two had a symbiotic relationship in which the entrepreneur opened possibilities of investment, and financiers enabled venturing possibilities for the entrepreneur.[19] This relationship functioned in three different ways. The first involved financial intermediaries in the form of banks. Despite its effectiveness, this system had limitations, which were subsequently overcome by the emergence of stock markets. H. Hanusch and A. Pyka note that the amount of capital needed to finance ventures in the new industrialised world, since the end of the eighteenth century, accelerated the use of stock markets. With the emergence of private equity and venture capital firms in the nineteenth century, the financial sector was extended to involve venture capitalists. This was due to increased opportunities which came along with uncertainties of scientific and technological innovation. Venture capitalists were therefore responsible for investing in these risky start-up companies.[20] Investors in this dataset fall under this last group, as the companies that were used for this study were not traded on the stock market.

To complement the above framework, this chapter borrows from studies on the expansion of capital markets in Victorian Britain. This combination provides both theory and structure for the study. Questions to be addressed here have been studied by scholars focusing on British joint stock companies. For instance, Acheson et al. show that British investors were indeed diverse in their paper on the expansion of Victorian capital markets and clientele effects. Having classified investors into different categories (rentiers, capitalists, businessmen, middle-class and women investors), they explain that each group exhibited different behaviours in the capital market. Rentiers were inclined to invest in foreign and colonial securities, as well as in firms based and traded in London.[21] These were usually large companies, because they often avoided firms which were family owned. They made up 36.7% of the investors, and provided 44.8% of capital. Businessmen, on the other hand, made up 17% of the investors and

[19] *Ibid.*, 12.
[20] *Ibid.*
[21] G. G. Acheson, G. Campbell, J. D. Turner, "Who Financed the Expansion of the Equity Market? Shareholder Clienteles in Victorian Britain", 4.

contributed 20.2% of the capital. Unlike the former, they acted as venture capitalists, favouring young, domestic enterprises outside of London.[22]

Financiers focused on highly liquid, foreign securities, which offered higher returns and could easily be traded, while institutional investors similarly concentrated on foreign firms.[23] Financiers and financial professionals made up 3.1% of the investors and provided 4.3% of capital. At the bottom of the shareholders list were the middle class and women. Acheson et al. argue that the amount of capital contributed by these groups suggested that they were the least wealthy of the occupational groupings.[24] Thus, they favoured safe shares that paid dividends, and did not have uncalled capital. The former consisted of professionals and white-collar workers. They made up 14% of the shareholders and contributed 11% of the capital, whereas women took up 25% of the shareholdings, and made up 10% of the value of the capital market.[25]

The rise of small investors in Victorian Britain led to further enquiries on other factors that may have facilitated their growth. D. R. Green et al. argue that increased opportunities to save money explained these developments.[26] They suggest that rising levels of real incomes were important, especially in the second half of the nineteenth century, due to falling food prices, structural changes in the labour market, and increases in nominal wages.[27] On the other hand, J. Maltby points to the growth of various forms of savings and mutual assistance against unemployment, incapacity, and/or ill-health. This is because numerous savings schemes developed in Britain during the nineteenth century which served the financial needs of the ordinary classes.[28] For instance, in 1817 the Trustee Savings Bank was a favourite destination for small savers until 1861, when the Post Office Savings Bank was established.[29] By the 1890s the deposits in these banks exceeded over £100 million. By the late nineteenth century, the

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[22] *Ibid.*, 13.
[23] *Ibid.*, 5.
[24] *Ibid.*, 14.
[25] *Ibid*.
[26] D. Green, A. Owens, J. Maltby, and J. Rutterford, "Men, Women, and Money: An Introduction", 8.
[27] *Ibid.*, 8.
[28] J. Maltby, "The Evidence of Democratization of Share Ownership in Great Britain in the Early Twentieth Century", edited by D. R, Green, A. Owens, J. Maltby and J. Rutterford, *Men, Women, and Money: Perspectives on Gender, Wealth, and Investment, 1850-1930* (Oxford: Oxford Press, 2011), 186.
[29] *Ibid.*

deposits into these schemes rose from £1.9 million in 1870 to over £7.2 million in 1911. Despite rapid population increase during this period, Maltby argues that this pattern mirrored the desire and ability of individuals and households to save money.

These works set the precedence for this study. For example, work by Green et al. was instrumental in shedding light on some of the important conditions that influenced the expansion of capital markets after the passing of the Company Acts. Using lessons from the British experience, this study shows that the Cape also possessed a broad class of investors, which exhibited different behaviours in the capital market. The following section details the methods that were used to acquire and analyse data, as well as to classify investors.

Methods

Although this study is framed along Acheson et al.'s work, it focuses on privately traded companies, and not those that were publicly listed on the stock market like the ones in their paper. The common features that this study shares with their work is that they sought to find out who financed British companies during this period, what type of investors these were, whether this changed over the nineteenth century and finally, whether there were clientele effects between companies and shareholders?[30] This made it possible to borrow their methodology.

Their primary source was the British company records in the BT2 and BT31 series archive which housed 2 765 company files.[31] Similar to this study, adequate data was only available for specific years. As a result, their analysis was limited to the years 1870, 1885 and 1899. Their sample data had missing ownership returns, and this was attributed to the congestion of records in the archives, which saw some of them being rendered unusable. To create a robust sample, they only focused on companies that had intelligible records. After this process, they remained with 293 companies with over 172 000 shareholders.

[30] Clientele effects according to Acheson et al. occur when different companies with specific attributes attract a particular type of shareholder.
[31] G. G. Acheson et al., 'Who Financed the Expansion of the Equity Market? Shareholder Clienteles in Victorian Britain', 7.

For the Cape company records, only 263 of 457 sample companies discussed in Chapter Two had sufficient records on shareholders. While congestion may have possibly resulted to this, missing shareholder lists for Cape joint stock companies could also be attributed to the process previously mentioned on the relocation of company records from the Registrar of Companies office to the Western Cape National Archives in 1910. Nonetheless, these 263 companies provided information of 6 883 shareholders for the years spanning from 1892 to 1902.

The next step was to assess the socio-occupational make-up of the shareholders. Acheson et al. did this by tabulating occupational details reported in the ownership records. These were the same records that were consulted for this study, as shown in appendix 3. There were two recurring challenges associated with this method. The first was that not all shareholders disclosed their occupational details. For instance, 47% of shareholder occupation details were reported for their paper[32] and 63% of investors in the current study reported their occupation.[33] The second challenge, which was also alluded to briefly by Newton in her study on joint stock companies in the Sheffield industrial area, was the tendency of investors to overstate or mis-report their occupational status.[34]

However, to declare that shareholders were misrepresenting their occupation at the Cape is tricky. Room had to be provided for instances of overstatement or upward mobility. A good example of this is Willem Daniel Malherbe who, in the *Paarl Matabeleland Company*,[35] first was reported to be a farmer, but in the following year was noted as being a capitalist in the *Paarl Board of Executors Limited Company*.[36] This overstatement was a common occurrence at the Cape, especially amongst farmers. P. Scully in her work alluded to farmers who

[32] G. G. Acheson et al., 'Who Financed the Expansion of the Equity Market? Shareholder Clienteles in Victorian Britain', 8.
[33] *Ibid.*
[34] *Ibid.*
[35] CAD, LC C50, Paarl Matabeleland Syndicate Limited, 1894.
[36] CAD, LC C66, Paarl Board of Executors Limited, 1895.

transformed into capitalists after making extreme profits from mining securities during the mineral revolution.[37]

In order to analyse investor behaviour, available information on their occupation was tabulated into specific categories. In their paper, Acheson et al. classify Victorian investors into six specific groups. These were rentiers, businessmen, middle-class investors, women, financiers and institutional investors. Rentiers, the largest providers of capital during this period, were a class consisting of men with no formal occupation. These men were usually nobility, or individuals wealthy enough not to work, and they relied on investment as income.[38] Gentlemen and esquires were also common among these.[39]

Businessmen, on the other hand, were made up of manufacturers, merchants, and retailers. Manufacturers produced goods or industrial inputs, whereas merchants were usually wholesalers or intermediaries, and retailers were involved in the sale of goods to the general public (e.g. tailors, drapers and butchers).[40] The middle class was divided into professionals (e.g. doctors, architects, engineers etc.), white-collar occupations (bank clerks, teachers, administrators etc.), legal professionals and clergymen. The working class was subdivided into the skilled working class (e.g., joiners, painters, coopers, tanners, cabinet makers, cutlers, plumbers etc.), and the unskilled working class (e.g. labourers and domestic servants etc.), although the former may in some cases be better classified as businessmen.[41] Women were also subdivided so as to capture their need for income (widow and spinster) or whether they may have had more male input into their investment decisions (married women).[42] Financial occupations were divided into bankers, stockbrokers and other finance categories (e.g., actuaries and accountants). Bank clerks and agents working for financial institutions were not

[37] P. Scully, 1987, "The Bouquet of Freedom: Social and Economic Relations in Stellenbosch District, 1870-1900", 67.
[38] G. G. Acheson et al., 'Who Financed the Expansion of the Equity Market? Shareholder Clienteles in Victorian Britain', 1.
[39] In the pre-modern era, gentlemen and esquires were members of the landed gentry who made up the second tier of the aristocracy, with esquires being above gentlemen in hierarchy. More so, possessing this title was an indication of an education at an elite public school.
[40] *Ibid.*, 10.
[41] *Ibid.*, 12.
[42] *Ibid.*, 11.

included in these categorisations, but were part of the white-collar categorisation. Institutional investors were categorised either as companies, or investment trusts.[43]

The above classifications were adopted, but with a few modifications. The first is that there were no institutional investors in this data. Secondly, unlike Acheson et al.'s model that classifies women and financiers as individual categories, this study classifies them as middle-class investors. This is because investors in this study are classified according to L. Davidoff and C. Hall's "separate spheres" theory, and the Historical International Standard Classification of Occupations (HISCO) model. The "separate spheres" theory is a set of cultural preferences that emerged in Britain during the Victorian era. It designated men and women specific roles in the economy, and allocated them spheres that they could occupy within the system.[44] Married women, the majority of women investors in this study, according to this principle, fell in the middle-class category. Although they typically did not earn any formal income, their husband's salaries were treated as their income. Despite this dynamic, there were women who had professional occupations, and it was only natural to place them in the middle-class category.

The HISCO is a model based on the International Standard Classification of Occupation 1968 (ISCO68) of the International Labour Office (ILO), the no-historical classification of occupations created by the International Labour Organisation (ILO). It was specifically designed to produce a system of classification that would become applicable across time, space and language.[45] It is also based on 1000 frequently appearing occupations in Belgian, Dutch, French, Swedish, Norwegian, British, German and Canadian datasets from the period 1690-1970.[46] All these titles are systematically gathered in the HISCO tree. There are major groups, with minor groups classified under them and these can also have several sub-groups.[47] Table 2 below shows the Cape's investor classification based on the previously discussed models. From

[43] *Ibid.*, 10.
[44] L. Davidoff and C. Hall, *Family Fortunes: Men and Women of the English Middle Class, 1780-1850*, 2.
[45] E. A. Wrigley, "The Occupational Structure of England in the Mid-nineteenth Century", edited by E. A. Wrigley, *Poverty, Progress and Population* (Cambridge: Cambridge University Press, 2004), 129.
[46] "Some notes on standardising your occupational groups or occupations assigning the HISCO codes", 1. Accessed 23 June 2019, https://collab.iisg.nl/c/document_library/get_file?p_l_id=273223&folderId=13951&name=DLFE-1326.pdf.
[47] *Ibid.*

the Victorian classification, businessmen, the middle class and rentiers remain the same whereas financiers, institutional investors and women were removed and allocated to other groups based on the separate spheres and HISCO models.

Table 2: Investor classifications

Victorian classification	Businessmen	Financiers	Institutional investors	Middle-class	Rentiers	Women
Cape classification	Businessmen	Company investors	Farmers	Middle-class	Rentiers	

***Sources*:** Author's own formulation.

A notable characteristic of the HISCO model is that it does not classify investors according to status. Major and minor groups do not contain titles related to status, although there are specific occupations such as those in major group 0/1 (professional, technical and kindred workers) that clearly required more education than those in major group 7/8/9 (production and related workers, transport equipment operators and labourers).[48] This still does not portray a clear picture of status in the Cape Colony. Thus, the use of the HISCO model demands one to consider contextual differences. For instance, farmers according to the HISCO classification fall under major group 6 which occupies a relatively lower status. On the contrary, farmers at the Cape occupied a position slightly equivalent to that of businessmen. This is thoroughly explained in Meltzer, Mabin and Scully's work. For this reason, farmers in this study are acknowledged as an independent investor category. This also explains why rentiers in this study, similar to Acheson et al's, are placed individually.

The HISCO has 9 major groups, 76 minor groups, 296-unit groups and 1 675 sub-groups. These are the 1.) professional, technical and related workers, 2.) administrative and managerial workers, 3.) clerical and related workers, 4.) sales workers, 5.) service workers, 6.) agricultural, animal husbandry and forestry workers, fishermen and hunters, 7-8-9.) production and related workers, transport equipment operators and labourers. The groups help reveal differences in

[48] *Ibid.*

training and professional qualifications.[49] For instance, major group 0/1 includes professional occupations such as medical practitioners, architects, engineers, but also includes teachers, accountants, musicians and athletes in its minor groups.

By adopting this method, this study gives a concise classification of the middle class. Instead of dividing the middle class into professionals and working class (skilled and unskilled) like Acheson et al. do, this project classifies these people into the upper, middle, and lower middle class. This reduces the risk of incorrectly classifying occupations, as did like Acheson et al. in some instances, such as when they classified teachers under white collar work not professionals. The upper-middle class is made up of trained individuals with a high skills level, and individuals with high-status occupations in society. The middle-middle class also consists of skilled individuals, but not with moderate status such as teachers, accountants, supervisors, clerks, etc. The lower middle class includes labourers, hairdressers, store workers etc. This adds to the understanding of how various investors in the same group behaved in the securities market.

Sources of capital at the Cape prior to the passing of the Companies Act

Agriculture and commerce were the most important industries in the Cape, and, by default, the commercial and farming bourgeoisies were the main sources of local capital. Due to the rudimentary state of industry as well as several economic recessions, this capital base was limited, so as in the case of most colonies, the Cape had to complement this base with foreign capital.[50] British money, by virtue of being from the colony's metropole, emerged as the most important source of this capital, to the extent that the 1861 company legislation is claimed to have been implemented specifically to attract British investors.[51] The *Advertiser* during this period stated that without British investments economic development in the colony would have been greatly impaired.[52] This was evidenced by the fact that in 1836 more than half of the

[49] *Ibid.*
[50] J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 169-170.
[51] *Ibid.*
[52] *Southern African Commercial Advertiser*, 31 January, 1854.

shares in the *Cape of Good Hope Bank* were reserved for London purchasers and many of them were held by London merchants with agents in Cape Town.[53]

There were several ways foreign capital arrived at the Cape. It could either reach the colony by means of individual shareholding in locally founded companies, credit facilities to local businesses, loan companies and mortgages, or through companies that were floated on the London stock exchange.[54] It was also commonly injected into the economy via the colonial government. Usually these forms of investment were channelled towards public works such as the railways and other infrastructural projects. This made it easy for British capital to penetrate the colonial economy. Towards the implementation of the company legislation, London-based merchants dominated as directors in most trust and insurance companies, as well as steamship and railway companies. This was partly because British merchant houses had begun to provide permanent loans to businesses in the colony.[55] This meant that they were now directly involved in conducting business in the colony.

For locally generated capital, agriculture and commerce remained the main sources.[56] Credit was also a common form to acquiring capital. As mentioned in the previous chapter, the *Lombard Bank* was the first financial institution at the Cape, and it focused on assisting individuals who possessed valuable real property, but were unable to meet their requirements due to the then prevailing lack of currency.[57] It was purely a loan bank, 'Bank van Leening', founded to assist less wealthy settlers in the colony. It granted colonists favourable loans at 5% interest increase against mortgage bonds or other suitable securities.[58]

In 1808, after the second British occupation, the Lombard Bank was succeeded by the state-controlled Discount Bank. This bank accepted deposits from the public, primarily the

[53] *Ibid.*, 101. (Financial institutions were among the most common destinations for British capital and it can be argued that the expansion of this sector in the colony greatly depended on this capital.)
[54] *Ibid.*, 107.
[55] *Ibid.*, 126.
[56] J. M. Smalberger, *Aspects of the History of Copper Mining in Namaqualand*, (Cape Town, 1975), 127.
[57] E. H. D. Arndt, *Banking and Currency Development in South Africa (1652-1927)* (Johannesburg: Juta and Co., Ltd, 1928), 165.
[58] *Ibid.*

agricultural community. Funds were deposited on fixed deposits for up to three months at 5% interest on sums of more than Rds. 1000. By 1811 deposits had reached Rds. 157 000 and Rds. 140 0000 in 1823.[59] This was a significant rise in the savings of the public, and most importantly showed the availability of surplus capital held by the public, which could potentially be injected into joint stock companies.[60]

Apart from these banks the colony also had private credit markets.[61] These provided both wealthy and poor settlers with financial sources to expand their productive capacity and long-term investments.[62] After British occupation, credit and finance houses gradually spread across the colony together with trust and insurance companies. Like early organisations discussed by Fourie and Swanepoel, they lent out funds, sometimes in mortgages, to the urban and rural propertied classes.[63]

Furthermore, farmers and merchants occupied a large proportion of this local capital market, although the latter seemed to dominate. Their joint wealth is said to have been the backbone of company formation in the colony. Evidence of this was the recurring nature of merchants' names as directors and shareholders in various local companies, and how the same names continued to appear at different times in more than one company.[64] To confirm the importance of this capitalist class, V. Bickford-Smith notes that shops, warehouses, banks and insurance offices in the colony "stood as monuments of the god that created them, merchant capital".[65]

[59] The abbreviation Rds stands for the Dutch currency called *Rijksdaalder* or rixdollar. In 1606 the Dutch National Parliament issued a decree which instituted the *Rijksdaalder* as the standard coin. See W. G. Wolters, "Managing Multiple Currencies with Units of Account: Netherlands India 1600-1800", Conference Paper, XIV International Economic History Congress, Helsinki, 2006, 8. Accessed 26 September 2020, https://complementarycurrency.org/ccLibrary/Wolters.pdf.
[60] *Ibid.*
[61] J. Fourie and C. Swanepoel, "Impending ruin" or "remarkable wealth"? The Role of Private Credit Markets in a Settler Colony", *Journal of Southern African Studies,* 44, 1, (2017), 15.
[62] *Ibid.*, 15.
[63] J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 115.
[64] *Ibid*.
[65] V. Bickford-Smith, "Cape Town at the Advent of the Mineral Revolution (c.1875): Economic Activity and Social Structure", Seminar paper, History Workshop University of the Witwatersrand, 1987, 7. Accessed 11 May, 2017, http://wiredspace.wits.ac.za/bitstream/handle/10539/7695/HWS-20.pdf,

Like Meltzer, he argues that Cape Town's economy was studded with mercantile firms, such as *W. Anderson and Co*., *Wilson and Barry and Nephews*.[66]

The power of these merchants, numbering a maximum of 150 individuals, within Cape Town's economic system, was further enhanced by their control over local banks, as both shareholders and directors.[67] In the early 1860s, the boards of the banks, insurance houses and the railway, gas and other companies in the colony consisted of merchants. For example, the entire board of the *Equitable Marine Assurance Company* consisted of prominent local merchants, such as W. J. Anderson, Goldman, J. King and Joseph Barry. The boards of other insurance companies were similar in composition. Merchants and agents, such as D. G. de Jongh and F. G. Watermeyer, sat on boards of several companies, including the gas light company. The connections between the personnel of the colonial government, both civil servants and executive, and the commercial community were very close. W. Porter, the Attorney-General, chaired the board of the gas company, while the government land surveyor, John Reid, was a member of several company boards, including the *Equitable Fire Assurance and Trust Company*. C. D. Bell, who was the Surveyor General, chaired the *Cape Commercial Bank,* on whose board he shared decision-making with a variety of merchants, accountants, lawyers, and landlords as well as W. Field, the collector of Customs.[68]

From the seventeenth to the nineteenth century, mortgaging one's property was a popular way of acquiring capital for business purposes. For instance, farmers either mortgaged their harvest or slaves to secure financial backing. In R. C. H. Shell's study on slavery at the Cape in the seventeenth- and eighteenth-century mortgaging slaves was a common practice among farmers.[69] According to this study, farmers used slaves as "a peripatetic bank", i.e., property they could sell when they needed to make a withdrawal. This was, however, specifically among the old slave owners. He quotes one English slave owner who openly stated that this scheme was the only bank old farmers had to keep their businesses afloat.[70]

[66] These companies usually depended on credit from parent houses and financial backers in England.
[67] *Ibid.*, 8.
[68] *The Cape of Good Hope Almanac and Annual Register* for 1861, 58-62.
[69] R. C. H. Shell, "Slavery at the Cape of Good Hope 1680-1731", PhD Thesis Yale University, 1986, 87-88.
[70] *Ibid.*, 88.

Slaves were once again acknowledged as the means of acquiring capital that significantly contributed in the expansion of wine farming between 1813 and 1823. Meltzer argues that during this period slaves had become frequently accepted as security by private money lenders. Large-scale farmers, district officials and annuitants, rather than merchants, were involved as individual lenders of capital. She notes that in 1823 the Cape Commissioner of Enquiry reported that mortgages on 4 089 slaves stood at Rds.4 125 000.[71] However, there is evidence that farmers did not always resort to their slaves to secure mortgage loans. M. I. Rayner in her study on export trade and slavery in the Cape Colony argues that in 1823 two-thirds of the 374 wine-farming estates in the colony were heavily mortgaged primarily on the basis of their fixed assets, rather than on slave property, as previously suggested by Shell.[72]

Nevertheless, the sources of capital, as well as the composition of the capital market, changed tremendously after the abolition of slavery. In the months leading to emancipation and compensation, Fairbairn commented on the good that slave money would do to the colonial capital market. His anticipation was that it would increase investments on joint stock companies, and that this process would lead to an increased demand for labour, which in turn would improve income distribution in the colony.[73]

His observations proved to be true, as already articulated in the previous chapter. Slave compensation money resulted in a general boost to commerce and, at the same time, developed new layers of the commercial bourgeoisie. These new capitalists expanded the local capital base, and were to play an important role in financing early joint-stock concerns in the colony.[74] A. L. Muller notes that the abolition of slavery resulted in the liquidation of a substantial part of the capital that had been spent in slaves. Therefore, the inflow of compensation money stimulated economic activity throughout the Cape, and financed major long-term investments,

[71] J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 51.
[72] M. I. Rayner, "Wine and Slave: The Failure of an Export Economy and the Ending of Slavery in the Cape Colony, South Africa 1806-1834", PhD Thesis, Duke University, 1986, 211.
[73] *Southern African Commercial Advertiser*, 16 October 1839, 47.
[74] J. L. Meltzer, "The Growth of Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 70.

such as the establishment of the first private banks in the Colony, and the large-scale expansion of wool farming.[75]

Feinstein also argues that slave compensation led to financial deepening in the colony. He believes that this marked the beginning of finance-led economic performance.[76] This is based on the observation that compensation was followed by the opening of more financial institutions in Grahamstown, Somerset East, Stellenbosch and Graaff-Reinet. An example of this was the *Cape of Good Hope Savings Bank*. This bank was established to mobilise deposits from all segments of the community, including tradesmen, labourers, charitable societies and even slaves. The bank accepted small deposits as little as sixpence at an initial rate of 4% per annum. In the years 1838 and 1847, the *Eastern Province Bank* in Grahamstown and the *Port Elizabeth Bank* were established in the Eastern Cape. On the eve of the passing of the Companies Act, these financial institutions had become important deposit banks, providing savings facilities to more than successful merchants.[77]

In line with the above, A. Ehlers refers to the growth of trust companies across the Colony from the mid-1830s to 1899. He notes that during this period about 30 trust companies and boards of executors were established.[78] These were situated in the major cities of Cape Town, Port Elizabeth, and Kimberley although there was a small rise in the rural Eastern Cape. He concludes that by the end of the nineteenth century these companies had become an integral part of the financial and social structure of the communities in which they operated.[79]

Despite what has been discussed in this section, the Cape capital market was very small in the years prior to the passing of the Company Acts. It was limited to merchants, farmers and, to a greater extent, British capital. The middle class, including women and the working class, hardly feature in this discussion, because they had very few savings with which to speculate in

[75] A. L. Muller, "The Impact of Slavery on the Economic Development of South Africa", *Kronos*, 5, (1982), 17.
[76] C. H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development, 93.*
[77] *Ibid*.
[78] A. Ehlers, "Rural Trust Companies and Boards of Executors Versus Country Attorneys: The History of Symbiotic "Bastard Relationships" in the Battle for Trust and Estate Business in South Africa to c.1920", *Fundamina*, 9, (2003), 79.
[79] *Ibid.*

business ventures. More so, foreign capital before and after British occupation was an important source of finance for Cape businesses, and this is illustrated by how local capital was greatly dependent on credit loans they offered to keep their businesses afloat. However, the potential for the expansion of the capital market was only realised after the abolition of slavery, when large sums of money were injected into the colony by means of compensation funds. This, as already highlighted above, increased the capital base for the colony. It is the hypothesis of this chapter that savings generated from this period financed some of the joint stock companies that emerged after the passing of the company legislation.

Growth of Cape private capital market, 1892-1902

In 1899 during his first visit to the southern African colonies, J. A. Hobson[80] argued that the Cape Colony and Transvaal throbbed with industrial and commercial energy, which was distinct from that in Britain and other frontier economies in the British Empire.[81] Although he is famously remembered for his work on imperialism, he marvelled at the adventurous spirit and entrepreneurial acumen of men who led Southern African companies. He remarked that never in his life had he "been so struck with the intellect and the audacious enterprise, and foresight of great businessmen as here".[82] This energy was not limited to the famous "Beit and Barnatos,[83] and other capitalists", but spread across all habitants of the colonies.[84] At the centre of this important feat in colonial business was the modern corporation. With limited liability and multiple shareholdings, joint stock companies extended capitalist activities to the population at large, and in effect, enlarged the capital market.[85]

This capital market, to a greater extent, was composed of European investors. Financiers from the indigenous population hardly featured in the company records as only 0.1% of them were

[80] J. A. Hobson was a British economist and theorist. He was famously known for his work on poverty, under-consumption and imperialism. Source below.
[81] J. A. Hobson, *The War in South Africa: its causes and effects* (London: John Nisbet and Sons, 1900), 13.
[82] *Ibid.*
[83] These were seasoned capitalists and political figures. Source below.
[84] E. Rosenthal, *On' Change Through the Years: A History of Share Dealings in South Africa* (Cape Town: Flesch Financial Publications, 1968), 16.
[85] N. Reamer and J. Downing, *Investment: A History* (New York: Columbia University Press, 2016).

identified in the capital market.[86] Reasons cited earlier were responsible for the minimal presence of Africans in the shareholder lists.[87] Other contributing factors for this disparity include that Western banking and finance was inaccessible to the indigenous population in the nineteenth century. Modern European banks followed the mining companies, the plantation owners, and the commercial traders into the interior.

Having identified these dynamics about the Cape society, there were three notable features of the Cape capital market during this period. The first was that 92% of the investors were men, 5% women, and 3% companies. The second was that the Cape capital market was composed of investors from various corners of the globe. Figure 14 below illustrates these features. In explaining the presence of foreign investors in the colony, G. Lanning argues that the connections established in the last quarter of the nineteenth century by South African diamond and gold mining companies were the conduits for large sums of capital invested in Africa from 1867 to 1935.[88] About 75% of this capital came from British investors – both large and small. Traditionally, British capital reached the Cape through government securities towards public works in the nineteenth century. This changed between 1870 and 1935 when most of British private capital began to gravitate towards the colony's mineral wealth, because it was more lucrative despite being high-risk.[89] This is an observation shared with K. Rönnbäck and O. Broberg in their study on the returns on British investments in Africa between 1869 and 1969.[90] They claim that returns, especially in mining investments in colonial South Africa, were higher than anywhere else in the world. This was because of a combination of factors that included the geological structure of colonial South Africa and coercive labour institutions that bolstered profits.[91]

[86] These few Africans were identified by their surnames and residential addresses. They all came from the Eastern Cape, a predominantly Xhosa speaking region, and appeared in the capital market around the same period. More will be discussed in the following section.
[87] With Africans, we refer to the indigenous black inhabitants of southern Africa before European arrival. At the Cape, the 'Coloured' population, a mixed-race ethnic group that descended from indigenous Khoesan, slave and European liaisons, was the largest ethnic group in the Colony. Without a racial marker, it is incredibly difficult to separate them from European investors, as their names often overlap. This is not the case typically for Africans, which allow us to draw inferences about the size of this group.
[88] G. Lanning, *Africa Undermined: Mining Companies and the Underdevelopment of Africa*, 68.
[89] A. S. Mabin, "The Making of Colonial Capitalism: Intensification and Expansion in the Economic Geography of the Cape Colony, South Africa, 1854-1899", 39.
[90] K. Rönnbäck and O. Broberg, *Capital and Colonialism: The Return on British Investments in Africa, 1869-1969* (London: Palgrave Macmillan, 2019), 371-372.
[91] *Ibid.*

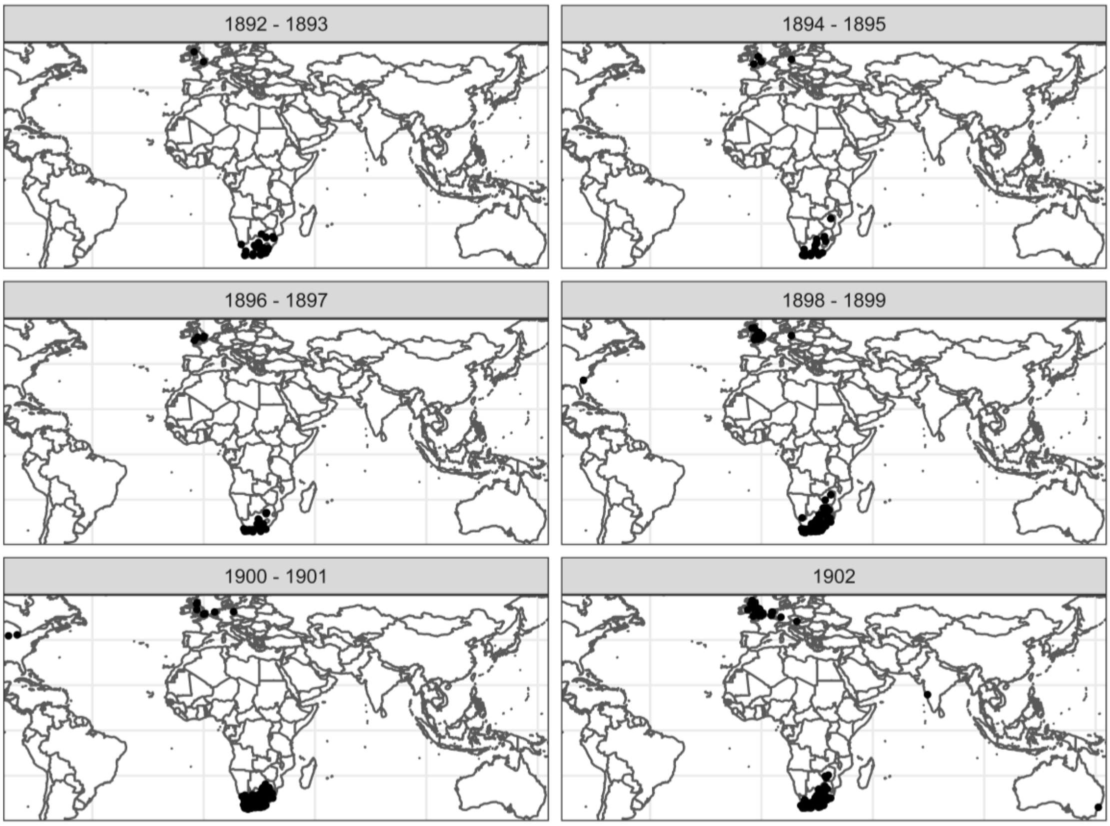

Figure 14: Geographic location of investors, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

The discovery of precious metals coincided with a period when the wealth of Britain and Europe was growing at an increasingly faster rate. London had developed its role as the hub of world trade, and European capital began to seek new outlets at the same time as Kimberley was looking for more money to develop its mines.[92] Although British capital remained important, foreign capital investment in the Cape towards the end of the nineteenth century expanded. It began to include investors from Australia, Austria, Belgium, Bechuanaland, Britain, Germany, India, Rhodesia and the United States of America. A common strategy that was used by leading Kimberley financiers to attract capital in such far-reaching areas was to open offices in their main markets, such as London. This was set up as a way to sell diamonds and trade diamond shares.[93] Other links with Europe were forged by a small group of German

[92] G. Lanning, *Africa Undermined: Mining Companies and the Underdevelopment of Africa*, 53.
[93] *Ibid.*, 68.

and French traders, bankers who had learnt the skills of high finance in Hamburg, Frankfurt and Paris, before coming to the Cape Colony. Among the leading figures were Beit, Albu, Julius Pam, Neumann and Georz, who had all worked for merchants or banks in Germany; there was also Julius Wernher, who was sent to Kimberley by the leading Paris diamond merchant Julius Porges.[94]

However, despite this background and the illustration in figure 14, data used in this study shows that 95% of the investors, who financed Cape joint stock companies during this period, were local. There was relatively less dependence on foreign finance as it only constituted 5% of the capital market.[95] Possible reasons for this include developments in the Transvaal, which may have drawn much of this capital. Schumann argues that while the diamond industry was dependent on local investors, the gold industry relied heavily on foreign capital.[96] The other reason could be investment opportunities elsewhere in the empire for British capital. The mineral discoveries mentioned earlier in India, Canada, Australia and New Zealand may have diverted this capital. As a result, the empire in Africa attracted fewer capital investments than other colonies. In fact, it did not attract nearly the same amount of British capital as India, Canada and the Australasian colonies did.[97]

[94] *Ibid.*, 70.
[95] CAD, LC 1 – LC 467, 1892-1902.
[96] C. G. W. Schumann, *Structural Changes and Business Cycles in South Africa,* 90.
[97] L. E. Davis and R. Huttenback, *Mammon and the Pursuit of Empire: The Economics of British Imperialism, 49.*

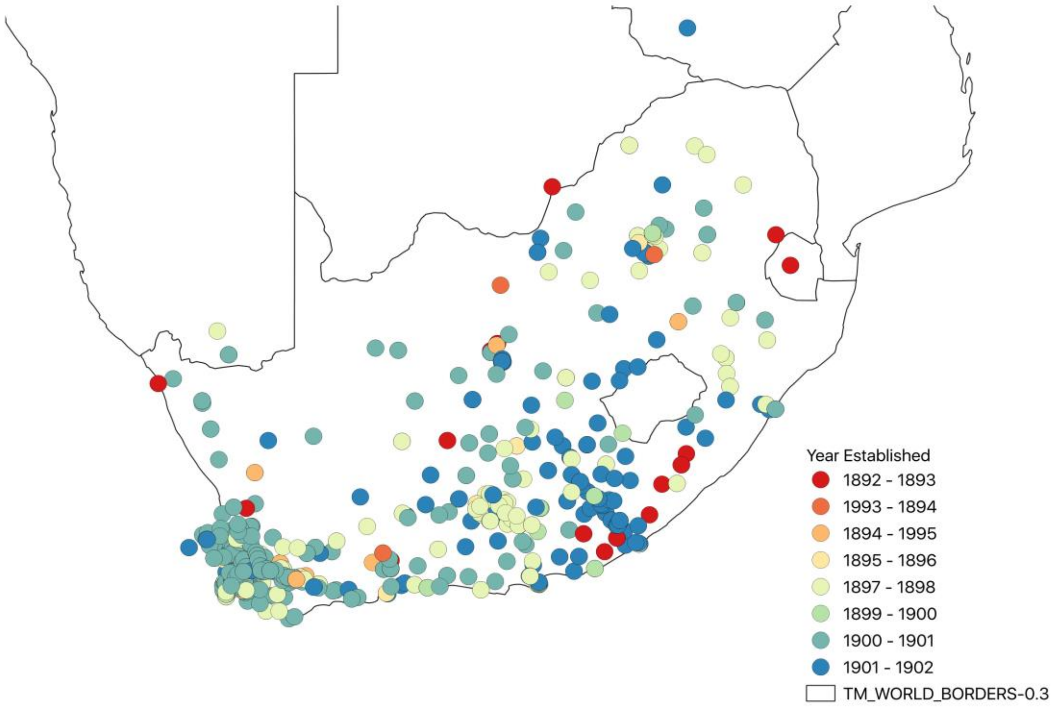

Figure 15: The distribution of local capital, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

Figure 15 shows that this local capital was concentrated in the large cities of the colony. Although the western region seemed to have the largest concentration of investors, between 1900 and 1902 most investors came from the eastern region. The area in the middle which was part of the northern region of the colony only recorded a high number of investors in 1895 and 1897. The previous chapter already showed that this was the period of rapid company formation in the mining sector. As shall be explained in the following section, this region had the largest number of individuals who financed mining companies.

The third most important outcome of this expansion of the Cape capital market was that middle-class investors were the main source of capital. Of the five investor groups discussed in the methodology section, the middle class made up 31%. This was contrary to developments in Britain, where rentiers and businessmen, respectively, made up the largest investor groups. In this data rentiers represented 5% of the capital market and businessmen 13%. Farmers, on the other hand, were the second largest group, although they were behind the middle class by a great margin. The smallest of all the classes were company investors, who made up less than one percent of representation in the capital market.

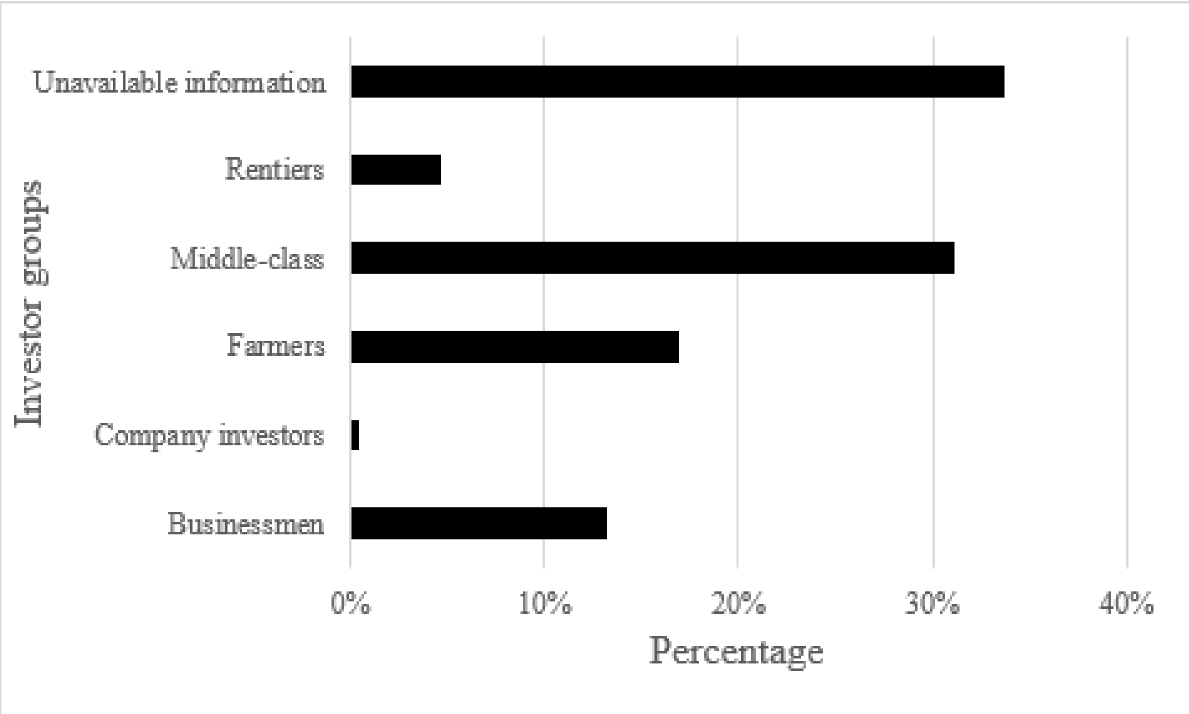

Figure 16: The Cape capital market, 1892-1902.
Source: CAD, LC 1 – LC 467, 1892-1902.

Foreign investors made up 9% of the rentier class, 3% of the businessmen, 4% of the middle class, less than a percent of the farmers, 12% of company investors, and finally 7% of the category with no information.

It is also worth noting that the 15 African investors that were identified in the capital market were concentrated in the middle class category. Many of them were religious ministers or missionaries. Two were teachers and one was a journalist. In fact, the journalist was Mr John Tengo Jabavu, a famous political activist, who founded the *Jabavu and Company Limited*[98] in 1900. This was the first media outlet to publish content in isiXhosa.[99] Three were businessmen

[98] CAD, LC 315, Jabavu and Company Limited, 1900-1933.
[99] L. Switzer, *South Africa's Alternative Press: Voices of Protest and Resistance, 1880s-1960s* (Cambridge: Cambridge University Press, 1997), 25.

(general dealers) and two were farmers. Altogether, they held shares that were worth £270 which was also less that a percentage of the capital market.[100]

In terms of capital contribution, the middle class was consistent with its size. It contributed 32% of the capital in the market, followed by businessmen with 28%. Rentiers on the other hand contributed 13%, and farmers 2%. Company investors contributed 1% and the remaining 24% was for the category with no information. Of this capital, 11% came from foreign investors. Within the rentier class, foreign investors contributed 27% of its capital and 12% of the businessmen category. They also contributed 8% of both company investors and the middle-class' capital, 1% of the farmers and 6% of the category with no information.

There are important factors that may have influenced the pattern of the capital market. For instance, there is a strong possibility that the dominance of the middle class could have been an indirect outcome of population growth in the later part of the nineteenth century. As rightly stipulated by Greyling and Verhoef, population size affects savings and gross domestic product (GDP). According to their study, the annual population growth rate at the Cape between 1850 and 1909 was 3.94% which was, in total, approximately a tenfold rise.[101]

Table 3: Population in the Cape, 1850-1904.

Year	Total Population			Employed	%People engaged in					
	Total	Male	Female	Total	Agriculture	Manufacturing	Commerce	Professionals	Domestic	Indefinite
1850	285,279	141,609	143,670	27,612	81	3	15	-	-	90
1853	224,827	113,240	11,587	30,943	74	3	22	-	-	86
1856	267,096	-	-	44,055	76	3	20	-	-	83
1865	566,158	290,966	275,192	130,562	67	10	5	3	23	64
1875	720,984	369,628	351,356	337,914	61	7	3	2	24	53
1880	876,080	-	-	-	-	-	-	-	-	-
1885	1,252,347	-	-	-	-	-	-	-	-	-
1889	1,458,823	-	-	-	-	-	-	-	-	-
1891	1,525,739	766,589	759,141	-	-	-	-	-	-	-
1904	2,409,804	1,218,940	1,190,864	1,573,719	64	11	4	2	17	34

Sources: L. Greyling and G. Verhoef, "Savings and Economic Growth: A Historical Analysis of the Cape Colony Economy, 1850-1909", 140.

[100] *Ibid.*
[101] L. Greyling and G. Verhoef, "Savings and Economic Growth: A Historical Analysis of the Cape Colony Economy, 1850-1909", 137.

Schumann reiterates Greyling and Verhoef's observation by stating that in 1865 the settler society was increasing at an annual rate of 5%.[102] One of the results of this was that by 1891, 41.2% of this population resided in urban areas. Despite this sharp population increase, the European population at the Cape remained a minority constituting only 25% of the total population.[103] The massive migration of black labourers into industrialising cities and the incorporation of other territories into the Cape Colony were amongst the other reasons for the population increase during the mineral revolution.[104]

Indeed, mineral discoveries affected every individual in the colony, and led to varied economic outcomes in their lives.[105] This is reinforced by Kuznets' hypothesis on how modern economic growth affected the structure of the economy. He argued that the most notable shift during this process was the transition of labour from the primary sector (agriculture) to the secondary and tertiary industries. He added that capital markets emerging from this rapid rise of industrialisation played an important role in distributing even incomes. This, he claimed, had a positive effect on the population's savings capacity.[106] Occupational information is therefore important in order to understand how this period affected people's ability to generate savings, and potentially invest them into colonial joint stock corporations. Although this information was not consistently provided in the company investor records discussed in the methodology section, related works on South Africa's employment history helped supplement this void. For instance, O. Ramela notes that between 1875 and 1904 there was a substantial rise in the number of white individuals working in the secondary industry. On the other hand, the indigenous population was congested in the primary sector, whereas the coloured population had a substantial representation in the secondary sector.[107] Census records from Simkins and Van Heyningen show that 38.3% of the coloured population lived in the urban areas, which confirms Ramela's occupational findings.[108]

[102] C. G. W. Schumann, *Structural Changes and Business Cycles in South Africa, 1806-1936,* 39.
[103] This percentage was calculated by combining Greyling and Verhoef, and Schumann's population records.
[104] O. A. Ramela, "The Evolution of Occupational Structures in South Africa in South Africa 1875-1911: An Analysis of the Effects of the Resource Curse and Blessing", Master's Thesis, Stellenbosch University, 2018, 21-22.
[105] C. H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development, 93.*
[106] T. F. Totheli, "The Kuznets curve: determinants of its shape and the role of finance", 2-3.
[107] O. A. Ramela, "The Evolution of Occupational Structures in South Africa in South Africa 1875-1911: An Analysis of the Effects of the Resource Curse and Blessing", 25.
[108] C. Simkins and E. van Heyningen, "Fertility, Mortality, and Migration in the Cape Colony, 1891-1904", 111.

The question then is how did these developments affect income distribution within these different groups? Simkins and Van Heyningen posit that the 1890s were years of full employment in the colony.[109] They refer to the 1893 commission on the shortage of labour in the colony, especially in the farming industry. However, despite this growth in employment opportunities, it should be considered that salaries earned by indigenous workers in the primary industry were significantly lower than those earned by the white population, and sometimes, coloured labour.[110] Thus, improvements in incomes were skewed towards white labour.

Another indication of changes in income was the drop in the number of persons per room from 2.79 in 1891 to 2.37 in 1904 and the significant rise in the proportion of people living in brick and stone houses from 34 to 38% which also suggested rising real incomes among a substantial stratum of the white population.[111] More so, health improvements further contributed to the growth of the colonial capital market. In the Bubonic plague of 1901, only 189 white people died compared to 408 coloured deaths. The affected white population were alleged to have been those who resided in the racially mixed District Six. The white population generally showed resistance to the disease, because they received medication and hospital care, which was not readily accessible to the other racial groups. As a result, Simkins and van Heyningen suggest that because of such improvements, their life expectancy increased by nineteen years ahead of their counterparts, whose expectancy only increased by fourteen years, for coloureds, and ten years for blacks.[112] It is possible that such developments encouraged emerging classes such as the working professionals to generate and store wealth by means of shares, because the prospect of a longer life became a reality during this period.

Figure 17 below shows the annual growth in the number of investors between 1892 and 1902. This increases our understanding of how different episodes in the colony influenced each investor group’s participation in the securities market. For instance, the year 1892 showed the lowest number of investments, and a possible explanation for this is that people were still

[109] *Ibid.*, 111.
[110] *Ibid.*, 111.
[111] *Ibid.*, 105.
[112] *Ibid.*, 111.

recovering from several economic crises. The first was the diamond bubble and speculation crisis which lasted from 1881 to 1886, which was alluded to in Chapter Two.[113] There were reports of bank insolvencies in Grahamstown, and this caused widespread anxiety among other financial institutions throughout the colony. As a result, many banks began to withhold credit for fear of facing the same fate.[114] Other problems affected a specific group of investors, such as the 1878 excise tax. In this year, the colonial government imposed an unexpected tax on spirits, which until that time had been were the lifeline for most wine farmers. What made the timing of this bill worse was that it came when farmers were recovering from losing their special privilege in the Victorian market.[115] The nail in the coffin was the *phylloxera*[116] pandemic, which essentially destroyed all wine farming areas and crippled the very source of income in the countryside.[117] In combination, these factors had long-term repercussions for the farmers and it was not a coincidence that during this period they did not feature in the capital market. Businessmen, the middle class and, to a lesser extent, rentiers were the only groups that appeared.[118]

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[113] L. Greyling and G. Verhoef, "Savings and Economic Growth: A Historical Analysis of the Cape Colony Economy, 1850-1909", 161.
[114] L. Greyling and G. Verhoef, "Slow Growth, Supply Shocks and Structural Change: The GDP of the Cape Colony in the Late Nineteenth Century", *Economic History of Developing Regions*, 30, 1, (2015), 33.
[115] T. R. H. Davenport, *The Afrikaner Bond: The History of a South African Political Party, 1880-1911* (Cape Town: Oxford University Press, 1966), 14-16.
[116] This was a virus transmitted by a bug which destroyed all the plantation in the Cape wine farmers. It is discussed in greater detail in chapter five.
[117] P. Scully, "The Bouquet of Freedom: Social and Economic Relations in Stellenbosch District, 1870-1900", Master Thesis, University of Cape Town, 1987, 67.
[118] CAD, LC 1 – LC 4, 1892.

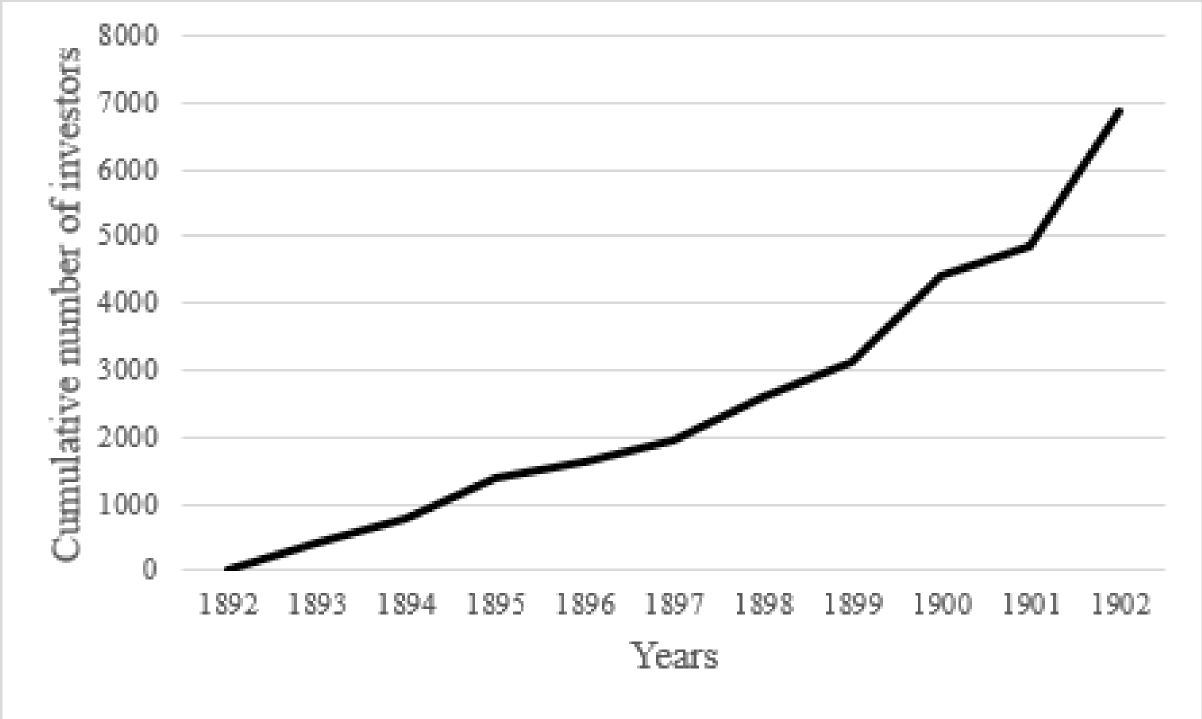

Figure 17: Growth of investors in the Cape Colony in terms of total number of investors, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

However, in 1893 there was a sharp increase in the number of investors, and the middle class and businessmen dominated the capital market during this year. They constituted 54% and 40% of the total number of investors respectively. Rentiers only made up 4%, followed by farmers who made up 2%.[119] This rise in numbers continued until 1895, when the highest number of investors was recorded. About 40% of the investors recorded between 1892 and 1895 emerged in this year.[120] As in the previous years, the middle class dominated these numbers and comprised 44%. They were followed by businessmen who made up 22% of the number of investors. Farmers were also better represented in this year than they were before, as they made up 12% of the capital market.[121] Between 1894 and 1895 the Cape's shares boomed both in the domestic and overseas market. As shall be explained in detail in the following section, much of the capital accumulated during this year went to the mining sector. It is therefore not far-fetched to claim that the minerals rush jolted the capital market. For instance, in 1894 the

[119] CAD, LC 5 – LC 21, 1893.
[120] CAD, LC 1 – LC 139, 1892-1895.
[121] CAD, LC 54 – LC 139, 1895.

London market value of South African shares rose from under £20 million in January to £55 million in December of that same year.[122]

In terms of value, the middle class contributed 43% of the capital in 1895. Next were the businessmen with 26%. Rentiers injected 11%, farmers 5% and company investors only 1%. The other 14% of the capital came from the category with no detailed investor information. A noteworthy finding from this analysis is that although foreign capital only made up 4% of the investors in the Cape capital market, they contributed 48% of the money that financed joint stock companies in that year. They constituted 50% of the rentier class in the capital market, and injected 97% of their finance. Even more remarkably, while they only constituted 4% of the businessmen class, they contributed 61% of its capital. A similar trend was seen with the middle class, where they only made up 3% of this group, but contributed 40% of its total capital. In this year alone, foreign capital injected their largest amount of capital in a single year in the period under study.[123]

This boom culminated in the crash of 1895 already alluded to in the previous chapters. This crisis is alleged to have started when French investors panicked and unloaded gold shares on the Paris Bourse.[124] While this may be true, the Jameson raid discussed in Chapter One may have been another contributing factor. The failed attempt to oust the Republican government resulted in the seizure and incarceration of prominent figures in the gold mining industry.[125] These factors could explain why in the following year foreign capital constituted only 0.1% of the capital market.[126] As shown in figure 17, 1896 was generally a less productive year. The capital market increased by only 3%, and recorded the lowest amount of capital investment after 1892. Chapter Two has also shown that the burst of the gold share bubble led to the liquidation of numerous companies in the colony. Apart from the panic, farmers during this period were once again on the receiving end of ecological disasters. Between 1896 and 1897 the colony was hit by the rinderpest epidemic and by drought. Rinderpest was mostly

[122] S. Jones, *Banking and Business in South Africa,* 1988, 6.
[123] CAD, LC 54 – LC 139, 1895.
[124] L. Greyling and G. Verhoef, "Slow Growth, Supply Shocks and Structural Change: The GDP of the Cape Colony in the Late Nineteenth Century", 33.
[125] G. Blainey, "Lost Causes of the Jameson Raid", 361.
[126] CAD, LC 140 – LC 170, 1896.

concentrated in the eastern region of the colony, where livestock was the basic unit of wealth. In the Transkei, an estimated 90% of cattle were destroyed.[127] The second disaster was the harsh drought of 1897, which was declared the first serious drought for a decade in the colony.[128] Labour, on the other hand, in the midst of these crises, was absorbed into the rapidly growing public works in the cities and the mining industries. The primary result of all these hardships was the devaluation of land in the farming districts. It led to much of the ravaged land were put up for sale. Scully notes that this unexpected loss of land forced white farmers into wage labour and, in worst cases, abject poverty.[129] She argues that the Afrikaner poor white problem can be traced to this period.[130]

However, there was a gradual rise in the number of investors from 1897 to 1900 and three striking developments took place during this period. The first was the gradual decline of the investment of foreign capital. During this three-year period, foreign investors made up only 3% of the capital market and contributed 11% of the capital. This was a sharp drop compared to their position in the previous years. While this may suggest that the Cape had become self-sufficient in terms of its capital demands, there is a strong possibility that the start of the South African War repelled foreign investors. This is also supported by the subsequent slump in the capital market during the year 1900, as shown in figure 17. The second development was that farmers, for the first time, made up 24% of the capital market. This made them the second largest group of investors after the middle class, although this did not correspond with their financial value in the capital market, as they only contributed 2% of the capital as compared to 39% by businessmen and 27% by the middle class. The third important finding was that the middle-class category expanded three-fold during this period, which confirms the study's argument that limited liability democratised capitalism in the colony.[131] This persistent rise in the numbers of middle-class investors, meant that more people from the less wealthy spheres of the society continued to seek wealth in the securities market.

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[127] C. Simkins and E. van Heyningen, "Fertility, Mortality, and Migration in the Cape Colony, 1891-1904", 85.
[128] *Ibid*.
[129] P. Scully, 1987, The Bouquet of Freedom: Social and Economic Relations in Stellenbosch District, 1870-1900, 56.
[130] *Ibid*.
[131] CAD, LC 171 – LC 325, 1897-1900.

After a brief decline in 1901, possibly due to the South African War, the growth of the capital market continued. However, the challenge with data for 1902 is that 42% of the records did not contain information on the socio-economic background of investors. Nonetheless, using available information, the number of farmers in the capital market multiplied although, still, their capital value remained lower than that of the middle class and businessmen. They constituted 16% of the capital market which made them the second largest group in the capital market despite contributing only 4% of the capital. The middle class on the other hand made up 24% of the capital market and contributed 42% of the capital. Unlike in the past years where businessmen were always second to the middle class in terms of size, in this year rentiers were the third largest group in the capital market. They occupied 11% of the capital market and made a financial contribution of 11%. Businessmen were then the fourth largest group but injected 12% of the capital that year which placed them second to the middle class in terms of capital contribution. The company investor category, as always, was less than a percentage of the capital market but contributed 1% of the capital.[132]

Apart from findings on the size and financial contribution of each group, another important characteristic of the Cape capital market was that each group had subgroups. Various factors influenced the participation of these subgroups in the securities market. To fully appreciate the growth of the Cape capital market, one must examine the individuals that constituted each major group and what roles and positions they occupied in their respective major groups. For instance, the rapid expansion of the middle class meant that it was also growing to be more varied. Figure 18 below shows that it was made up of individuals from four different social backgrounds. This information was gathered from a combining investor socio-economic backgrounds and social institutions that existed in the nineteenth century. To illustrate this, women were acknowledged as an independent subgroup. As discussed in the methodology section, although womanhood was not a profession, Victorian culture classified them as part of the middle-class.[133] There were a few who were formally employed, but the majority were unemployed and simply led their lives as housewives, widows or spinsters. For the diagram below all female investors, excluding ‘ladies’, were separated from other subgroups in order to gain a better understanding of their position in the capital market. Women with the title ‘lady’ occupied a higher status in the society than most women, hence they are allocated the rentier

[132] CAD, LC 371 – LC 467, 1902.
[133] This classification was mostly for married women. See Davidoff and Hall cited in the methodology section.

status in this study. The women category in the figure below only covers housewives, widows, spinsters, and women that were formally employed.[134]

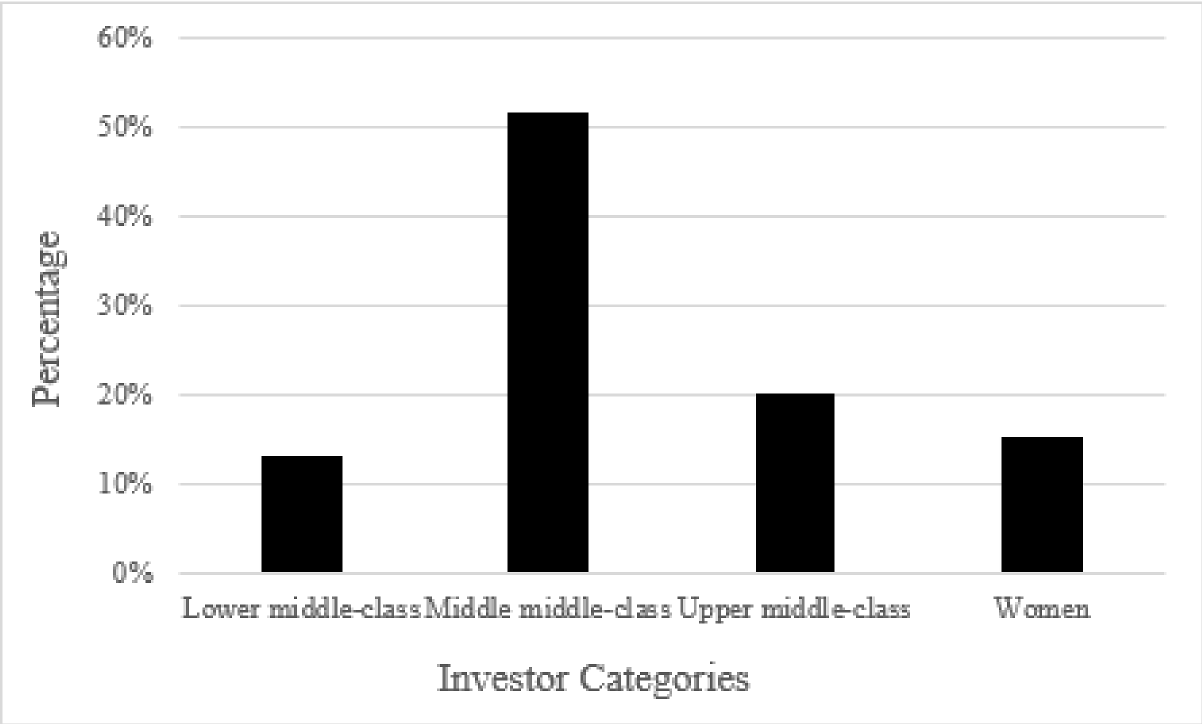

Figure 18: Subgroups in the middle class, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

They constituted 15% of the total number of investors in the middle-class category, and they contributed 15% of its capital. They gained momentum in the capital market between 1899 and 1902, the period when the middle class expanded rapidly. Although they were the third largest subgroup, it was interesting to find that, despite limited economic opportunities, they managed to have surplus money to invest in joint stock companies. Their behaviour and its impact to the capital market is discussed in detail in the following chapter.

The dominant subgroup of this major group was the middle-middle class. They made up 52% of this category of investors and contributed 56% of its capital. As mentioned in the methodology section, the classification of this subgroup was structured along the HISCO model

[134] CAD, LC 1 – LC 467, 1892-1902.

based on the waged labour they performed. It comprised teachers, clerks, secretaries, managers, clergymen, politicians, athletes and artists, brokers and agents, students, civil servants, and engineers, among others. It basically consisted of individuals who were trained to practice their trade, and included individuals who attended tertiary education to acquire their skills. The upper-middle class, on the other hand, consisted of investors with professions that were highly respected in the society. Although it is stated that the HISCO model does not classify based on status, it provides clues on certain professions that demanded greater levels of qualifications, and paid higher wages.[135] These included, inter alia, medical practitioners, attorneys, architects, and accountants. They made up 20% of this group and contributed 27% of its capital.[136] Finally, the lower-middle class was the smallest of the four subgroups making up only 13% of the major group. It contributed 2% of the capital and consisted of unskilled labourers. These included, among other professions, hairdressers, store boys, barmen, painters, diggers, undertakers, dock loaders and stewards. Like women investors, this subgroup only appeared in the capital market in the late 1890s.[137]

The rentier and businessmen categories also had subgroups. The former had three: the gentlemen, ladies, and landowners' subgroups. The dominant one of these was the gentlemen class occupying about 79% of the major group, and contributing 75% of its capital.[138] Second were the subgroups of the ladies and the landowners. They both made up 10% of the major group, but differed in terms of capital value. The former contributed 18% of capital, while the latter only provided 7%.[139] Businessmen on the other hand were made up of five subgroups. These subgroups in the HISCO model fell under the category of individuals who performed a trade, but for their own profit. In this study these included general business owners, capitalists, contractors, manufacturers, and merchants. The general businessmen category was the second largest group and constituted 28% of the major group. It was made up of general dealers, butchers, bottle store owners, clothiers, hotel and shopkeepers, and other related trades.[140] The largest subgroup was the merchants who constituted 50% of this major group. They were also the largest providers of capital, possibly because of their long-accumulated profits in the

[135] E. A. Wrigley, "The Occupational Structure of England in the Mid-nineteenth Century", 129.
[136] CAD, LC 1 – LC 467, 1892-1902.
[137] *Ibid*.
[138] *Ibid*.
[139] *Ibid*.
[140] *Ibid*.

colony, as well as financial links with the metropole in Britain. This subgroup was made up of wine, brandy, fruit, diamond, and general produce merchants. It also included individuals who described themselves as buyers and importers.

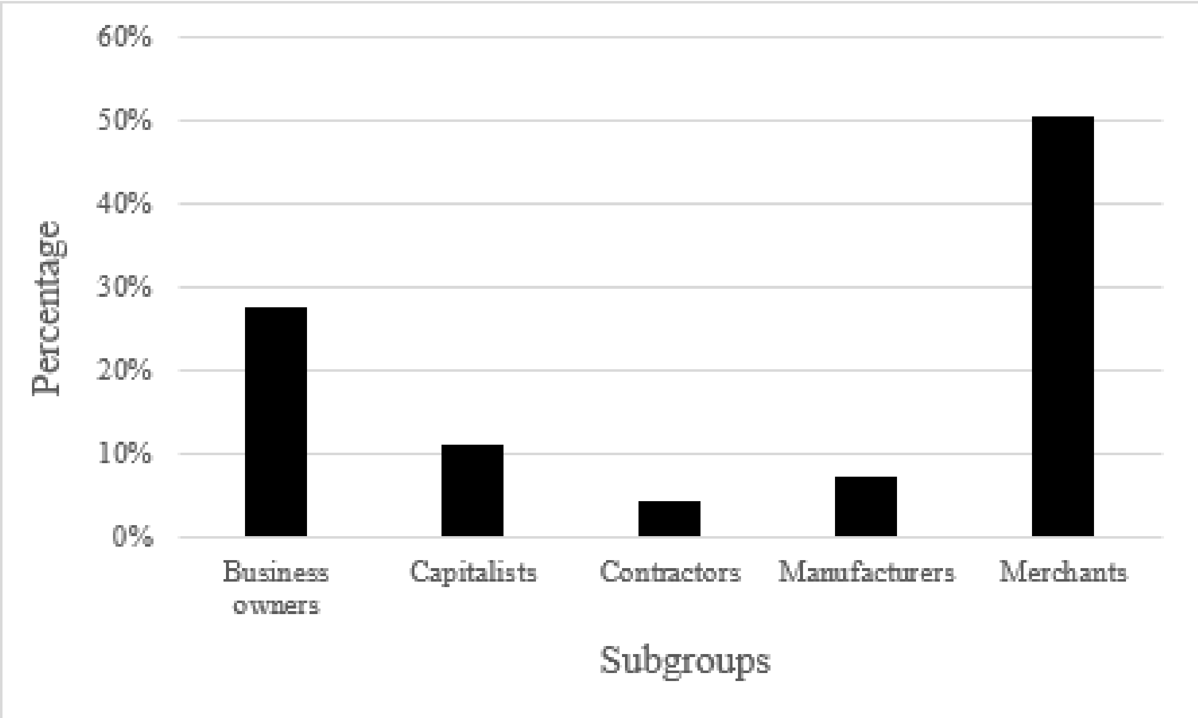

Figure 19: Subgroups in the businessmen category, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

The capitalists' subgroup was the third largest group and it was made up of individuals who described themselves as capitalists, speculators and prospectors. The two smallest subgroups in this category were manufacturers and contractors. The former made up 7% and the latter 4%. While contractors were made up of individuals who described themselves as contractors, the manufacturers' subgroup was relatively diverse. It was made up of wagon and couch makers, boot and dressmakers, cigarette makers, soap and candle manufacturers as well as cart builders. Despite this diversity they were among the lowest contributors of capital.

Within these subgroups were some famous individuals in the colony. Cecil John Rhodes was among them. As briefly mentioned in Chapter One, he was a renowned capitalist and politician who not only served as the Cape Prime Minister, but 'founded' Rhodesia which is present day Zimbabwe.[141] His name appears in the *Suburban Estates Development and Building Company Limited*,[142] the *South African Fisheries Limited*,[143] and the *Vaal Prospecting Syndicate Limited*.[144] There is a great possibility that his investments could have been spread across various joint stock companies and sectors of the colony, but unfortunately missing and damaged company records (discussed in Chapter One) made this difficult to determine when doing this study. Nevertheless, the diverse nature of Rhodes' investments confirms what many scholars have said about him. For instance, A. R. E. Burton, in his voluminous edition of *Cape Colony for the Settler*, highlights that Rhodes was a venture capitalist who saw potential where many did not. The growth of the fruit industry during the late 1890s in the colony is attributed to the faith he had in it.[145]

Another famous individual identified in this data was James Douglas Logan.[146] In "The Prominent Men of Cape Colony", a popular gazette at the Cape during the nineteenth century, he was described as a man who "In politics…is a staunch progressive, in business… distinctly canny, and in private life… the ideal host".[147] D. Allen, on the other hand, described him as "the ideal colonist" although in 1892 he was entangled in a contractual scandal with James Sivewright, the then Minister of Railways.[148] Apart from his clandestine activities, Logan was famously known for his brilliant enterprise in Matjiesfontein, where he established a mineral water factory and a hotel.[149] In this data, he emerges in four different companies, *The Enterprise Coaching Syndicate Limited*,[150] *The South African Fisheries Limited*,[151] *The Paarl Electric Power Syndicate Limited*,[152] and *James D Logan and Company Limited*.[153]

[141] R. I. Rotberg, *The Founder: Cecil Rhodes and the Pursuit of Power*, 4.
[142] CAD, LC 180, The Suburban Estates Development and Building Company Limited, 1897.
[143] CAD, LC 249, The South African Fisheries Limited, 1898.
[144] CAD, LC 8, The Vaal Prospecting Syndicate Limited, 1893.
[145] A. R. E. Burton, *Cape Colony for the Settler* (London: P. S. King and Son, 1903), 27.
[146] CAD, LC 150-379, 1896-1902.
[147] D. Allen, *Empire, War and Cricket in South Africa: Logan of Matjiesfontein* (Cape Town: Zebra Press, 2015), 4.
[148] *Ibid*.
[149] *Ibid*.
[150] CAD, LC 203, The Enterprise Coaching Syndicate Limited, 1897.
[151] CAD, LC 249, The South African Fisheries Limited, 1898.
[152] CAD, LC 379, The Paarl Electric Power Syndicate Limited, 1902.
[153] CAD, LC 150, James D Logan and Company Limited, 1896.

This data also presented esteemed international businessmen like Julius Pam. He was a London-based diamond dealer who channelled much of his investments into three diamond mining companies in Kimberley. These were *The New Elands Drift Mining and Estate Company Limited*,[154] the *Leicester Consolidated Diamond Mines Limited*,[155] and the *Free State Mines Limited*.[156] Although he often invested in his own capacity, in the *Free State Mines Limited* he indirectly invested through the *Julius Pam Company*. Here he committed £38 7000, which made his company the largest shareholder in the mining company.

Financial diversification was a common strategy that was used by investors to allocate capital to different assets in order to cushion themselves from market volatility or risk. While it is often associated with twentieth century investors,[157] recent studies have shown that the practice of spreading capital across numerous investments existed as early as the seventeenth century. A. M. Carlos, E. Fletcher, and L. Neal argue that such risk management strategies existed as early as after the Glorious Revolution in the United Kingdom.[158] Although imperial territories such as the Cape barely feature in such discussions, this data shows that 8% of its investors allocated capital to more than one company.[159] This is a small figure considering that 91% of the population committed their capital to one company each but, on the other hand, it suggests that some Cape financiers were as financially literate and as sophisticated as their counterparts in Europe. This is significant, especially when one considers that the Cape's companies were not yet publicly listed.

Table 4: Portfolio diversification among Cape investors between 1892 and 1902.

[154] CAD, LC 207, The New Elands Drift Mining, 1897.
[155] CAD, LC 153, Estate Company Limited and the Leicester Consolidated Diamond Mines Limited, 1896.
[156] CAD, LC 83, The Freestate Mines Limited, 1895.
[157] J. Rutterford and D. P. Sotiropoulos, "Financial Diversification Before Modern Portfolio Theory: UK Financial Advice Documents in the Late Nineteenth and the Beginning of the Twentieth Century", 1-2.
[158] A. M. Carlos, E. Fletcher, and L. Neal, "Share Portfolio in the Early Years of Financial Capitalism: London, 1690-1730", *Economic History Review*, 68, 2, (2015), 574-575.
[159] CAD, LC 1 – LC 467, 1892-1902.

Number of companies	Frequency	Percentage
1	5,550	91.6
2	345	5.7
3	97	1.6
4	26	0.4
5	14	0.2
6	10	0.1
7	6	0.1
8	5	0.08
10	1	0.02

Source: CAD, LC 1 – LC 467, 1892-1902.

Overall, more than 50% of the individuals in this sample that were identified as diversifying their investments came from the middle-class investor group.[160] Businessmen constituted 20% of this group, while rentiers and farmers both made up fewer than 10%. Company investors were the only group that tended to commit capital to one company. This pattern can be attributed to the varying representation of each population group in the capital market. For instance, given the size of both the middle class and businessmen in the capital market, it is likely that they were going to constitute large proportions of the financiers who diversified investment portfolios. Likewise, the number of rentiers, who diversified their portfolios, is consistent with their small size in the capital market. Farmers were the only group that occupied a large percentage of the capital market, but displayed less interest in diversifying their portfolios.

Notwithstanding the dominance of the middle class mentioned above, a micro analysis of each investor group showed that businessmen had a greater tendency to diversify their investment portfolios than any other group did. About 14% of investors from this group diversified their investments, and this is consistent with Acheson et al.'s observation that businessmen in the Victorian capital market were heavily involved with financing new businesses, unlike other investor groups that preferred well established companies.[161] Next in line were the rentier investors of whom 11% o held shares in more than one company. Only 10% of middle-class

[160] *Ibid*.

[161] G. Acheson, G. Campbell, J. D. Turner, "Who Financed the Expansion of the Equity Market? Shareholder Clienteles in Victorian Britain", 23.

investors diversified their portfolios as did 6% of farmers. The remaining 3% was from the category without occupational data.[162] The capital that each investor group committed to this method of investment suggested that businessmen were indeed dauntless in their investment choices. The capital for investors who diversified their portfolios was £367 941 compared to £306 277 of capital invested by the middle class. Although rentiers in this bracket of investors contributed £179 268, their capital was a significant amount, considering the overall size of this group. Farmers, on the other hand, contributed £14 149, which confirms their aversion to risk.[163]

Findings from this sample data also show that investors from different regions of the colony diversified their investments in peculiar ways. Whereas investors from the northern region preferred to diversify their investments within the mining sector, those in the eastern region tended to spread their investments in trust, merchant, shipping, and real estate companies. Those in the western region had no clear pattern, as their interests were not limited to specific industries or geographic locations. The advanced nature of the economy there partially explains this tendency. Moreover, Chapter Two illustrated that a great percentage of companies in the colony had their head offices in the western region. This meant that investors located there had more companies to invest in than investors located in the frontier regions of the colony.[164]

The western region also had the largest number of individuals who invested in more than one company followed by those from the eastern and northern regions, as shown in appendices 7, 8 and 9. Although the latter had the lowest number of investors who diversified their portfolios, they held shares in more companies per individual than the two other groups did. For instance, the only individual who invested in 10 companies was Mr A. Ramsay, an accountant living in Kimberley.[165] He invested in seven of these companies in 1895 which, as discussed in Chapter Two, was a boom year for mining companies. His investment pattern further confirmed that

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[162] CAD, LC 1 – LC 467, 1892-1902.
[163] *Ibid*.
[164] *Ibid*.
[165] CAD, LC 67, Krugersdorp Gold Mining Estate Company Limited, 1895; LC 69, The Provident Diamond Syndicate, 1895; LC 84, The Ceres Petroleum Company Limited, 1895; LC 95, The Herbert Gold Fields Limited, 1895; LC 97, The Minter Estates and Gold Mines Limited, 1895; LC 106, The Kimberley-Carnavon Petroleum Syndicate Limited, 1895; LC 110, The Langberg Estate and Exploration Syndicate Limited, 1895; LC 223,The Eureka Gold Mining and Estate Company Limited, 1898; LC 279, The Kimberley Steam Laundry Company Limited, 1899; LC 335, “H” Prospecting and Development Syndicate Limited, 1901.

Cape investors preferred to invest in businesses with which they were familiar. For instance, Mr Thomas Bell, like Mr Ramsay, invested in eight mining companies in Kimberley between 1895 and 1902. Mr Bell, however, was a diamond merchant, which made him even more inclined to invest in mining companies.[166]

When considering the capital value of what financiers from the northern region injected into diversified investments, it was significantly lower than the capital which investors from other regions contributed. For instance, the total capital value of Mr Ramsay's investment in ten companies was £152,[167] compared to £11 327 invested by Mr Conrad Christian Silberbauer, a solicitor from Cape Town, who had invested in five companies. Unlike Mr Ramsay's investments that were limited to the mining sector, two of the companies he financed operated in the utilities sector, and one each in the transport, financial and mining sectors.[168] Table 5 provides descriptive statistics of the capital value of diversified portfolios per region.

Table 5: Value of diversified portfolios per region at the Cape, 1892-1902.

	Region		
	North	**East**	**West**
Descriptive statistics	**Pounds/£**		
Mean	176	930.4	695.3
Median	25	100	100
Maximum	10001	32884	88200
Minimum	1	1	1
Standard deviation	695.2	3902.1	4594.6
Total	45961	159104	566701

Source: CAD, LC 1 – LC 467, 1892-1902.

[166] Cape Archives Depot, Cape Town, Archives of the Limited Companies, LC 207, The New Elands Drift Mining and Estate Company Limited, 1897; LC 362, The B.B. Syndicate Limited, 1901; LC 361, C. and W. Exploration Syndicate Limited, 1901; LC 335, "H" Prospecting and Development Syndicate Limited, 1901; LC 17, Elands Drift Mining Company Ltd, 1893; LC 371, Hartz Comet Syndicate Limited, 1902; LC 340, Hartz Comet Syndicate Limited, 1901; LC 127, The Cape Mineral Estates Company Limited, 1895.
[167] *Ibid*.
[168] *Ibid*.

The distribution of capital shown in the table above is consistent with the nature of businesses that operated in specific regions. For instance, mining companies dominated the commercial landscape of the northern region. Considering that mining companies had the lowest survival rate in the colony, buying their shares was very risky. Because of this, financiers from the northern region were bound to practice maximum caution when investing in mining companies. In fact, the propensity of investors in the northern region to have invested in the largest number of companies per investor, indicated the risks that were associated with businesses that operated in that region.[169] This is further illustrated by the margin between the total as well as the mean capital contribution of investors in the northern region, and those in the eastern and western regions. The low standard deviation also confirms that investors from this region preferred to allocate very little capital to companies in their portfolios.

Investors from other regions exhibited a different behaviour. The variance shown by the standard deviation of both investors in the eastern and western region of the colony suggests that they allocated larger amounts of capital to companies in their portfolios. This is also confirmed by the total amount of capital they invested in diversified portfolios. It was significantly greater than that which investors in the northern region committed to their investments. As will be discussed in the following section, each region had specific networks and investors that stood out from the rest.

It is worth noting that although a small fraction of the middle class took part in the diversification of portfolios, they had the largest number of investors who were founding members of numerous companies. During the transcription process of shareholder data, individuals who were founding members of companies were given codes. These codes were tabulated and 56% of the founding members of companies at the Cape were from the middleclass. Although the middle-middle – and – upper-middle classes constituted the greatest number of founding members in most companies, the lower-middle class made up 11% of this group, which shows that people with less wealth made a significant contribution in shaping the business landscape of the Cape Colony. Furthermore, this recurrence of middle-class investors as major players in starting companies confirmed that they were at the forefront of

[169] See appendix 8.

entrepreneurship and innovation at the Cape by means of the limited liability joint stock company. Not only were they the main sources of capital, but they were the architects of companies in the colony. Mr Ramsay, previously discussed, was a founding member in eight of the ten companies in which he invested. Regarding other investor groups, businessmen made up 25% of the founding members of companies, followed by farmers and rentier classes who made up 3% each. Investors without occupational records made up 13%.[170]

In this section the nature of the Cape capital market has been discussed. It highlighted the main sources of capital for Cape joint stock companies and confirmed that the middle class was the biggest group in the capital market, as well as its main source of income. This section also included discussions on the various behaviours Cape investors exhibited in the capital market. The following section takes over from here with discussions on the distribution of investors in the colony. It will also examine the type of industries Cape investors financed during the period from 1892-1902.

The distribution of investors and investments at the Cape from 1892-1902

The previous section established that more than 90% of the Cape capital market was locally based. Figure 20 below shows that of this population, 55% came from the western region of the colony.[171] Possible causes of this pattern include that more than 50% of the companies in the colony had their head offices in this region and also operated there.

[170] CAD, LC 1 – LC 467, 1892-1902.
[171] *Ibid*.

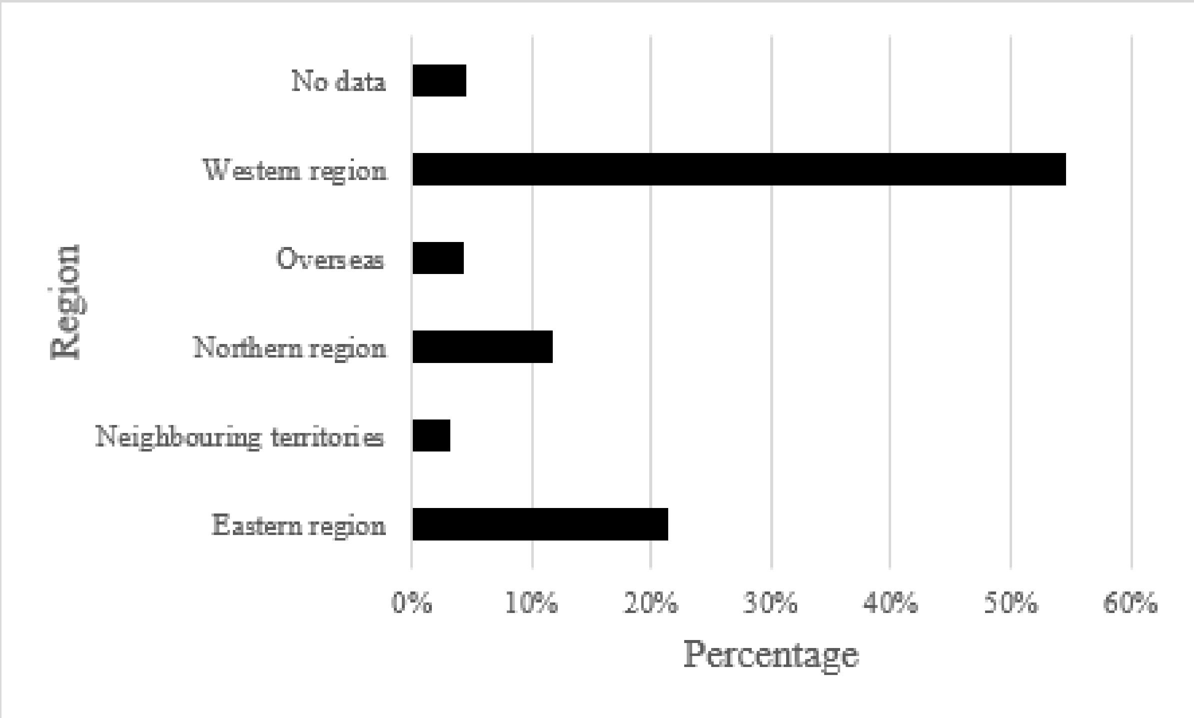

Figure 20: Geographic distribution of investors, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

In addition, appendix 10 shows that 65% of the working population came from this region, which suggests that commercial activity there was more vibrant than in other areas of the colony.[172] This is also confirmed by the concentration of rentiers and businessmen in the towns of the western region compared to the northern region whose rentier population made up only 1% of this category of investors in the colony. During this period, individuals in this class were associated with higher standards of living. This reinforces the argument that incomes in the western region were higher than in the neighbouring regions. Appendix 11 also shows that the capital value of investors from the western region was significantly greater than that of investors from other areas.[173] Only 2% of the farmers' group came from the northern region. This could either be attributed to the unfavourable climatic conditions of the region that could not sustain commercial farming, or simply the existence of a booming mining industry, which was the backbone of the regional economy.

[172] *Ibid*.
[173] *Ibid*.

Notwithstanding the dominance of the western region, the eastern region harboured the second largest percentage of investors in the colonial capital market. In terms of investor groups, this region held 16% of the businessmen investors, the same as the northern region, and 18% of the middle-class, which was just 2% higher than the number of investors in the northern region.[174] The only investor category that was significant in the eastern region was that of farmers. It contributed 31% of the farmers recorded in the capital market during this period. In addition to the local capital market, figure 20 reinforces the fact that investors at the Cape came from a variety of places. As already mentioned in the previous section, investors from Europe were the largest source of overseas capital in the colony. There were a few investors from Asia and America, but their number was insignificant. In this group of foreign investors, 92% came from Britain, 2% each from the Netherlands and Germany, 1% from Belgium and less than 1% from Australia, Austria, India and the USA.[175] A notable observation was that of the 92% of investors who came from Britain, 70% resided in London. This confirms the role of London as the financial hub of the world during this period.[176] The addresses and surnames of these investors helped illuminate possible networks that existed among foreign financiers. For instance, the address Holborn Viaduct Street, London, appeared more than twice in this sample data. Three merchants, Mr Joel Ellis Abrahams, Willie Ehman and Theodore Bahlsen resided in this area, and all invested in the same company *The Free State Mines Limited*.[177] More so, 21% of British investors were in family networks, as shown by their tendency to invest in companies whose owners shared their surnames.[178]

Investors from neighbouring territories also had a noteworthy presence in the capital market. These were mostly investors from the Transvaal, Orange Free State and Natal, and less frequently, from Bechuanaland, German West Africa, and Rhodesia. Of the three territories, investors from the Transvaal were the first to appear in the shareholder lists of Cape companies. However, in the first five years of the period under study, only 27 investors were identified in the sampled data compared to 105 investors in the second half of the decade. Investors from other neighbouring territories only appeared in larger numbers after 1899.

[174] *Ibid*.
[175] *Ibid*.
[176] G. Lanning, *Africa Undermined: Mining Companies and the Underdevelopment of Africa, 53.*
[177] CAD, LC 1 – LC 467, 1892-1902.
[178] *Ibid*.

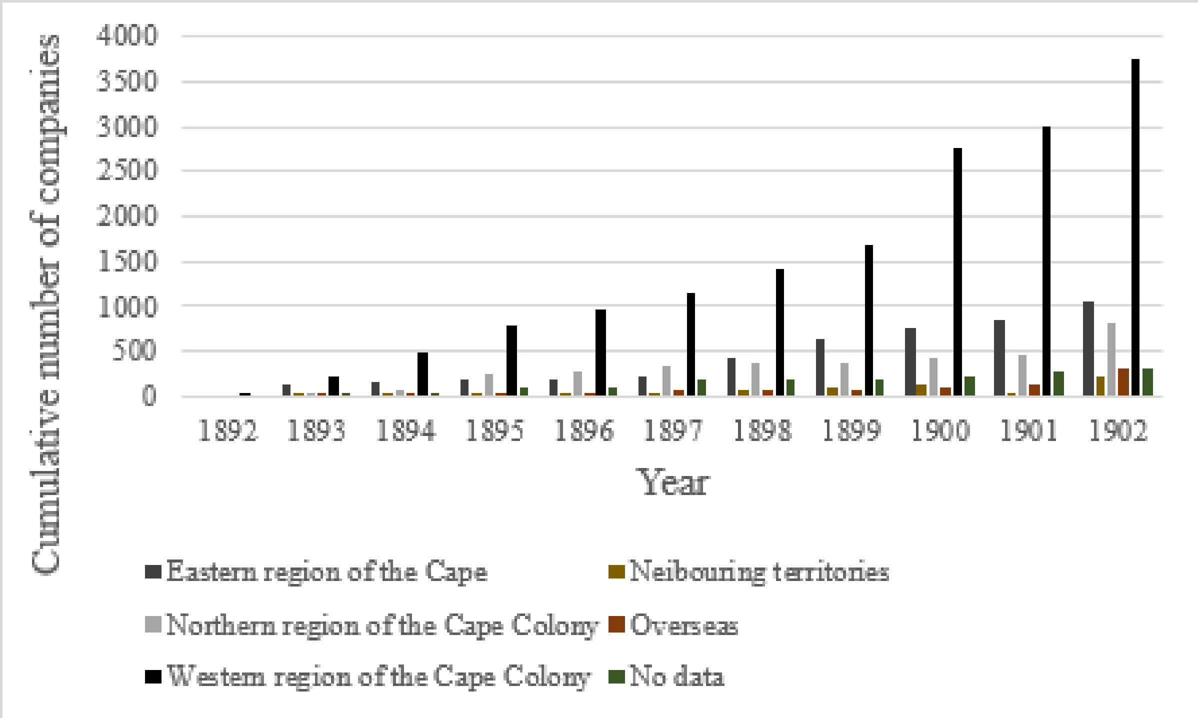

Figure 21: Annual geographic distribution of investors in the Cape capital market, 1892-1902

Source: CAD, LC 1 – LC 467, 1892-1902.

To understand why investors from these territories emerged in the latter years of the nineteenth century, it is important to examine the geographic distribution of investors from the inception of the Company Act. As already shown in chapter two, immediately after the amendment of the joint stock company legislation, very few companies registered for limited liability. This explains why the capital market of the Cape seemed very small. Large numbers of investors from the western and eastern regions only began to appear in the lists of shareholders in 1893.[179] Those in the northern region were fewer than half the number of investors from the other two regions of the colony. The first foreign investors found in this data also appeared during this year, and they were from Europe and the Transvaal. The trend continued until 1895 when there was a significant rise in the number of investors from the northern region. Although the western region maintained its dominance, investors from the northern region increased by more than 50%. They became the second largest financiers of joint stock companies at the

[179] *Ibid.*

Cape. This continued up until 1897 soon after mining companies collapsed, as shown in Chapter Two.[180]

Between 1896 and 1898, there was slow growth in the number of investors from the eastern region in the capital market. The outbreak of rinderpest in the region during this period is a strong contributing factor. As mentioned in the previous chapters, cattle were an important pillar of the eastern region economy. Apart from being an agricultural product, they were a critical mode of transport. As a result, cattle directly and indirectly affected the income of many individuals in the region. This is potentially the reason why after the pandemic had affected commercial activities in the region, investors from this region declines in number in the Cape capital market.[181] However, from 1898 to 1902, their numbers increased sharply. For instance, all the African investors appeared in the capital market in 1900. Another noteworthy observation about this development was the dramatic rise of farmers from the eastern region in the capital market. For instance, in 1902 alone they constituted 46% of investors from the eastern region. This dramatic rise in the number of farmers who invested in the market was strongly correlated with the rise of agricultural companies in the colony. A close analysis of the investors in these agricultural companies suggest that farmers invested in agriculture, because they wanted to resuscitate their respective sectors, which had been ravaged by environmental disasters. With the government struggling to compensate them, they resorted to the private sector for solutions. This is discussed further in Chapter Five.[182]

Since these companies were not publicly traded, promotors used various strategies to draw investors from distant areas. Among these was auctioning in public spaces. For instance, in the 1850s during the copper mania, Cauvin, also known as the elder, shut up his furniture shop to auction shares.[183] This system trickled down into the age of limited liability in the colony and transformed into public rooms. Rosenthal notes that this was the chief mechanism for the sale of shares in the colony, although there was a bit of specialisation.[184] Some described themselves simply as diamond share brokers, while some such as Gustavas R. Blanch, "of Main Street",

[180] *Ibid*.
[181] *Ibid*.
[182] *Ibid*.
[183] E. Rosenthal, *On' Change Through the Years: A History of Share Dealings in South Africa*, 34.
[184] *Ibid*., 54.

advertised their services as general broker, auctioneer, claim and commission agent.[185] There were some such as "the legendary" A. A. Rothschild, also known as The Baron, who dealt in anything from livestock to mining stock.[186] These could be found in all major cities.

Information on company shares could also be easily accessed from the public press such as the *South African Advertiser and Mail*, the *Cape Argus* and the *Peninsula Business News*. On June 1, 1861, W. H. Coyler and his committee published, in the *South African Advertiser and Mail*, that their company which had a worth £3 000 of 1 000 shares was trading its shares for £3 each.[187] This was usually on the first page of the newspaper. Coverage was not limited to companies in the capital of Cape Town. On 14 June, 1862, the *Port Elizabeth Gas Company Limited* was advertised in the same manner as the one above.[188] This detailed information was followed by reasons why investing in the specific company presented fruitful opportunities and prospects. For instance, they persuaded investors by stating that success was guaranteed, considering the acute rise in the city's population.[189] They also suggested that the success of the *Cape Town Gas Company Limited* afforded a good argument to start the company in Port Elizabeth, Coyler, on the other hand, flaunted his experience in England and the colonies in the brewing industry, and stated that his *English Brewery Company* was guaranteed of success in the colony.[190]

An additional factor that contributed to the growth of the capital market was that communication in the colony during this period had generally improved. Following the status of responsible government, the colony could allocate public spending at their own discretion. Two of the public services that the state financed were postal services and telegraphic systems. In addition to this, the colony accumulated 6 894 miles of railroad networks.[191] This was a tremendous leap from 63 miles in 1860.[192]

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[185] *Ibid.*
[186] *Ibid.*
[187] *The South African Advertiser and Mail*, June 01, 1861, 1.
[188] *The South African Advertiser and Mail*, June 14, 1862, 1.
[189] *The South African Advertiser and Mail*, June, 14, 1862, 1.
[190] *The South African Advertiser and Mail*, June, 01, 1861, 1.
[191] C. G. W. Schumann, *Structural Changes and Business Cycles in South Africa, 1806-1936*, 53.
[192] *Ibid.*

Despite the creative means to market securities discussed above, and the availability of infrastructure that necessitated this process, information on shares spread in a variety of ways. One of them was by means of social and family networks. Using investor surnames, residential addresses, and occupations, this study finds that 35% of the Cape's capital was invested in a company with at least one person who shared their surname, address, and in some instances their professional occupation. It was common to find brothers, fathers and sons or even daughters investing in the same company. The same could be said about husbands and wives. For instance, Mrs J. E. Croghan and her husband Dr J. Croghan, both medical practitioners based in Johannesburg, invested in *The Central Diamond Mining Company (Leicester Mine) Limited* in 1902. Mrs Croghan, however, invested a larger portion than her husband.[193] Another good example is Mr Robert J. Wright, Mr William Ball, Mr Harry Rich, Mr William C. Pratt, and Mr H. Pollard who were all writers, and invested in the same company in Simon's Town.[194]

There are various reasons that have been forwarded to explain why people preferred to invest in companies in which their friends and relatives invested or, in scientific terms, familiarity or home bias. In their 2001 paper, M. Grinblatt and M. Keloharju argue that a firm's language, culture, and distance from the investor are three important attributes that might influence an investor's preference for certain firms. Their hypothesis is tested on Finnish firms, and finds that to a greater extent investors are likely to hold, buy and sell stocks of firms that are located close to their residence, communicate in their native tongue, and have chief executives of the same cultural background.[195]

The tendency to invest where relatives also held shares resorts under language and cultural factors. More so, there is evidence of companies that only had Afrikaans-speaking shareholders. This was achieved by tabulating investor names and surnames in the shareholders lists. It was then found that 95% of these individuals had both an Afrikaans first name and surname, thus, confirming the role of language and culture in making investment decisions.[196] This was also the case with the African investors. All the investors in the companies they

[193] CAD, LC 402, The Central Diamond Mining Company (Leicester Mine) Limited, 1902.
[194] CAD, LC 283, The Simon's Town Co-operative Society Limited, 1899.
[195] M. Grinblatt and M. Keloharju, "How Distance, Language, and Culture Influence Stockholdings and Trades", *The Journal of Finance*, LVI, 3, (2001), 1053-1504.
[196] CAD, LC302, The Mutual Trust and Assurance Company Limited, 1900.

invested in had Xhosa surnames. Furthermore, the "South African ancestry and family tree research" online death records inventory showed that two of the investors in *The Eagle Printing Company Limited* were in-laws. These were Mr Paul Xiniwe and Mr William Dilizintaba Soga.[197] Distance, on the other hand, seemed to have exerted a greater influence than the former in the Cape Colony. To illustrate this, the distance from an investor's address, and the company address, as well as the company's location for operation, were analysed to find if there was a recurring pattern. Findings were that Cape investors preferred companies which had head offices near their residential areas, as well as those that operated within their proximity. The table below shows how distance played a crucial role in the selection of securities for Cape investors.[198]

Table 6: Familiarity bias using investors' distance from company office and location of operation, 1892-1902.

	Distance from location of company office	Distance from location of company operation
Variable	**Kilometres**	
Minimum	0.3	0.3
Maximum	14084	14084
Mean	756	1068
Median	2	20
Standard deviation	2866.6	3366.8

Source: CAD, LC 1 – LC 467, 1892-1902.

More than 80% of Cape investors financed companies which had offices within a 100-kilometre radius from their residence, and about 85% of these individuals invested in companies which operated within the same radius. There were a few individuals who invested in companies whose head offices were in different cities and operated far from their residence, but foreign capital constituted the largest group of such investors. The median distance between the residence of the investor and the company's office was 2 kilometres, whereas it was 20 kilometres for the company's area of operation. The average distance from the company office was 756 kilometres, whereas it was 1 069 kilometres for distance from company operation.

[197] CAD, LC 298, The Eagle Press Company Limited, 1900-1909.
[198] CAD, LC 1 – LC 467, 1892-1902.

The difference between these two was that some companies had offices within the radius of the investors, but operated outside the city. This explains why the standard deviation for the distance from the investor and company's operation was greater than that from the company office.[199]

These findings reinforced the assertion that Cape investors were risk-averse. This meant that they prioritised safety over more gains in their investments. Given the history of joint stock companies in the colony, as well as in Europe in the nineteenth century, this was an expected outcome. As early as the 1850s, during the copper share mania, people in the colony lost large sums of money after investing in joining stock companies. It is possible that such past experiences influenced them to engage with the securities market using great caution. Researchers have also used the type of sectors individuals invested in to determine their risk aversion. Thus, in line with familiarity bias, investors would prefer to invest in companies engaged in sectors with which they were familiar. Each group of investors from different social backgrounds had specific sectors in which they invested. Acheson et al., as already discussed in the methodology section, outline the sectors which each investor group preferred in the Victorian capital market. For instance, rentiers are claimed to have been more inclined to invest in foreign securities, as well as in companies that were traded in London. They were also averse to small family-owned companies. Businessmen, on the other hand, were venture capitalists who often financed start-up companies. The middle class, as the smallest group in the capital market, were risk-averse financiers, who preferred safer securities provided by trust companies.[200]

However, the opposite was true at the Cape where the middle class was the largest capital source. Of the sectors illustrated in figure 22, the middle class was the leading source of capital for five of them, and the second largest financier for six. They were essentially the heartbeat of Cape joint-stock companies, and proved that limited liability in the colony assisted the process of people's capitalism. Figure 22 below was constructed by tabulating company shareholders lists and assessing the absolute number of sectors in which each investor group appeared.

[199] CAD, LC 1 – LC 467, 1892-1902.
[200] G. G. Acheson et al., 'Who Financed the Expansion of the Equity Market? Shareholder Clienteles in Victorian Britain', 1.

Findings show that there were ten sectors which were commonly financed by Cape investors, and an additional one titled 'other', which included companies that were involved in less common sectors such as stationery, fishing, sports, cold storage, as well as advertising.

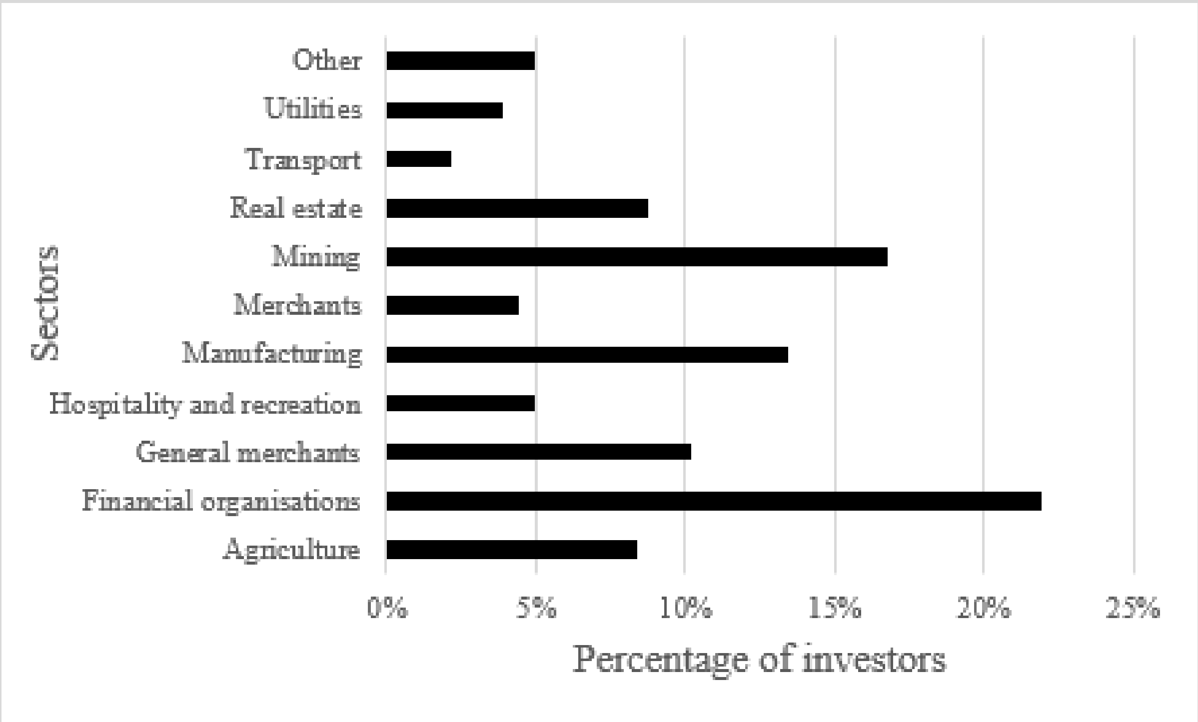

Figure 22: Economic sectors financed by Cape investors, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

Most investors, including foreign capital, were concentrated in the three main sectors, i.e., financial organisations, manufacturing and mining companies. They attracted individuals from different socio-economic backgrounds. Financial organisations were arguably the most common, as they had the largest volume of investors.[201] V. A. Zelizer notes that the rapid rise of such organisations in the nineteenth century was a result of changing attitudes towards death and mortality. She argues that Life Insurance was part of a general movement to rationalise and formalise the management of death. In the eighteenth century, the widow and her orphans were assisted by their neighbours and relatives, as well as by mutual aid groups that ministered to economic hardships to the bereaved. In the nineteenth century, the financial protection of

[201] CAD, LC 1 – LC 467, 1892-1902.

American families became a purchasable commodity. Trust companies, such life insurance companies, replaced more informal systems with professional management.[202] She also argues that Life insurance assumed the role of a secular ritual, which introduced new notions of immortality that emphasised remembrance through money. A "good death" was no longer defined only on moral grounds; the inclusion of a lifelong policy made financial foresight another prerequisite.[203] African investors on the other hand were concentrated in newspaper and publishing companies. These were placed in the "other" category. Given that the founder of the *Jabavu and Company Limited* was a famous journalist and African activist, it is possible to argue the Africans' propensity to invest in media enterprises had political implications.[204] More so, is possible to argue that joint stock companies enabled Africans to have their voices heard and to conscientise their folk about political freedom. This is especially when one considers that these media companies had very long lifespans.

Table 7 below shows that farmers made up 39% of the individuals who invested in financial organisations and overall, this sector made up 50% of their investments. It was the largest sector in which they invested during the period under study. The middle class, on the other hand, made up 25% of this sector. In the case of businessmen, although they only constituted 14% of the investors in this sector, 23% of its investors held shares in it. Company investors made up less than one percent, and this was the case with most sectors.

[202] V. A. Zelizer, "Human Values and the Market: The Case of Life Insurance and Death in 19th-Century America", *American Journal of Sociology*, 84, 3, (1978), 593-594.
[203] *Ibid*, 605.
[204] CAD, LC 315, Jabavu and Company Limited, 1900-1933.

Table 7: Distribution of investors in the sectors of the colony, 1892-1902.

Investor group

	Businessmen	Company investors	Farmers	Middle-class	Rentiers	Other	**Total**
Sector				%			
Agriculture	4%	0.1%	83%	10%	1%	11%	100%
Financial organisations	14%	0.1%	39%	25%	2%	20%	100%
General merchants	5%	0.1%	2%	36%	3%	25%	100%
Hospitality	12%	1%	1%	19%	1%	66%	100%
Manufacturing	11%	1%	2%	24%	2%	61%	100%
Merchants	18%	3%	2%	50%	1%	27%	100%
Mining	16%	1%	2%	38%	2%	41%	100%
Real estate	12%	0.1%	1%	35%	35%	13%	100%
Transport	24%	1%	1%	29%	1%	45%	100%
Utilities	19%	0.1%	0.1%	57%	3%	20%	100%
Other	30%	1%	7%	49%	0.1%	12%	100%

Source: CAD, LC 1 – LC 467, 1892-1902.

Table 8: Capital contribution of each investor group across the sectors of the colony, 1892-1902.

Investor group

	Businessmen	Company investors	Farmers	Middle-class	Rentiers	Other	**Total**
Sector				%			
Agriculture	9%	0.1%	40%	9%	39%	3%	100%
Financial organisations	18%	0.1%	3%	37%	25%	17%	100%
General merchants	8%	0.1%	6%	18%	6%	62%	100%
Hospitality	19%	8%	0.1%	11%	10%	51%	100%
Manufacturing	59%	3%	0.1%	17%	2%	19%	100%
Merchants	36%	1%	0.1%	29%	0.1%	34%	100%
Mining	17%	7%	0.1%	40%	7%	29%	100%
Real estate	22%	2%	0.1%	27%	28%	21%	100%
Transport	44%	1%	0.1%	20%	0.1%	35%	100%
Utilities	14%	0.1%	0.1%	60%	2%	22%	100%
Other	55%	0.1%	1%	11%	0.1%	33%	100%

Source: CAD, LC 1 – LC 467, 1892-1902.

While figure 22 confirms that the mining sector was the second largest sector financed by the Cape investors, table 8 shows that the middle class and businessmen were chief amongst this group. The mining sector made up 21% of the investments made by the middle class, and 23% by businessmen in the colony. This confirms what has been suggested by preceding scholars. For instance, J. A. Henry argues that most of the initial capital for diamond company formation came from two sources in the Cape. These were claim owners, merchants and professionals in Kimberley, and the established commercial community of the rest of the colony, through whom funds from outlying areas were channelled.[205] Bickford-Smith supports the above by stating that Cape merchants in the early 1870s invested principally in diamond and insurance shares.[206]

There were also differences between the absolute number of investors in a sector and the amount of capital each investor group allocated to the sector. For financial organisations and mining companies, there was a strong correlation between the number of investors and the amount of capital allocated to the respective sectors. For instance, 34% of capital from the Cape capital market went to financial organisations, and 17% to the mining sector. Foreign capital followed the same trend, although much of their capital was allocated to the mining sector, rather than to the financial sector. Overall, 41% of their investments went to the mining sector, and 26% to financial organisations.

Furthermore, there were instances where sectors which attracted high numbers of investors, received less capital. For instance, general merchants, regardless of attracting 10% of the investors in the capital market, only received 1% of its capital. Such was the case with agriculture, as only 2% of capital was allocated to it. This was common for sectors that attracted specific types of investors. About 36% of general merchants were financed by the middle class, particularly the lower-middle class. In the case of agricultural companies, table 8 shows that 83% of the shares in these organisations were held by farmers. Usually the shares that these groups held were less valuable. For instance, on average both these groups held £1 worth of shares. However, there were peculiar cases, where sectors that attracted fewer investors, drew

[205] J. A. Henry, *The First Hundred Years of the Standard Bank* (London: Oxford University Press, 1963),
[206] V. Bickford-Smith, "Cape Town at the Advent of the Mineral Revolution (c.1875): Economic Activity and Social Structure", 8.

relatively higher capital. Merchant corporations were a good example of this, as they attracted only 4% of the investors in the capital market, but drew 12% of its capital.[207]

Conclusion

Certainly, the Cape Company Act of 1862 expanded the capital market. The growth and dominance of the middle class in the capital market suggests that merchant and farming capital had been surpassed by the working class. Results also showed that foreign capital played a very small role in financing Cape joint stock companies during this period. Despite this dynamic, the Cape capital market was diverse, and its investors exhibited different behaviours, which showed that people from various spheres of the society could navigate the securities market without risking loss of their personal property. For instance, during the period of study, mining companies in Kimberley were driven largely by finance from the middle class and from businessmen. This does not mean that seasoned investors such as rentiers and foreign capital were insignificant. This chapter has shown that these two groups were instrumental in financing real estate companies and financial organisations.

This chapter also showed that investment behaviour in the capital market was influenced by prevailing conditions in the colony. For instance, there was a significant rise in the number of investors from the eastern region of the colony between 1898 and 1902. Shareholder lists from this period have shown that this rise was greatly influenced by farmers. It is hypothesised that this rapid rise of farmers who became investors during this period was a strategy to resuscitate the livestock industry, which had just been affected by the rinderpest outbreak of 1896. This is confirmed by the agricultural companies in which they invested.

Furthermore, the participation of women investors in the capital market demands more inspection. During the economic changes brought about by mineral discoveries in the colony, women did not directly benefit from improved incomes. This was because there were very few economic opportunities for them. In addition, table 4 shows that by 1891 the male population was one percent larger than the female population, which further smothered their chances of

[207] CAD, LC 1 – LC 467, 1892-1902.

upward mobility. It would be interesting to know who these women were, where they got their income, and what influenced them to speculate in these companies?

Chapter four: "Invest like a woman", Capitalism and Opportunities for Mobility for White Women at the Cape, 1892-1902

Introduction

In Britain during the first half of the nineteenth century, women were at the centre of Parliamentary debates about the morality and advisability of making limited liability available to joint stock companies. Due to their vulnerable position and perceived lack of business prowess, they were considered primarily as victims of joint stock companies.[1] James Freshfield, solicitor to the Bank of England during this period, confirmed this perception when he referred to "the loss and ruin in which persons ignorant of business, particularly ladies and clergy, have been involved by attractive baits held out by speculators in the form of shares".[2] Like the clergy, who survived on small stipends, women were perceived to be short of funds and lacking in judgement.[3] They had little experience in the financial world, and were therefore likely to form unrealistic expectations of risk and return during their investments.

However, despite such prejudices, Rutterford and Maltby, together with many other scholars, show that there was a substantial number of female investors in the nineteenth century, and attribute it to the development of new financial assets.[4] To cement their observation, A.M. Froide postulates that women as early as the eighteenth century were actively involved in money-lending markets.[5] They played a significant role in financing canal and railway companies. What was different about these two epochs was that the participation of women in the economy during the nineteenth century had become severely constricted by the separate-spheres culture.[6] Around this period women had been forcibly removed from the financial world and allocated the role of being "angels of the house", i.e. full-time housewives.[7] Although there is little evidence of women investing in the Cape Colony, prior to the nineteenth century they too were actively involved in economic activities, and took part in money-lending

[1] J. Rutterford and J. Maltby, "The Widow, the Clergyman and the Reckless": Women Investors in England, 1830-1914, *Feminist Economics,* 12, 1-2, (2008), 119.
[2] *Ibid.,* 119-120.
[3] *Ibid.,* 120.
[4] *Ibid.*
[5] A. M. Froide, *Silent partners: Women as Public Investors During Britain's Financial Revolution, 1690-1750* (Oxford: Oxford University Press, 2017), 2.
[6] M. Freeman, R. Pearson and J. Taylor, "'A Doe in the City': Women Shareholders in Eighteenth and Early Nineteenth-Century Britain", *Accounting, Business and Financial History,* 16, 2, (2006), 277.
[7] L. Davidoff and C. Hall, *Family Fortunes: Men and Women of the English Middle Class, 1780-1850,* 4.

schemes. After the second British occupation, Ross argues that gender and gentility became the norm.[8] From this point onwards it was against the ideals of a modern woman to partake in activities within the public sphere for financial gains. This chapter, therefore, imitates Victorian studies on the persistent existence of women in the economic sphere despite restrictive institutions. This is a relevant contribution, since women in colonial South Africa are glaringly missing in financial history. In this respect, micro-data used in this dissertation shows a growing interest in the securities market by women in the Cape Colony, especially in the latter years of the nineteenth century.

Furthermore, it is worth noting that in business history, women have seldom been presented as managers of their own wealth. S. Walker, in his publication on women's accounting and bookkeeping activities, characterised them as disposing of income brought into the household by men.[9] Although this may have been true of Victorian wives prior to the Women's Property Acts,[10] it ignores women who were independently wealthy, as well as those who needed to generate income and depended on investments, given the limited employment opportunities they had.[11] Rutterford and Maltby argue that the separate-spheres literature supports the view that women were disqualified by social norms from taking any interest in and managing their money.[12] This chapter, then, examines possible explanations for *why* women invested in the Cape Colony, *who* these women were, *what* type of companies they invested in and *how* they behaved in the capital market.

The evolution of women's roles in the economy – a European perspective

As will be discussed in the following sections, the separate-spheres culture was extended to the colonies, and it is within this framework that this study analyses the participation of women in the securities market.

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[8] R. Ross, *Status and Respectability in the Cape Colony 1750-1870, A Tragedy of Manners*, 88.
[9] S. Walker, "How to Secure Your Husband's Esteem: Accounting and Private Patriarchy in the British Middle-Class Household during the Nineteenth Century", *Accounting, Organizations and Society*, 23, 5-6, (1998), 485.
[10] These were a set of laws that were passed in the nineteenth century to allow women property ownership. They are discussed in greater detail in this chapter. See D. R. Green and A. Owens, "Gentlewomanly Capitalism? Spinsters, Widows, and Wealth Holding in England and Wales, c.1800-1860", *Economic History Review*, LVI, 3, (2003), 512.
[11] *Ibid.*
[12] *Ibid.*

From the late eighteenth to the mid-nineteenth centuries the range of economic activities considered socially acceptable for middle-class women narrowed.[13] Davidoff and Hall, in their voluminous work on the Victorian middle-class, framed this as the separate-spheres theory.[14] It was based on a set of cultural preferences that allocated who operated in the public or the private domain.[15] The culture of separate spheres percolated to the working place and allocated men the role to financially support their wives and children. The wife, on the other hand, was to be nothing more than a housewife charged with the duty of raising the children and making sure that the residence was in order. During this period the term 'angel of the house' became widely used to describe middle-class women, because of the position they had been granted in this social structure.[16] Bourgeois femininity had increasingly become associated with the home, a process Green and Owen describe as ‘domestic incarceration’.[17] This led to the exclusion of middle-class women from economic activity and participation in their husbands’ occupation or business.[18] In essence, a woman’s entrance into the ranks of the employed put her at the risk of transgressing the boundaries of gentility.[19] In the words of a Victorian women cited by Davidoff and Hall, ‘‘if a lady but touches any article, no matter how delicate, in the way of trade, she loses caste and ceases to be a lady.’’[20] The few middle-class women who were active in the economy were overwhelmingly concentrated in four overcrowded and poorly paid occupations – governesses, seamstresses, milliners, and lady companions.[21]

Following women’s exclusion from the economic sphere, they were prohibited from any form of property ownership. A married couple was treated by common law as a single economic unit, in which all assets were controlled by the husband. This included all assets brought into

[13] D. R. Green and A. Owens, “Gentlewomanly Capitalism? Spinsters, Widows, and Wealth Holding in England and Wales, c.1800-1860”, *Economic History Review*, LVI, 3, (2003), 511.
[14] E. Gordon and G. Nair, “The Economic Role of Middle-Class Women in Victorian Glasgow”, *Women’s History Review*, 9, 4, (2007), 791-792.
[15] *Ibid.*, 795.
[16] *Ibid.*, 792.
[17] D. R. Green and A. Owens, “Gentlewomanly Capitalism? Spinsters, Widows, and Wealth Holding in England and Wales, c.1800-1860”, 511.
[18] E. Gordon and G. Nair, “The Economic Role of Middle-Class Women in Victorian Glasgow”, 795.
[19] D. R. Green and A. Owens, “Gentlewomanly Capitalism? Spinsters, Widows, and Wealth Holding in England and Wales, c.1800-1860”, 514.
[20] L. Davidoff and C. Hall, *Family Fortunes: Men and Women of the English Middle Class, 1780-1850,* 4.
[21] D. R. Green and A. Owens, “Gentlewomanly Capitalism? Spinsters, Widows, and Wealth Holding in England and Wales, c.1800-1860”, 511.

the marriage by the wife, or earned by the wife after the wedding.[22] This arrangement caused a lot of hardship for women who were denied access to property by their husbands.[23] One English lawyer during this period argued that:

> "Every Feme Covert (married woman) is a sort of infant… It is seldom, almost never that a married woman can have any action to use her wit only in her own name: her husband is her stern, her prime mover, without whom she cannot do much at home, and less abroad… It is a miracle that a wife should commit any suit without her husband."[24]

Once again, the common law reduced women to the status of infants, and denied them control of their own lives. Such was the case in Italy. Domesticity and femininity according to Catholic prescriptions were not only bourgeois ideas, but a true religious dogma.[25] Every girl in Italy was taught the holy precept which read "Your desire shall be for your husband, and he shall rule over you". Like in Britain, women were ordered to stay away from "male" affairs and to focus on house duties: the children and the family.[26]

What separated Italian women from those in Britain was that the law allowed them not only to hold assets in their own name, but also to dispose of them by will. The civil code that came in to force after the Unification of Italy stipulated that all the women in the country, both single and married, had the same rights to property as men, including the freedom to make testamentary provisions.[27] Such an egalitarian legal context put Italian women in quite a different position than their British counterparts.

In pursuit of the same liberties in the 1840s, 26 000 women in Britain petitioned Parliament to allow married women to keep their own earnings and inherited property.[28] In 1857, divorced women logged a similar request and were granted the rights of single women. Of all the social levels among women, spinsters were the only ones permitted to engage in economic activities or hold wealth independently. Married women obtained these rights at a later stage through the

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[22] J. Rutterford and J. Maltby, "The Widow, the Clergyman and the Reckless": Women Investors in England, 1830-1914, *Feminist Economics*, 12, 1-2, (2006), 115.
[23] *Ibid.*
[24] J. O'Faolain and L. Martines, *Not in God's Image: Women in History* (New York: Harper and Row, 1973), 145.
[25] S. Licini, "Assessing Female Wealth in 19th century Milan", *Accounting History*, 16, 1, (2011), 35.
[26] *Ibid.*
[27] *Ibid.*, 36.
[28] J. O'Faolain and L. Martines, *Not in God's Image*, 209.

Married Women's Property Acts of 1870, 1882, and 1883. These Acts concentrated mainly on property ownership, and benefited primarily middle-class women who constituted most of the women's movement.[29] Although this did not elevate married women to the same status as their husbands, wealth holding supplemented women's missed income opportunities resulting from alienation from the job industry.[30] Green and Owens, Rutterford and Maltby, Acheson et al. and many other scholars agree that these Acts enabled women to participate in the share market. For instance, M. B. Combs links wealth-holding data to census records, and finds that as a result of these Acts, women who married after 1870, shifted their wealth-holding away from fixed assets to personal property, which included shares.[31]

There were, however, a few instruments that allowed women to hold wealth prior to the Property Acts. Among them was the Victorian equity law No. 6. Under this law, the assets of a married woman could be held by a trustee on her behalf.[32] This was designed by wealthy men who wanted to protect family property from any possible squandering by "spendthrift husbands" married by their daughters.[33] In this manner women could retain control of the money and property they brought to the marriage, and often property acquired during it. Part of the stipulations of the law were that if interest was to be accumulated on the assets so held, they were to be paid directly to woman, without her husband's involvement.[34]

Furthermore, despite being celebrated as the institutions that liberated female property ownership, the Married Women Property Acts had some limitations. These include the fact that they did not cover certain assets brought into the marriage, and that they required couples to make agreements regarding the ownership of those acquired later by the wife. Moreover, it did not include real property in the assets over which a wife could have ownership rights. It was

[29] *Ibid.*
[30] *Ibid.*
[31] M. B. Combs, "Wives and Household Wealth: The Impact of the 1870 British Married Women's Property Act on Wealth-Holding and Share of Household Resources", *Continuity and Change*, 19, 1, (2004), 141.
[32] M. Freeman et al., "'A Doe in the City': Women Shareholders in Eighteenth and Early Nineteenth-Century Britain", 268.
[33] E. Gordon and G. Nair, "The Economic Role of Middle-Class Women in Victorian Glasgow", 801.
[34] *Ibid*.

not until the Married Women's Property Act of 1882 that married women acquired the same rights as single women to own all property irrespective of their date of acquisition.[35]

In various studies on gender and wealth ownership in British colonial territories, the Property Act features prominently. M. Shanahan argues, however, that prior to the introduction of this legislation, South Australia was already ahead of its metropole as far as women's roles and rights were concerned. This is because although British middle-class ideals of the separation of spheres were retained, as early as the 1860s women in South Australia had begun to navigate the public space without any prejudice. They took up various occupations and constituted 20% of the labour force between 1861 and 1911.[36] He suggests that the explanation for this was that men's roles as providers, and women's as housemakers were subject to the practical realities of settlement in a new and harsh environment. Therefore, at such an early stage, many spheres of work life were open for women. Adelaide University, for instance, started admitting female applicants as early as 1876. This was followed by the establishment of the Advanced School for Girls in 1879. Women's roles were less constrained in this territory than in more traditional societies.[37]

In Ontario, Canada, gendered roles existed, but unforeseen circumstances – like in Australia – influenced changes in women's property rights. L. Di Matteo argues that the new property laws were possibly influenced by the increasing lifespan of women and a greater tendency to outlive their husbands.[38] This fostered the need to provide surviving spouses with more control of family wealth. Combs supports this view, but uses the United States of America as a case study to show how the Property Acts enabled women to cushion themselves from such unforeseen burdens by engaging in entrepreneurial activities. Women who inherited wealth during this

[35] J. Rutterford and J. Maltby, "The Widow, the Clergyman and the Reckless": Women Investors in England, 1830-1914, *Feminist Economics,* 12, 1-2, (2008), 115.
[36] M. Shanahan, "Colonial Sisters and their Wealth: The Wealth Holdings of Women in South Australia, 1875-1915", edited by D. R. Green, A. Owens, J. Maltby, and J. Rutterford, *Men, Women, and Money: Perspectives on Gender, Wealth, and Investment 1850-1830* (Oxford: Oxford University Press, 2011), 101.
[37] *Ibid*.
[38] L. Di Matteo, "Wealth and Gender in Ontario: 1870-1930", edited by D. R. Green, A. Owens, J. Maltby, and J. Rutterford, *Men, Women, and Money: Perspectives on Gender, Wealth, and Investment 1850-1830* (Oxford: Oxford University Press, 2011), 126.

period benefited the most, because they were able to convert whatever property this was into something they could control and derive profit from.[39]

This suggests that the local conditions determined the economic role women played, as well as their status in the society. Although technology relieved women of certain hardships in industrialising regions, it also minimised their relevance in the economy. Men used this to maximise resources and became producers, thereby reducing women to mere consumers. Many years later numerous institutions were crafted to permanently exclude women from crucial economic activity.[40]

Women responded in numerous ways. One response was to campaign for property rights, as this provided them with opportunities to accumulate wealth. Another important strategy that became popular in the nineteenth century was investing in shares. The following section details how this occurred in Britain. It provides a blueprint for achieving the goal of this chapter, i.e., to determine the importance of joint stock shares in the financial independence of women at the Cape. It shows that securities became a favourite income-generating method for women with various backgrounds.

Women investors in Victorian Britain

As employment opportunities narrowed due to the separation of spheres, shareholding in limited liability companies became a common activity, which women used to generate income. Although their involvement in the securities market has often been undermined, Green and Owens describe their practise as “gentlewomanly capitalism”; a revision of Cain and Hopkins’ “gentlemanly capitalism” thesis. Female wealth, in particular that of single women, was of crucial importance to the expansion of the British state by means of investments in government securities.[41] Many scholars have tried to explain this rapid increase in the number of female investors in the nineteenth century, and the Women’s Property Acts have featured prominently

[39] M. B. Combs, “Wives and Household Wealth: The Impact of the 1870 British Married Women’s Property Act on Wealth-holding and Share of Household Resources”, 159.
[40] B. S. Deckard, *The Women’s Movement: Political, Socioeconomic, and Psychological Issues* (New York: Harper and Row Publishers, 1975), 190.
[41] D. R. Green and A. Owens, “Gentlewomanly Capitalism? Spinsters, Widows, and Wealth Holding in England and Wales, c.1800-1860”, 512.

in this discussion. Shares during this period counted as property for separate use under equity.[42] Thus, before the Property Acts, women did not have the capacity to independently hold securities. Thereafter, they could own and control personal property, including shares in joint stock companies.[43] Article 4 of the legislation specifically enabled wives, or women about to be married, to apply in writing to the directors of stock companies to have their shares registered in their own names, or in their intended names.[44]

Notwithstanding the role this new legislation played in giving women financial freedom, various reasons have been forwarded by scholars to explain why women participated in the capital market. For Freeman et al., the railway era was a possible stimulus, because it attracted more women to the city than earlier stock ventures did. Its rise was followed by the growth of the financial press, which made information on stock and markets readily available to women. Moreover, with limited liability, industrial and commercial enterprises had become more readily accessible, and required minimal involvement of their owners, which conformed to the preferences of female investors.[45]

Nevertheless, a less acknowledged shortcoming of the Property Acts was that very few women benefited from them. Not all women entered marriage with large amounts of wealth. Moreover, the Acts did not have a direct impact on women's income levels, because the job market remained hostile to women. H. Doe also highlights that even before the proliferation of joint stock companies in the mid-nineteenth century, women showed a keen interest in the securities market as early as the late eighteenth century. This suggests that the curiosity to purchase shares had always been present among women, but most importantly, that even without the Property Acts women sought other strategies to pursue their financial interests. Their investments during this period were predominantly in the canals, railways, and government stock.[46] However, what

[42] L. Holcombe, *Wives and Property: The Reform of Married Women's Property Law* (Oxford: Oxford University Press, 1983), 25.
[43] M. Freeman et al., "'A Doe in the City': Women Shareholders in Eighteenth and Early Nineteenth-Century Britain", 268.
[44] *Ibid*.
[45] *Ibid*., 272.
[46] H. Doe, "Investment Opportunities and the Role of Business Networks for Women in the Nineteenth Century English Maritime Communities", Conference Paper, XIV International History Congress, Helsinki, 2006, 1. Accessed 03 March 2018, https://www.academia.edu/3238589/Investment_opportunities_and_the_role_of_business_networks_for_women_in_nineteenth_century_English_maritime_communities.

was unique about nineteenth century women, was that they exhibited different behaviours in the securities market.

Despite the acknowledgement of this changing behaviour, Victorian women have generally been described as passive investors, who often sought safer options of securities.[47] While there is some truth in this, it is important to consider that the nineteenth century, with its changes, presented different challenges for women. So, different needs and backgrounds influenced their involvement in the securities market. To account for some of these dynamics, scholars such as Rutterford and Maltby divided Victorian women into three main groups: married women, spinsters and widows. The first group comprised speculators who bought and sold shares for capital gain, followed by those who sought income from investments in order to lead a life that was aligned to their social status. This was very important, because they tried to steer clear of the degradation associated with paid work. The third category consisted of investors who held shares as part of a family grouping, either as a source of income, to ensure control of the firm, or to act as conduits of shares to the next generation.[48]

Speculators, often spinsters and widows, were probably the smallest group of women investors. The Hastings sisters, prominent female investors in England during this period, were avid speculators of South Sea stock.[49] They bought large volumes of shares, and sold them when they anticipated a drop in their value; retaining only a hundred pounds worth of stock "to play with".[50] Spinsters and widows were also at the forefront of the women who invested in order to provide an income for themselves. While housewives could survive on the salaries of their husbands, single women needed an income on which to live. This was always a difficult task given the limited employment opportunities open to women during this period. This greatly influenced their behaviour in the capital market. For instance, spinsters and widows invested in different types of securities. The availability of such options, like new financial assets in the nineteenth century, directly influenced the growth in the number of female investors.[51]

[47] R. J. Morris, "The Middle Class and the Property Cycle during the Industrial Revolution," edited by T. C. Smout, *The Search for Wealth and Stability* (London: Macmillan, 1978), 129.
[48] J. Rutterford and J. Maltby, "The Widow, the Clergyman and the Reckless": Women Investors in England, 1830-1914, 125-126.
[49] *Ibid.*, 126.
[50] *Ibid.*
[51] *Ibid.*, 114.

Nevertheless, while spinsters were advised to buy annuities, widows preferred equities that paid more regularly. It is suggested that this was because they needed money on which to survive and to raise their children. More so, they were not supposed to use up capital due to be passed to the next generation.[52]

Although married women at times featured as investors in these types of securities, they were generally known for investing in family companies. Many reasons have been put forward to explain this behaviour. The first was that shares were a means for wealthy men to provide their female dependants with a life-long source of income. The second reason was continuity. The shares that women received in this manner from male relatives often could not be sold. So, women were simply a means of spreading the ownership of private company shares to prevent radical investors from "cornering control" of the company. The third and final reason was that most women were seen as passive investors in family firms and were unlikely to interfere with management issues.[53]

Within these three female categories, spinsters were the largest group of investors in most Victorian studies on gender and the capital market.[54] Green and Owens argue that this necessitated the need to further interrogate how single middle-class women in British cities supported themselves in a society influenced by bourgeoisie gender ideology that emphasised a genteel lifestyle, which denied women the opportunity to accumulate wealth.[55] Although they were large in number, their investment value was lower than average for women in general. They tended to hold fewer shares than the typical female average.[56]

Family shareholdings were also a common feature of Victorian women's investment. Freeman et al. argue that women invested in family clusters, and that sisters, mothers and daughters invested together, and often took the same number of shares. In some instances, a male

[52] *Ibid.*, 129.
[53] *Ibid.*
[54] D. R. Green and A. Owens, "Gentlewomanly Capitalism? Spinsters, Widows, and Wealth Holding in England and Wales, c.1800-1860", 512.
[55] *Ibid.*, 529.
[56] C. Swan, "Female Investors within the Scottish Investment Trust Movement: Independent Women or Desperate Housewives?", Conference Paper, XIV International History Congress in Helsinki, 2006, 8. Accessed 08 March 2018. http://www.helsinki.fi/iehc2006/papers3/Swan.pdf.

relative's name was placed alongside those of females in the lists of proprietors, which raised a question about the extent to which these women were 'independent' financers.[57] Women often resorted to this, because they neither had the networks, nor the professional advice men had. Mechanisms such as societies, clubs, inns and public houses used by men to network were hostile to women.[58] Women who ran pubs and inns were the only exception, because they were exposed to clients able and willing to share information.[59] As a result, many of the less connected women depended on their male relatives for advice on investments.[60] They also placed their shares in the care of trusted local solicitors in order to avoid bad decisions.[61]

Apart from these family clusters and dependence on male relatives, in the later years of the nineteenth century, a substantial number of women invested on their own.[62] As the demands for capital escalated, women gradually became accepted as investors in joint stock companies. This confirmed Froide's observation that when it was convenient, capitalism was gender blind.[63] New structures were put in place to advise them on how to invest. A few guidelines were published specifically for women and had special columns providing investment advice to the clergy and women.[64] These included newspapers, and there were also professional advisors such as lawyers, bankers and trustees, who provided women with investment advice. [65] Investment textbooks, which taught everything from how to write a cheque, buy stocks and shares, and to analyse balance sheets became widely available to women.[66]

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[57] M. Freeman et al., "'A Doe in the City': Women Shareholders in Eighteenth and Early Nineteenth-Century Britain", 270.
[58] H. Doe, "Investment Opportunities and the Role of Business Networks for Women in the Nineteenth Century English Maritime Communities", 12.
[59] *Ibid.*, 13.
[60] *Ibid.*, 7.
[61] C. Swan, "Female Investors within the Scottish Investment Trust Movement: Independent Women or Desperate Housewives?", 5.
[62] M. Freeman et al., "'A Doe in the City': Women Shareholders in Eighteenth and Early Nineteenth-Century Britain", 270.
[63] A. M. Froide, *Silent partners: Women as Public Investors During Britain's Financial Revolution, 1690-1750*, 2.
[64] J. Maltby and J. Rutterford, "'She Possessed Her Own Fortune': Women Investors from the Late Nineteenth Century to the Early Twentieth Century", *Business History*, 48, 2, (2006), 334.
[65] H. Doe, "Investment Opportunities and the Role of Business Networks for Women in the Nineteenth Century English Maritime Communities", 7.
[66] J. Rutterford and J. Maltby, ""The Widow, the Clergyman and the Reckless": Women Investors in England, 1830-1914", 124.

The outcome was a greater variety of women who became investors. This was evident in the diversity of occupations and statuses found within the ranks of women investors.[67] Freeman et al. note that while many proprietors were recorded as widows or spinsters, there were women who described themselves as ladies, housewives, artists, owners of businesses, servants, confectioners, butchers, housekeepers, drapers and grocers. Financial organisations were popular investment destinations for these women. This was because such organisations generated regular and relatively high dividends. In Acheson and Turner's study, which spans the period 1877-1914, women made up between 32.5% and 47% of the shareholders by number.[68] Partly paid shares were considered risky for women with no additional resources.[69]

Although there were significant improvements in the availability of information, women seldom invested beyond their home region.[70] According to Swan, Victorian female investors preferred to place their monies into local schemes.[71] She concludes that the typical proportion of women shareholders was particularly low when compared to the numbers investing in national and international concerns. Freeman et al., on the other hand, draw their findings from several Scottish railway companies which had large numbers of female investors. More than half of them invested in companies which had head offices in their local area.[72] Those who invested in schemes that were beyond their home region were described as 'financial' rather than 'economic' investors.[73] It was suggested that investment at a distance indicated a greater degree of independence. Such women are presumed to have read financial pages and looked at prospectuses to choose the best investment opportunities.[74]

It was a common occurrence that on average women's shareholdings were lower than those of men. Maltby and Rutterford cite one company, the *Tinsley Rolling Mills*, where women held

[67] M. Freeman et al., "'A Doe in the City': Women Shareholders in Eighteenth and Early Nineteenth-Century Britain", 270.
[68] J. Maltby and J. Rutterford, "'She Possessed Her Own Fortune': Women Investors from the Late Nineteenth Century to the Early Twentieth Century", 229.
[69] *Ibid.*
[70] M. Freeman et al., "'A Doe in the City': Women Shareholders in Eighteenth and Early Nineteenth-Century Britain", 270-271.
[71] C. Swan, "Female Investors within the Scottish Investment Trust Movement: Independent Women or Desperate Housewives?", 5.
[72] *Ibid.*
[73] *Ibid.*
[74] *Ibid.*, 271.

23 £5 shares compared to 109 men holding on average 22 £5 shares.[75] Another notable preference that was identified in Victorian women was that spinsters and less well-off widows were attracted to investments in publicly marketed shares.[76]

Given what has been discussed in this section, to what extent did these trends mirror women in the Cape Colony? The following section examines gender relations in the Colony and the factors that affected women's participation in the economy. This, combined with the statistical analysis of the limited liability company records, will shed light on *why* women invested, in *which* type of companies they invested and *how* this evolved over time.

The creation of gendered roles at the Cape

As was the case in South Australia, different reasons were put forward to explain the adoption of gendered roles at the Cape. One is that the colonies provided men with declining rural squirearchy in Britain the opportunity to regenerate their authority, which had been threatened not only by the rise of a new manufacturing class, but by a working class that included women.[77] The other hypothesis is that in the late nineteenth century women's reproductive capacity had become pivotal in transforming society and the economy as a whole.[78] Their position, then, became influenced by new economic needs. As a result, Cape authorities established mechanisms that controlled the extent to which married white women could be committed to formal employment. This was specifically designed to prohibit wage labour from interfering with their "proper duties" at home.[79]

A rather common explanation is simply that the Cape adopted British culture like many other colonies in the empire. This included earlier Dutch/Afrikaans societies which also prescribed specific spheres that men and women could occupy.[80] The difference was that by the second

75 J. Maltby and J. Rutterford, "'She Possessed Her Own Fortune': Women Investors from the Late Nineteenth Century to the Early Twentieth Century", 331.
76 *Ibid.*, 333.
77 C. Walker, *Women and Resistance in South Africa* (Cape Town: David Philip Publishers (Pty) Limited, 1991), 12.
78 *Ibid.*
79 *Ibid.*, 10.
80 R. Ross, *Status and Respectability in the Cape Colony 1750-1870, A Tragedy of Manners*, 88.

British occupation of the Cape, the emphasis was on gentility. These qualities could be acquired by various means. Ross argues that the Cape's education system was partly concerned with the moulding of character, in addition to its role of training literacy and numeracy.[81] It was instrumental in teaching children specific roles which they were expected to fulfil later in their lives. As early as after nursery school, boys and girls were taught differently.[82] Girls were not prepared for any profession, but for a life as future wives and mothers. Subjects such as domestic economy and sewing were placed at the centre of their curriculum, while mathematics and other scientific studies were prioritised for boys, as they were moulded to become future leaders, intellectuals, and professionals.[83]

Apart from the education system, religion played an important role in conditioning the way individuals viewed themselves. Christian doctrine heavily influenced the roles women were expected to play both in the family and society. While it is easy to assume that all women were dissatisfied by this arrangement, there were some who found comfort in being consumers, rather than producers, like men. S. E. Duff, in her work on the College Girls Huguenot Seminary School, shows that while some women appreciated education, they believed that it was not supposed to interfere with their domestic roles. In a letter she referenced in her work, a woman emphasised that the power of an educated woman was not in her ability to lead, but her role as a "gentle and mild" wife and mother.[84]

Nonetheless, although religion and other institutions continued to influence the spaces women could navigate, there were several incidents where they deviated from what was expected from them. This showed that despite being conditioned to perceive themselves in a specific way, they still possessed the curiosity about life as many men did. Such cases increased in the mid-nineteenth century with the emergence of feminism and the 'New Woman' ideal. These two ideologies were not very different, in that they both supported unconventional lifestyles, which were becoming more common in Europe, such as joining political organisations, riding

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[81] *Ibid*.
[82]*Ibid.*, 89.
[83] *Ibid.*, 91.
[84] S. E. Duff, "From New Women to College Girls at the Huguenot Seminary and College, 1895-1910", *Historia*, 51, 1, (2006), 10.

bicycles, wearing corsets and bustle dresses and cutting their hair short.[85] Commenting on the values of the New Woman in a Huguenot Seminary School annual article, Maggie Ferguson, an alumni of the college, noted that the time had arrived for women to participate actively in life, and not vicariously through their husbands and fathers. She argued that:

> "... the spirit of the age has produced women who begin to think,
> crudely no doubt, on many questions, for she is still
> handicapped by her long submission; but above all has made
> woman no longer willing to be a mere consumer, she must also
> be a producer."[86]

Her remarks not only revealed how women were eager to penetrate the public sphere, but also how connected the colonies were with the metropole. Letters were very instrumental in maintaining this contact and keeping people abreast with what was happening in Britain. Literature was another important medium, as there was a big reading culture amongst the colony's elite women. This made them susceptible to prevailing ideological influences that shaped notions of societal and gender behaviour such as public media and novels.[87]

Although women's voices at the Cape seldom made it into the public sphere, Olive Schreiner was one of the few outspoken writers who not only influenced feminist ideology at the Cape, but also had a significant influence abroad. In 1883 her first novel, *Story of An African Farm*, drew a lot of attention from colonial society. Many women celebrated this book as it fed into their imagination through female characters that occupied male positions in the story. This was fuelled in her next novel, *From Man to Man, or Perhaps Only*. Through her character Bertie, she suggested that modern civilization had robbed middle-class women of their share in social labour, even in the sphere of child-rearing. Mental and physical inactivity caused individual and social decline and degeneration.[88] In one of her short writings, she praised women by

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[85] *Ibid*., 17.
[86] *Ibid.*
[87] N. Erlank, "Letters Home: The Experiences and Perceptions of Middle Class British Women at the Cape 1820-1850", Master's dissertation, University of Cape Town, 1995, 46.
[88] A. Snaith, *Modernist Voyages, Colonial Women Writers in London, 1890-1945* (Cambridge: Cambridge University Press, 2014), 62.

stating that 'You and such as you are the mothers of the South African nation of the future, and the shaping of that future lies in your hands'.[89]

Her work features in many studies as the force that incited the women's suffrage movements in South Africa. The transformation of the Women's Christian Temperance Union (WCTU), founded in 1889, into a Franchise Department to campaign for women's suffrage in 1895 is alleged to have been an outcome of her work.[90] While this is true, only interpreting her writing from a political lens has unintentionally overlooked the basic message of her work, i.e., the inclusion of women in the economic sphere.[91] In her book *Undine* she expressed grief over the position of women after mineral discoveries in the colony. This was a period of instant wealth, yet women were often excluded from these opportunities. She argued that amidst this booming economy, selling their bodies was the only way they could independently sustain themselves. Many of them were prostitutes and Undine, the main character, sold herself in marriage for £50 000 to an old rich man. Despite being showered with material gifts, she was unhappy and suffered from depression. This, in Schreiner's view, emanated from her idleness. Undine relentlessly asked her husband to use his networks to find a job for her, but this was impossible within the strong patriarchal system of the time. Upon his death she returned to the diamond fields to try her luck, but was unfortunate because of the strict laws on claim ownership by women.[92]

Schreiner had experienced some of these challenges herself, so the frustration found within her characters was partly autobiographical. In 1872, after working as a governess, she joined her brother Theo in Du Toit's Pan in search for wealth. It was there where she drafted her novels. Despite the harsh realities of "separate spheres" in the colony, she believed that women had the capacity to change their fortunes. These beliefs were reinforced by her experience as a teacher at the Fouchés farm at Klein Ganna Hoek Farm, Cradock, in 1876. During those years she read John Stuart Mill's *Logic*, a revolutionary piece that discussed possibilities for

[89] *Ibid.*, 65.
[90] C. Walker, *Women and Resistance in South Africa*, 10.
[91] *Ibid.*
[92] A. Snaith, *Modernist Voyages, Colonial Women Writers in London, 1890-1945*, 46.

women's existential independence, and how investment opportunities in limited companies could free them from socio-economic boundaries.[93]

Although her work did not directly comment on investment in these companies, her strong message about women as future leaders of South Africa shows that John Stuart Mill's work resonated with her. Moreover, her interest in the diamond trade confirmed P. Sharpe's assertion that women did not just lay victim to capitalism.[94] They too sought out financial opportunities that came along with it. Her experiences mirrored other women's experiences. There were many of them who explored these avenues in silence and often their experiences were either not recorded, or lost, in the letters they wrote their loved ones.

It is also worth noting that by 1902 media platforms such as the *Imperial Colonist* openly campaigned for the employment of women in various sectors of the colony.[95] Its first issue after the South African War presented employment opportunities for women in sectors previously dominated by men, as well as prospects for vocational education that they could take. The jobs that were listed for women in its publication were in the agricultural industries, education, and the health sector.[96] It is possible that this contributed towards building new identities among women that were inspired by the desire for economic freedom.

Having outlined the dynamics that may have played a crucial role in preparing women investors in the colony, it is important to acknowledge that access to securities during this period was bound to be more difficult in the colony than it was in Britain. This is because British company promoters in the mid-nineteenth century designed mechanisms to educate women on financial markets.[97] However, the Cape lacked these structures. This was a major handicap, because dealing with securities was dependent on information that could only be accessed in the public sphere. With the strong boundaries that were placed on women in the colony, new ways had to

[93] *Ibid*.
[94] P. Sharpe, *Adapting to Capitalism: Women in the English Economy, 1700-1850* (London: Macmillan Press LTD, 1996), 3.
[95] J. Bush, ""The Right Sort of Woman": Female Emigrants and Emigration to the British Empire, 1890-1910", *Women's History Review*, 3, 3, (1994), 390.
[96] *Ibid*.
[97] D. R. Green, A. Owens, J. Maltby, and J. Rutterford, "Men, Women, and Money: An Introduction", edited by D. R. Green, A. Owens, J. Maltby, and J. Rutterford, *Men, Women, and Money: Perspectives on Gender, Wealth, and Investment 1850-1930* (Oxford: Oxford University Press, 2011), 2.

be devised to enable them to obtain this information without overstepping their designated roles. The following section discusses how this was made possible.

Navigating the public sphere through the private space

Women were not entirely willing to occupy the roles that were allocated to them. The strategies they developed to navigate the public sphere during this period were not specifically tailored to help them access the securities market, but were broadly endeavours to seek purpose and recognition in the economy. These efforts created networks that became an important foundation for women's participation in the capital market.

The earliest strategies by Cape women to navigate the public sphere can be traced to Britain in the form of the Female Middle-Class Society (FMCS), and the British Women's Emigration Society (BWES).[98] The FMCS was a movement that campaigned for the protection and enhancement of the rights of working-class women. Formed in the Victorian era at the height of feminism, this organisation encouraged young women to seek formal employment. It further shielded single and ambitious women from male prejudices about marriage and empowered women to make their own choices. The BWES, on the other hand, was concerned with the emigration of young unmarried women to the Empire. J Bush states that mid-Victorian emigrators sought paid work paid work for the purposes of attaining freedom and self-fulfilment.[99] Between 1884 and 1914 approximately 20 000 women emigrated to the colonies with the help of this society, of which 2 705 women were sent to the Cape between 1901 and 1906.[100] The result was that during this period there was a generation of women that was determined to break the barriers that were placed in the way of women in participating in the economy. The South African Colonisation Society (SACS), formed in 1902, was an offshoot of the above organisations.[101] Like its predecessors, it continued with the campaigns for the economic emancipation of women.

[98] J. Bush, ""The Right Sort of Woman": Female Emigrants and Emigration to the British Empire, 1890-1910", 387-389.
[99] *Ibid.*, 389.
[100] *Ibid.*
[101] *Ibid.*

Evangelical societies were another strategy women used to navigate the public sphere. Following the French and American Revolutions, evangelical Christianity became increasingly popular in Britain. Fears of social dislocation scourged the British crown and forced it to seek ways of prohibiting societal moral decay.[102] The solution was a resurgence of evangelicalism, with philanthropy at the core of its ethos. In times of economic distress and social uncertainty, Christian faith, through self-discipline and self-sacrifice, offered a haven to preserve the soul. This often took several forms of charity, such as financial assistance, food, clothing and/or moral support to the underprivileged. This presented opportunities for women to actively participate in the economy, because they were placed at the helm of these operations due to their roles as moral guardians in the micro-family.[103]

In addition, charity work was generally socially acceptable for women.[104] As a result, many women flocked to these societies. This was partly because they provided a legitimate occupation for middle class women. Erlank highlights that religious convictions were not always the reason why women were fond of these organisations.[105] There were underlying social and economic imperatives. This included power and authority over other women, and financial necessity.[106]

With the growth of philanthropic activities, administration duties escalated. For instance, women raised money for these activities through subscriptions, donations, and bazaars. These proceedings had to be monitored, and the solution was equipping members with skills such as bookkeeping, secretarial work and sewing.[107] This immediately challenged the perceptions about women in the colony, as they were now engaged in paid labour. Moreover, regular

[102] N. Erlank, "Letters Home: The Experiences and Perceptions of Middle Class British Women at the Cape 1820-1850", 26.
[103] *Ibid.*
[104] F. Prochasha, *The Voluntary Impulse: Philanthropy in Modern Britain* (London: Faber and Faber, 1988), 47.
[105] N. Erlank, "Letters Home: The Experiences and Perceptions of Middle Class British Women at the Cape 1820-1850", 26.
[106] *Ibid.*
[107] *Ibid.*, 42.

contact with the poor meant that they spent much of their time in public. This allowed them to step into different worlds, and this enabled them to interact with a variety of people.

Apart from meeting new people, members of these societies met regularly for various activities such as sewing.[108] Networks were created in this process, which in turn made the transmission of information among women faster. For instance, the Ladies' Benevolent Society (LBS) at the Cape was heavily involved in sewing programmes between 1820 and 1850. It was one of the earliest female-led organised volunteer philanthropic work societies in the colony.[109] Women may have not been welcome in the coffee shops and public houses, but through these channels they could acquire information that would have otherwise been limited to men. It is not far-fetched to argue that it was by means of such spaces that ideas to challenge gender stereotyping manifested through women's movements in the nineteenth century.[110] For instance, the LBS in 1924 went on to establish a multi-racial school for girls (the School of Industry).

Such activities made it possible for women to navigate their way into the securities market. In the absence of stock markets and structures to educate women on how to manage their investments, word of mouth was very important. These women came from different backgrounds, and some were privy to vital information that they shared with their peers. Evidence for this can be found in the activities of the suffrage movements, and many more other structures, that stemmed from such societies. The next section discusses in detail the behaviour of women in the capital market at the Cape and also contains information on who these women were.

Women investors at the Cape 1892-1902

As already mentioned, women in South African history have largely been peripheral in discussions on economic development and their value to the colonial economy. This is partly because most of their activities took place in private, which in turn made it difficult to build a detailed account of their economic activities. Fortunately, with the help of limited company

[108] F. Prochasha, *The Voluntary Impulse: Philanthropy in Modern Britain*, 47.
[109] N. Erlank, "Letters Home: The Experiences and Perceptions of Middle Class British Women at the Cape 1820-1850", 50.
[110] *Ibid.*, 30.

records, new insights could be gained on one of the few ways they accumulated and used wealth in the nineteenth century. It is often a challenge to deal with studies such as these, because it is easy to overstate women's agency, or not to recognise it at all. However, the data used in this study overcomes this by giving quantitative evidence of women's participation in the capital market.

Even before the passing of the Companies Act, some economic activities in which women participated were not always disguised as evangelical societies. Despite the prejudice they faced, women were capable entrepreneurs. As early as the eighteenth century, the Cape had a few industrious women who operated their own businesses. One such woman was Josina Van Dam, who ran an alcohol *pacht* "in her own right".[111] This was peculiar, because, unlike other women who may have been involved in the trade in their husbands' names, Van Dam was the official owner of this outlet. For those who neither had the networks nor the capital to start businesses, prostitution was a common alternative used to generate income. Although this was regarded a public offence, it remained a casual profession for young unmarried women and was seldom prosecuted. While many of these women were claimed to have been Cape "Coloureds", records of registered prostitutes in the 1860s revealed that in the cosmopolitan area it included English, Irish, Scots, French, Spanish and Dutch women.[112] In 1868, legislation such as the Contagious Disease Act was passed with the aim of regulating prostitution.[113] This included the registration and examination of all known prostitutes to curtail the spread of diseases. As a result, prostitution, and brothels became a haven for young women who sought to generate income for themselves. This because prostitution had become a legally recognised economic activity.

Women also featured indirectly in the economic sphere at the Cape. While women in eighteenth century England were praised for funding public debt, women at the Cape contributed to the expansion of the economy not by financing industry, but by creating the necessary networks for entrepreneurship. Male immigrants often used marriages to Cape-born women to gain

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[111] L. Oberholzer, "Free Burgher Women in the Eighteenth Century and the Quest for Status", *Historia*, 62, 1, (2017), 10.
[112] R. Ross, *Status and Respectability in the Cape Colony 1750-1870, A Tragedy of Manners*, 129.
[113] M. N. Day, "Madam Fanny – Prostitute and Brothel Owner in Cape Town: Policing Prostitution in the Cape, 1900-1913", Honours dissertation, Stellenbosch University, 2018, 5.

financial and social capital, which was then used for the expansion of their entrepreneurial interests. This arrangement allowed immigrant men to infiltrate existing networks of social capital, which in turn translated to financial gain.[114]

After providing some background of how women participated in the economy, the first step towards understanding their involvement in the capital market is to find out where the money they invested came from. As already explained in the previous section, very few of them had full-time employment. The most common source of income was inheritance. According to W. Dooling, it was common for spinsters to inherit wealth from their parents.[115] In many instances this wealth was so great that young women in the colony were almost regarded as property themselves, because they brought along wealth into the marriage.[116] This was evidenced in *The narrative of Jacobus Coetzee* cited by Dooling, where young men preyed on Dutch girls, because they brought into marriage "many morgen of land and so many heads of cattle and so many servants".[117] This showed that women had access to large sums of capital.

The next step was to analyse the annual growth of the number of women investors in the capital market. It is important to assess whether the same forces that affected the growth of the capital market affected them. As expected, figure 23 shows that they too had a very slow start in participating in the capital market. The first women investors were recorded in 1893. A substantial rise in the number of women investors was first recorded on the eve of the South African War in 1899, while the highest number was recorded in 1902 after the war.[118] The latter made up 28% of the total number women in the capital market from 1892 to 1902.

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[114] L. Oberholzer, "Free Burgher Women in the Eighteenth Century and the Quest for Status", 7.
[115] W. Dooling, "The Making of a Colonial Elite: Poverty, Family and Landed Stability in the Cape Colony, c.1750-1834", *Journal of Southern African Studies*, 31, 1, (2005), 150.
[116] *Ibid.*
[117] *Ibid.*, 147.
[118] CAD, LC 1 – LC 467, 1892-1902.

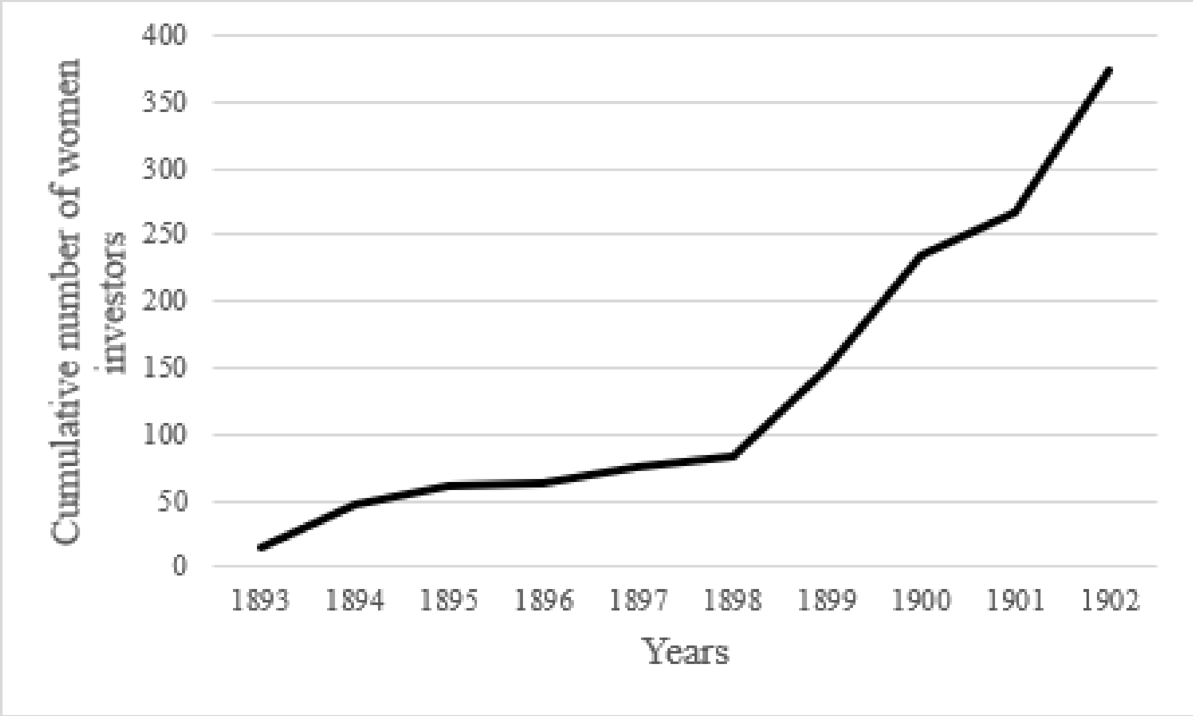

Figure 23: Cumulative number of women investors in the Cape capital market, 1893-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

It is difficult to explain precisely why these specific periods experienced an acute increase in the numbers of women investors, but two possible explanations could be the proliferation of feminist ideas, and the uncertain outcomes of the war. With regard to the former, Bush's work has shown that there was a rapid increase in the number of women societies in the colony during this period.[119] This together with the impact of a publication such as the *Imperial Colonist* in 1902 may have inspired women to explore and exercise economic freedom in various ways, which may have included investing in joint stock companies. In the case of the latter, the likelihood that many women were going to be widows after the war was high. As a result, there is a great probability that escalating turmoil between the British colonists and the Dutch republics influenced women to start thinking about a possible future alone. Securities in joint stock companies were therefore a practical safety net to help women raise their children if their spouses died in the war.[120]

[119] J. Bush, "“The Right Sort of Woman”: Female Emigrants and Emigration to the British Empire, 1890-1910", 387-389.
[120] CAD, LC 1 – LC 467, 1892-1902.

Appendices 12 and 13 show that the western region made up 50% of women investors and contributed 63% of their capital. Second to them, by a great margin, were women from the eastern region. They made up 29% of women investors and contributed 21% of their capital. Those from the northern region, neighbouring territories and Europe made up less than 10% of this category of investors. Their financial value was also less than 10% of their capital. Figure 24 below sheds more light on this by illustrating an annual geographic distribution of women in the capital market.[121]

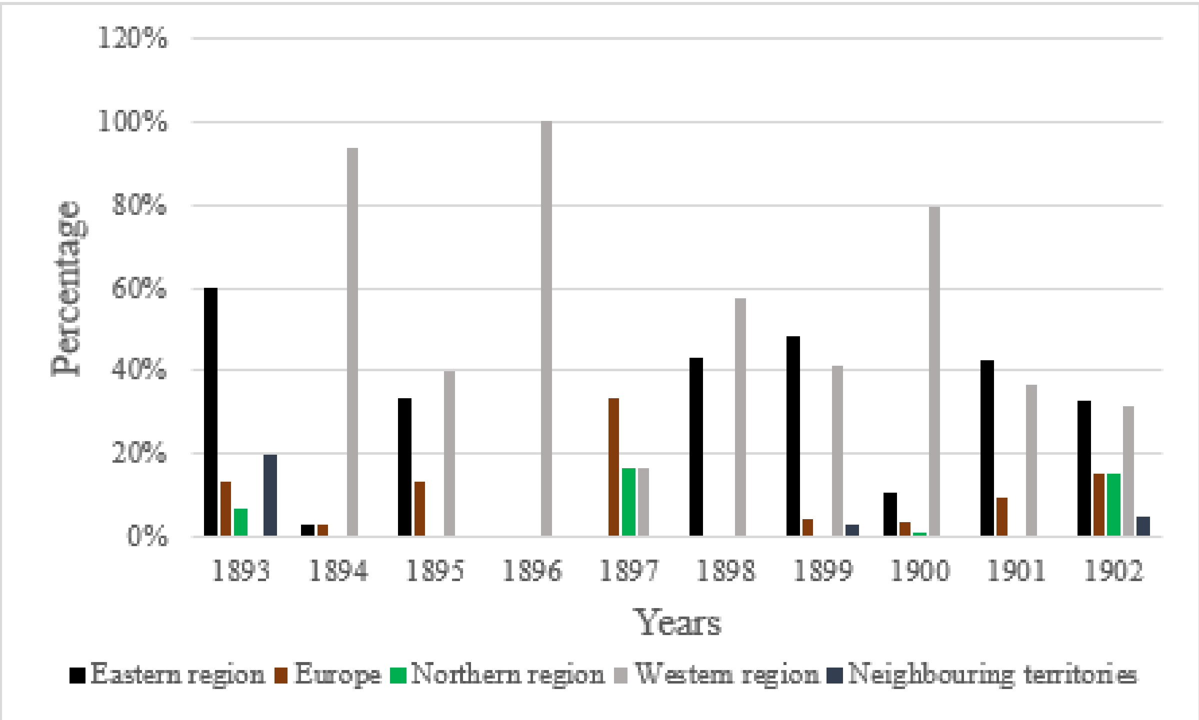

Figure 24: Annual distribution of women investors at the Cape, 1893-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

Considering that 1895 recorded a boom in mining shares, it was expected that women investors from this region would constitute a large proportion of the capital market in that year. In contrast, their numbers were down in the capital market from 1893 to 1897. The first possible

[121] *Ibid*.

explanation for this is that there were many fewer women than men living in this region.[122] This was expected considering that this was predominantly a mining region. The second explanation is that during this period only foreign women really invested in the mining sector. Local women investors shied away from mining companies and explored securities in companies involved in other economic sectors of the economy. They only started investing in mining companies in 1902.

Although women constituted a small percentage of the investors in the Cape capital market, they were also as diverse as the women investors in Britain. The only difference was that whereas in the Victorian capital market widows and spinsters dominated share ownership within the female investor category, at the Cape housewives made up the largest group of women financiers. This was not in any way to the Married Women's Property Act, because as late as the mid-1860s women at the Cape still surrendered their wealth upon marriage to their spouse, or signed marriage contracts if they wished to retain control of their property.[123] Occupational information provided in the list of shareholders shows, in figure 25, that the women investors at the Cape consisted of seven subgroups. Housewives, as already mentioned, made up 63% of this group. A potential explanation for this is that there were relatively fewer women at the Cape than in Britain, where women exceeded men by nearly 10% in the manufacturing and port cities of Manchester, Leeds, Bristol and Liverpool.[124] This may have greatly influenced the profile of female investors, as many of them were forced into marriage. They were likely to marry at a young age, and few of them lived for any length of time as unmarried women. This is best summarised in the words of Mrs Emma Rutherfoord's, a Cape resident in the nineteenth century, who was cited by Ross. She epitomised the importance of marriage in the colony. In a letter, she argued that "no greater calamity can befall us than that… our daughters (are) not given in marriage."[125]

[122] A. E. Van Der Merwe, I. Ribot, D. Morris, M. Steyn, and G. J. R. Maat, "The Origins of Late Nineteenth-Century Migrant Diamond Miners Uncovered in a Salvage Excavation in Kimberley, South Africa", *South African Archaeological Bulletin*, 65, 192, (2010), 171.
[123] *Ibid.*, 154.
[124] D. R. Green and A. Owens, "Gentlewomanly Capitalism? Spinsters, Widows, and Wealth Holding in England and Wales, c.1800-1860", 512-513.
[125] R. Ross, *Status and Respectability in the Cape Colony 1750-1870, A Tragedy of Manners*, 90.

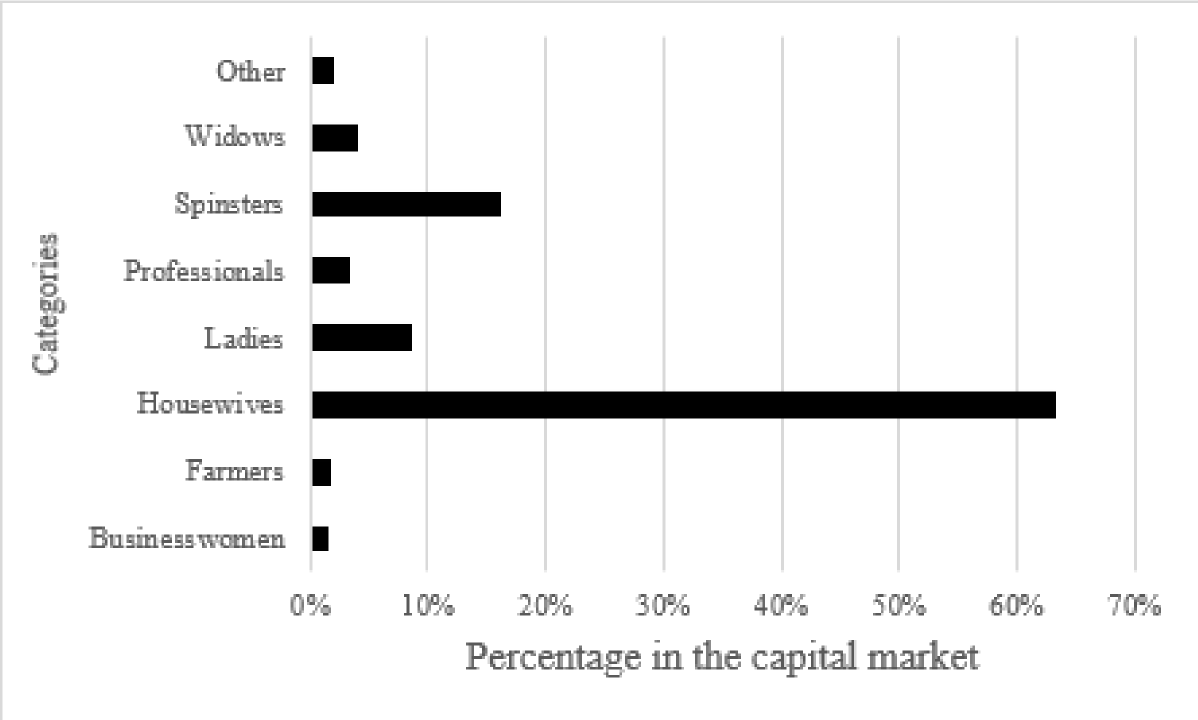

Figure 25: The profile of Cape female investors, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

It is also possible to argue that it was partly because of such sentiments among women at the Cape that the capital market had few professionals, farmers and businesswomen investors. As mentioned in the previous section, the culture of the ideal Victorian woman was inculcated into women at a young age to the extent that to be a housewife was glorified as the ultimate purpose a woman could ever have. More so, the share ownership of farmers and business owners in this category was also questionable, because none of these women invested in companies independently. For instance, all the investments that were made by female farmers and business owners were in companies were their spouses were either directors or simple shareholders. It was unlike the cases of the women who were professionals who had evidence of income.[126]

'Ladies', although occupying a greater status, were no different from housewives when it came to investments, because they too were married women. They made up only 9% of the category of women investors, which made them the third largest group. Their small number at the Cape, when compared to the Victorian capital market, can be attributed to the fact that there were not

[126] CAD, LC 1 – LC 467, 1892-1902.

many members of the titled aristocracy at the Cape. In the previous section we showed how a large proportion of the rentier population in the Cape Capital market was made up of capital from foreign investors. It follows that there were fewer of these investors in the capital market than investors in other categories.[127]

Spinsters and widows, on the other hand, were the only investors in this group who had the privilege of being able to hold property independently. This, together with favourable inheritance laws for unmarried women in the colony, made it highly likely that they were among the few that possessed enough wealth to speculate in the capital market. For instance, as early as the eighteenth century, the Roman Dutch inheritance laws allowed widows to inherit the wealth of their spouses. D. Von Fintel, S. Du Plessis and A. Jansen argue that some of this wealth was used to invest in productive assets. It is therefore possible that in the nineteenth century this law necessitated the extension of some of this wealth into the capital market.[128] For spinsters, these liberties may have influenced why they were the second largest group in the women category, but seemed not to have done the same for widows, as they had little representation in the capital market. In Britain, this was sometimes attributed to financial burdens widows faced after the death of their spouses. This caused them to become frugal with the wealth they inherited. While this may have been a possibility for Cape women, it is important to consider that widowhood was likely to be short-lived in the colony considering the deficit of women. In his work on wealth distribution in the colony during the seventeenth and eighteenth centuries, Shell notes that:

> Settler women came to occupy a commanding social position, both because of their scarcity, and because of the particular system of partible inheritance at the Cape, and their scarcity in the short run empowered them to maintain their dominant position over the long term… there was at the Cape what E. S. Morgan… had termed 'widowarchy'. Some Cape widows remarried as many as three times, and in remarrying they acted as the conduits of large fortunes.[129]

[127] *Ibid*.
[128] D. Von Fintel, S. Du Plessis and A. Jensen, "The Wealth of Cape Colony Widows: Inheritance Laws and Investment Responses Following Male Death in the 17^{th} and 18ty Centuries", *Economic History of Developing Regions*, 28, 1, (2013), 87.
[129] C. H. Shell, "An Early Colonial Landed Gentry: Land and Wealth in the Cape Colony 1682-1731", *Journal of Historical Geography*, 9, 3, (1983), 270.

They were, therefore, constantly sought after by men. There were numerous cases of widows who did not struggle to find new partners after their husbands died, and in some instances, they married men who were much younger than they were. The case of Maarten Melck and Anna Margareth Hop is a good example of this phenomenon. Melck married the widow of his late employer Johan Giebler who owned Elsenburg farm. Having been a man of moderate means, after this marriage he owned vast tracks of land.[130] It is therefore a convincing argument to state that this tendency among the Cape society contributed to the low number of widows in the capital market.

In terms of value, women contributed 7% of the capital that financed Cape joint stock companies. Of this subgroup, housewives and ladies contributed the largest sums of capital. They contributed 56% and 31% respectively. Spinsters who were the second largest group only contributed 5%. They were followed by professionals who contributed 4%, businesswomen and farmers whose value in the capital market was only 1% each. There were disparities in terms of capital value within this subgroup, and this is shown by how the contribution of 'ladies' was greater than its absolute number. Table 9 below uses the capital value of shares held by women in the capital market to provide descriptive statistics. This helps us understand the behaviour of women investors in the capital market.

[130] D. W. Kruger and C. J. Beyers, *Suid-Afrikaanse Biografiese Woordeboek II* (Pretoria: Raad vir Geesteswetenskaplike Navorsing, 1977), 612-613.

Table 9: Descriptive statistics of the capital value contributions for women investors at the Cape, 1892-1902.

Descriptive statistics	Businesswomen	Farmers	Housewives	Ladies	Professionals	Spinsters	Widows	Other
	Pounds/£							
Mean	288.4	56.6	577.6	2412.6	866.8	202.4	310	426.4
Median	231	50	100	500	100	50	50	50
Maximum	600	100	48125	18200	9500	3234	2800	2400
Minimum	1	20	1	5	10	1	1	25
Standard deviation	298.9	36.1	3310.2	4513.6	2719.5	546	713.8	878.20

Source: CAD, LC 1 – LC 467, 1892-1902.

Ladies were the most diverse category in this subgroup based on their mean capital value, which was greater than that of most categories in the subgroup. After them, only professionals and housewives had larger mean capital values. This meant that on an individual level the capital they invested was on average greater than the investments made by most other women with lower mean capital values. Other indicators of this disparity are the median, the maximum value of investment and the standard deviation. Categories with lower capital value means also had lower medians, except in the case of businesswomen. Essentially these descriptive statistics provide insight into the middle value of the investor's capital value. The reason why businesswomen had a high median is because they were the smallest group in the category; there were only five of them, and on average this group's capital value was within the range of its median.

The maximum capital value as well as its standard deviation shed more light in this regard as it shows that even with a larger median, businesswomen made the least valuable investments in the women's category. Their capital value was not as varied as that of the three leading female categories in the group. A greater standard deviation suggests that the capital value of housewives, 'ladies' and professionals was incredibly spread from their average value. This is confirmed by the maximum capital value of each of these three groups. The largest single investment was made by a woman in the housewives category. This was an investment made by Mrs Courteney Thompson, who invested an amount of £48 125 into the *Mining Plants*

Company Limited in 1902.[131] There were more such large investments within the housewives' category. Another such investment was by Mrs Mary Coghlan, who invested £15 000 (also to a mining company in Kimberley) which confirms the spread of their capital value.[132] More so, the investment of such large sums of money in joint stock companies contradicts the stereotype that women were risk-averse investors. There were clearly some women, although few, who dauntlessly invested in the same way their male counterparts did.

Although it has already been established in the previous sections that women engaged the securities market because they wanted economic freedom, the forces that pushed them to the securities market were varied.[133] Women shared their unfortunate experiences in some of the letters Erlank compiled for her study, and in most cases, this involved financial difficulties. One letter details how one of the women left her husband in Grahamstown in pursuit of employment opportunities in Graaff-Reinet and Colesberg. In letters to her relatives, she writes with a heavy heart how the man she married had failed to meet the conventional expectations of a husband. She said that he lacked the basic instinct of taking care of his wife and children.[134]

Although this could befall any woman, it was bound to have extremely pernicious outcomes for housewives who did not have inherited wealth to cushion them in times of crisis. This could explain why their mode share value was the lowest among the top four female categories. The letters in Erlank's work gives us an idea of how the minds of nineteenth century Cape women worked. In her study she refers to Mrs Philips, co-founder of the LBS, who in her letters emphasised usefulness and duty among women. Her study confirms the notion that women sought alternative sources of income because of what Mrs Philips described as "foolish choices of a husband".[135]

[131] CAD, LC 456, The Mining Plants Company Limited, 1902.
[132] CAD LC 402, The Central Diamond Mining Company (Leicester Mine) Limited, 1902.
[133] N. Erlank, "Letters Home: The Experiences and Perceptions of Middle Class British Women at the Cape 1820-1850", 123.
[134] *Ibid.*
[135] *Ibid.*, 67-68.

Women also sought alternative sources of income to keep up with appearances. Mrs Maclear who was married to Sir Thomas Maclear,[136] an astronomer in Observatory, always wrote about the challenges of maintaining a specific lifestyle on her husband's meagre salary. Suicide often followed the shame of going bankrupt. Social pressure and the need to maintain a certain standard of living in a fiercely competitive society led people to live beyond their means. Cape society was a small world and secrets could not be kept. Social indiscretions would quickly become public knowledge. The end of any social standing in the community was always a possibility.[137]

In addition, like most colonial societies, the Cape developed certain cultures that evolved around material goods. L. J. Mitchell states that the consumption of specific material goods at the Cape had become a way in which individuals attempted to either affirm or re-affirm their identity.[138] Material goods had become status symbols that were associated with certain segments or groups of the society. However, most women could not keep up with these trends, and the need for finding alternative sources of income was a serious concern.

Women at the Cape also had networks in the capital market like their distant relatives in Britain. It has been suggested in this study that some of these networks had their roots in the social activities that women engaged in prior to the passing of the Companies Act. C. Smith-Rosenberg suggests that these activities were an outcome of the separate spheres.[139] In her study of women in America during the nineteenth century, she argues that gender-role differentiation within the society caused the emotional segregation of men and women. This resulted in women spending most of their time in each other's company. Within this context a specifically female world developed, a world built around a generic and unselfconscious pattern of single-sex or homosocial networks.[140] This phenomenon plays out clearly at the Cape through Mrs Elizabeth McCartney and Mrs Selina Betteridge who were shareholders in the

[136] C. H. Rautenbach discusses further the financial struggles that Sir Thomas MaClear faced during his tenure as an astronomer in Observatory. See C. H. Rautenbach, *Suid-Afrikaanse Biografiese Woordeboek* (Cape Town: Plurabelle Books Ltd., 1968), 571-572.
[137] N. Erlank, "Letters Home: The Experiences and Perceptions of Middle Class British Women at the Cape 1820-1850",82-94.
[138] L. J. Mitchell, *Belongings: Poverty, Family and Identity in Colonial South Africa* (New York: Columbia University Press, 2009), 10.
[139] C. Smith-Rosenberg, *Disorderly Conduct* (Oxford: Oxford University Press, 1986), 60.
[140] *Ibid.*, 60-61.

Kimberley Co-operative Society Company Limited, and who were also immediate neighbours.[141] This information was gathered by looking at their residential addresses provided in the list of shareholders. It is not far-fetched to suggest that these women had an established relationship prior to their investing in this company. Similar networks at the Cape were also found among the few women who operated in the public sphere. For instance, Dr Clement and Dr Fismer were both medical practitioners from Cape Town who invested in the same company, the South African Fisheries Limited.[142]

What was interesting about these women was that they all appeared to have been part of a much broader network that included men. For example, Mrs Betteridge's husband was also an investor in the same company, whereas for Dr Clement and Dr Fismer, their sphere consisted of several medical practitioners (Dr Anderson, Dr Beck, Dr Clement, Dr Fismer, Dr Impey, Dr Thompson and Dr Maruis). Men were valuable sources of information, especially considering the limited effort made in the Cape to educate women about the securities market. It is possible that Mrs Betteridge had access to information about investing via her husband, and shared this with her friend. Doe reiterates this by stating that in the absence of stock exchanges and very few professional brokers, word of mouth was a reliable source of information.[143] At the Cape, men were at the centre of this matrix. Mary Ward in the Cape Peninsula Lighting Company was another example of this trend. She was part of a network of four male investors who all originated from London, England.[144] This explains why women in the middle-class category had the largest volume of individuals who invested in companies with people who shared their surnames and addresses, as can be seen in figure 26 below.

141 CAD, LC C428, The Kimberley Co-operative Society Limited, 1902.
142 CAD LC C249, The South African Fisheries Limited, 1898.
143 H. Doe, "Investment Opportunities and the Role of Business Networks for Women in the Nineteenth Century English Maritime Communities", 4.
144 CAD, LC C309, The Cape Peninsula Lighting Company, 1900.

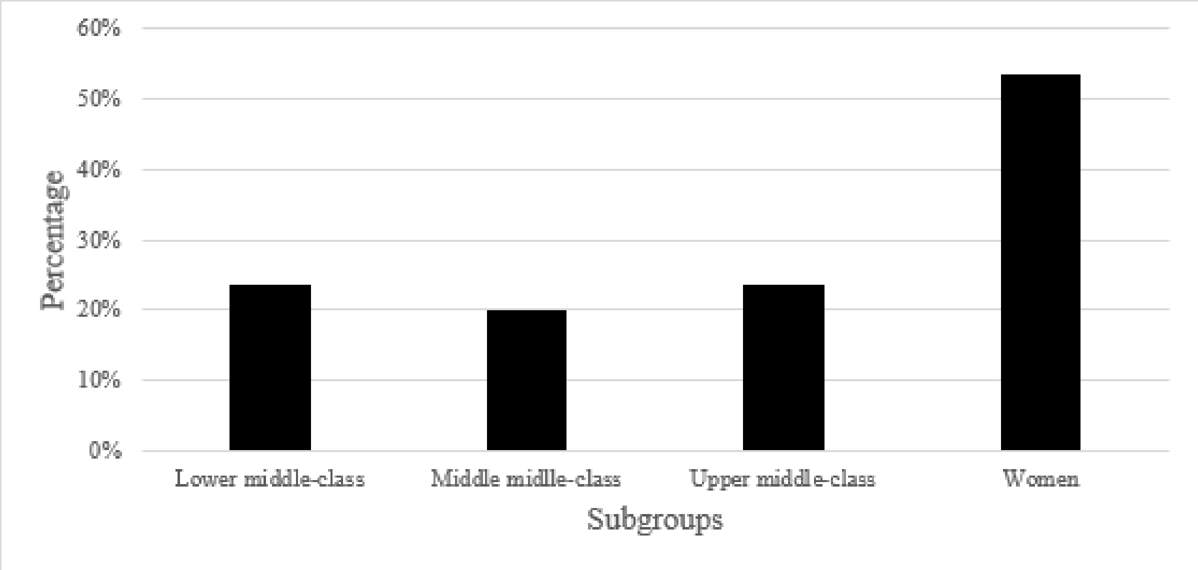

Figure 26: Kin-dependency among Cape women investors in the capital market, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

Findings shown above confirm women's reliance on men for information about the securities market. Sometimes they were in female networks, but often they invested in companies together with their male counterparts. In some instances, they were found in a family network, as in the case of Miss Anna Ansley, who invested in a company with four men who shared her surname, and also resided at the same address.[145] Spinsters were particularly inclined to invest in companies in which their relatives also held shares. About 72% of their investments were made into companies together with their relatives, mostly male, as shareholders. Second to them were widows with 60% of their investments being kin-dependent. For housewives it was 50% and only 38% for 'ladies', which suggests that among the women, they were the most independent investors.[146]

Men also featured prominently in these arrangements. There is literature that suggests that usually in kin-dependent business arrangements, women were simply used by their male relatives to retain control of the company, or to obtain majority seats. *The A J Coleman and Company Limited* at the Cape was a good example of this. Mrs Wilhemina Coleman, Alfred

[145] CAD, LC 302, The African Mutual Trust and Assurance Company Limited, 1900.
[146] CAD, LC 1 – LC 467, 1892-1902.

Coleman's wife, owned large amounts of shares.[147] This meant that there were very slim chances for business partners to instigate a take-over by means of majority share ownership. Such was the case with the *Ginsberg and Company Limited*[148] and the *Ingerid Steamship Company Limited*[149] where shareholdings were dominated by family members.

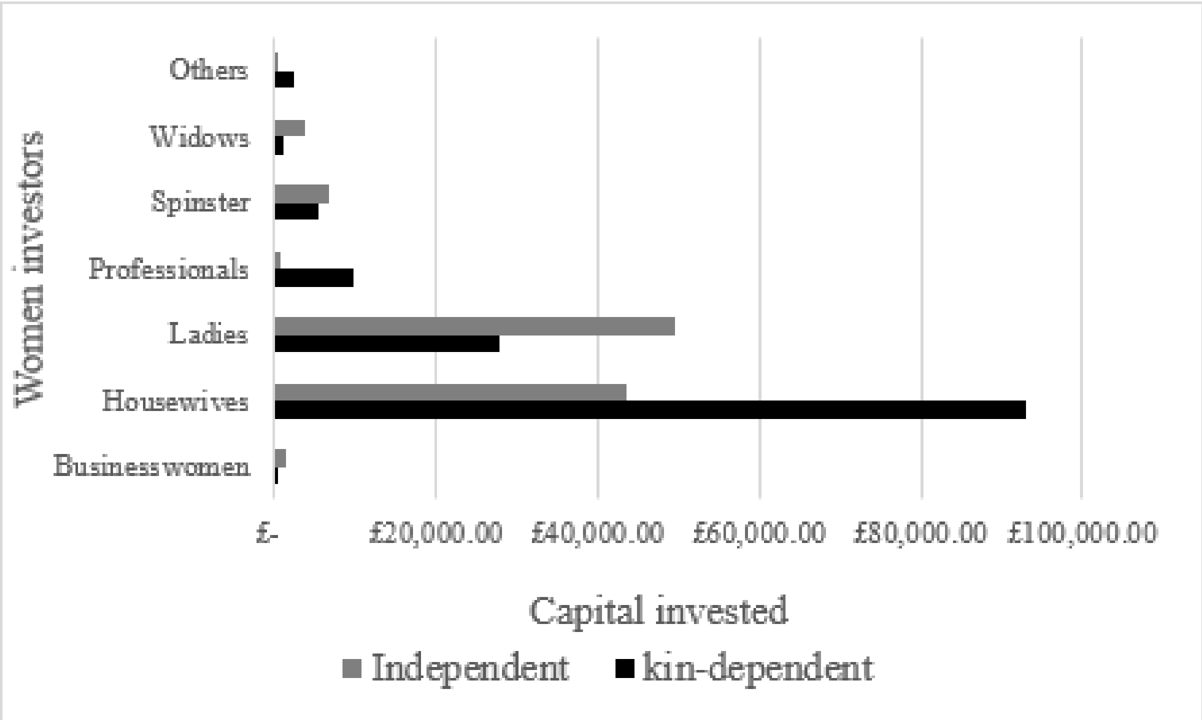

Figure 27: The influence of kin-dependency on the distribution of women's capital value, 1892-1902.

Source: CAD, LC 1 – LC 467, 1892-1902.

Nevertheless, women's reliance on men for information on the securities market was not necessarily a weakness, but a form of adaptation to capitalism. There were numerous cases where women invested more than their male connections did. For instance, both Mrs Mary Coghlan and Mrs J. Croghan invested more than their husbands (by a large margin) in the *Central Diamond Mining Company Limited*.[150] The same was true about Mrs Maria van der Merwe, who possessed more shares than her husband did in the *Lourens River Estates*

[147] CAD, LC 313, A. J. Coleman and Co. Limited, 1900.
[148] CAD, LC 319, The Ginsberg and Company Limited, 1900.
[149] CAD, LC 322, The Ingerid Steamship Company Limited, 1900.
[150] CAD, LC 402, The Central Diamond Mining Company (Leicester Mine) Limited, 1902.

Company Limited.[151] Investing in companies together with their male relatives seems to have bolstered their confidence, as is shown in figure 27 above.

The largest sum of capital provided by women at the Cape during this period was invested into companies where women were related to some of the shareholders. Housewives are an excellent example of this. Fifty percent of their investments were kin-dependent and 50% independent, and figure 18 shows to what extent they invested confidently in companies with their relatives. There were some independent investments, but most of them were low in value compared to those made by housewives. Spinsters, widows, and ladies invested independently, although the latter did so by a greater margin. The social class to which the ladies belonged was, on the whole, wealthier and better educated. This meant that they were likely to be intellectually capable of assessing independently which companies they wanted to invest in, and were possibly less afraid to take risks.[152]

This diverse pattern of investment among women was also present in the type of companies and sectors in which they invested. Figure 28 below shows the sectors in which women investors at the Cape commonly invested. Financial organisations were the most favoured destination for women's capital. Housewives and ladies dominated this sector, although their preferences differed somewhat. For example, housewives invested in both insurance and trust companies, while ladies only financed insurance companies. Although there was this difference, there was a greater number of housewives who invested in the insurance sector. The capital they invested there was twice the amount of money they contributed to trust companies. There are two possible explanations for this. The first possible explanation is related to the concept of networks and kin-dependent investments. It was common in these financial organisations to find investors that were neighbours, shared the same surname or status. For example, the *Colonial Marine Assurance and Trust Company* was made up of 'ladies' and 'gentlemen'.[153]

[151] CAD, LC 441, The Lourens River Estates Limited, 1902.
[152] CAD, LC 1 – LC 467, 1892-1902.
[153] CAD, LC C53, The Colonial Marine and Assurance Company Limited, 1894.

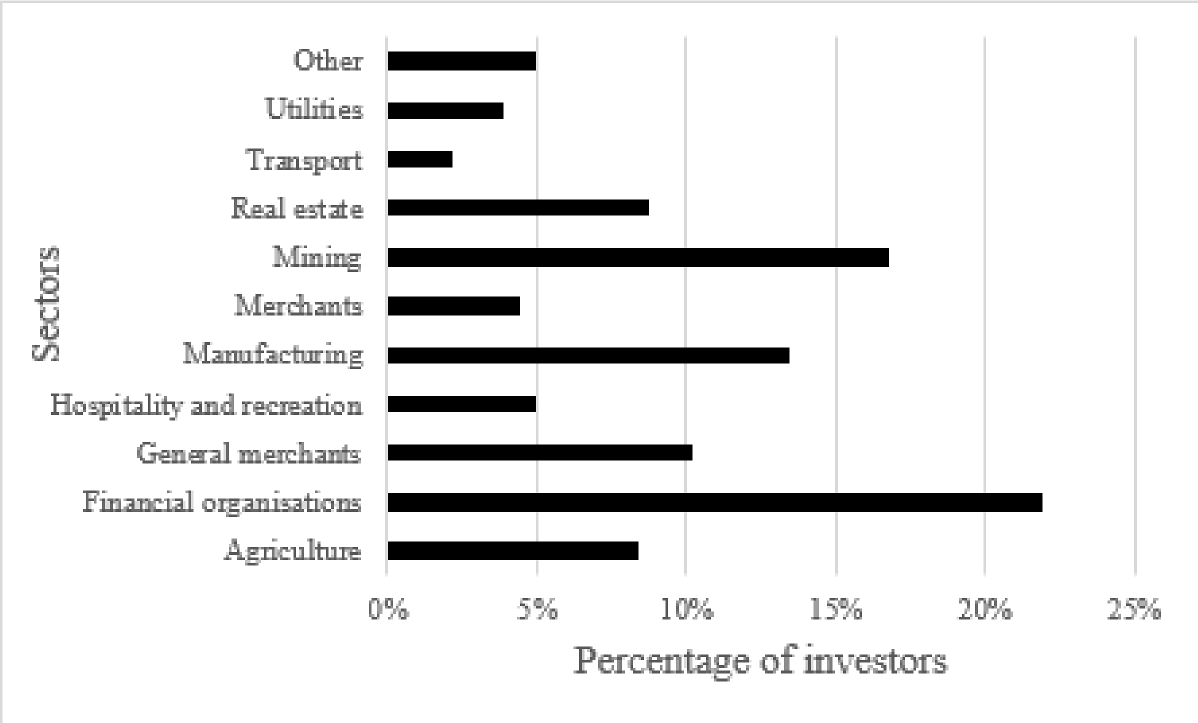

Figure 28: Industries financed by women.

Source: CAD, LC 1 – LC 467.

Ladies, just like their male counterparts, seldom invested in small family businesses, unless it belonged to their families. More so, in addition to financial organisations, much of their capital went into the real estate sector. This is perhaps a choice that was informed by their spouses. Professionals also seemed uninterested in small organisations. They were among the many that invested in financial organisations and mining companies. Widows, on the other hand, did not seem to have a clearly defined preference, although what was certain was that they were not keen to invest beyond their environment. It tended to be only spinsters and housewives that speculated in companies that operated beyond their region. Another sector that seemed to have attracted women rapidly between 1899 and 1902 was the utilities sector. The potential for high returns in this sector was high, because its services were relatively new in most areas of the colony. However, despite such good prospects, housewives constituted 95% of the women investors in that sector.[154]

[154] CAD, LC 1 – LC 467, 1892-1902.

Although women made up only 7% of middle-class investors, their contribution was noticeable in four specific sectors. These were the financial organisations, the mining and manufacturing sectors and the 'other' sector which comprised various less common economic sectors. Table 10 below shows that they were the second largest providers of capital in the mining sector within the subgroups of the middle-class. This was an astonishing finding considering that only 12% of investors in the women's category held shares in mining companies. This can only be attributed to the few women discussed above who injected large sums of capital into the sector. More so, it is important to note that over 90% of investments in mining sector among the women category came from housewives.

Table 10: The financial contribution of women in the middle-class category, 1892-1902.

	Investor subgroups			
Sector	**Lower middle-class**	**Middle middle-class**	**Upper middle-class**	**Women***
		%		
Agriculture	20%	47%	20%	13%
Financial organisations	0.1%	40%	30%	30%
General merchants	19%	68%	5%	8%
Hospitality	3%	55%	31%	11%
Manufacturing	1%	51%	16%	32%
Merchants	1%	43%	52%	4%
Mining	3%	50%	13%	34%
Real estate	2%	70%	20%	8%
Transport	0.1%	6%	86%	8%
Utilities	3%	72%	17%	8%
Other	3%	50%	16%	31%

Source: CAD, LC 1 – LC 467.

Their presence was also felt in the financial organisations. They were also the second largest providers of capital just like in the mining sector. However, unlike in the previous sector, ladies provided the largest sum of capital, followed by housewives and spinsters. Manufacturing was the third sector to which women made a substantial financial contribution during this period, followed by the 'other' sector. Evidence from these statistics show that despite being excluded from most economic activities, women made important contributions to the growth of joint stock companies in the colony. What is also important is that the emergence of joint stock companies in the colony provided them with alternative sources of income, which could have otherwise been difficult to find in the absence of these companies.

Conclusion

Throughout the Victorian era women in Britain and those in the British territories lived subject to a set of social rules prescribed by the separate spheres ideology. On a practical level this meant that they could not operate in the public sphere, as they were designated the role of taking care of the family. However, in the mid-1800 there was a rising sentiment among women that supported economic freedom. Faced with limited employment opportunities, the securities market became a practical solution to them in that it afforded them the opportunity to generate an income. This chapter has outlined how this happened and some of the reasons why women held shares at the Cape. Like the women who invested in the Victorian capital market, the women investors in the Cape were diverse. This group comprised spinsters, widows, housewives and professionals. Although they shared a few traits, they also had many differences. For instance, housewives and professionals invested comfortably in companies with their male relatives, but ladies, spinsters and widows seemed to do the opposite.

This chapter has also shown who the female investors at the Cape were, and how they navigated the capital market. It has contributed to existing studies on women at the Cape, particularly with regard to their role in the economy. There is potential for further studies, especially considering that women seemed to have gained momentum in the capital market during the latter years of the nineteenth century. An extended study beyond 1902 may reveal an even greater role that they played in financing companies, not only in colonial South Africa, but in southern Africa as a whole. The following chapter focuses on how farmers behaved when investing in the capital market.

Chapter five: "Crisis and resistance": How farmers navigated environmental disasters by means of joint stock companies, 1892-1902

Introduction

Farmers were the second largest group of investors in the Cape capital market. Given their commercial background and connections with merchant capital, it was expected that they would have such a strong presence. However, Chapter Three has shown that their capital value did not correspond with their size/numbers. Their financial contribution was lower than that of other investor groups in the capital market. What was even more interesting about them was that farmers from two different agricultural sectors engaged the securities market in two separate periods. The hypothesis of this chapter is that there was a strong correlation between environmental disasters and the sudden rise in the percentage of farmers investing in the capital market. Using investor location, this study shows that the presence of farmers in company shareholder lists corresponds with environmental crises, which had a direct impact on their incomes. This is because ecological disasters were region-specific, thus making it possible to identify farmers who invested from affected regions. To support this argument, the chapter uses industries as a variable to determine the type of companies' farmers invested in. Evidence from this shows that farmers, unlike most investors from various professions, kept their investments within companies engaged in agriculture. Although the farming community in the Cape Colony was diverse, wine and livestock farmers are the primary focus for the investigation.

Between 1886 and 1896, Cape farmers faced severe losses due to crop and livestock diseases. The first disaster came in 1886 in the form of *phylloxera*. This was a disease, spread by an aphid, which caused a secondary fungal infection, which attacked and destroyed the roots of grape vines. Infection caused the drying of leaves (a powdery mildew) followed by reduced yields of the fruit, and the eventual death of the plant.[1] Its impact was so severe that by 1896, eight million vines in Stellenbosch and Paarl had been destroyed.[2] Moreover, the epidemic hit farmers at a time when they were still recovering from both the Excise Tax and the diamond

[1] A. Banerjee, E. Duflo, G. Postel-Vinay, and T. M. Watts, "Long Run Health Impacts of Income Shocks: Wine and Phylloxera in 19th Century France", Working paper, National Bureau of Economic Research, 2007, 5. Accessed 23 November 2017, https://www.nber.org/papers/w12895.pdf.

[2] K. Brown, 'Agriculture in the Natural World: Progressivism, Conservation and the State. The Case of the Cape Colony in the late 19th and early 20th Century', *Kronos Environmental History*, 29, (2003), 110.

share crisis. Blighted by all these problems, recovery seemed almost impossible. Their precarious position during these trying times is succinctly summarised in a letter from a Stellenbosch farmer pleading with the Agricultural Department that "without wine people cannot live here, it is our only means of subsistence".[3] At this point, the government, farmers' long-standing buffer in times of crisis, was struggling to expedite the situation. In fact, relations between farmers and the government became strained by the government's policy of burning infected vines, as this further crippled the farmer's economic position.[4]

The cattle farmers in the eastern region of the Cape were in a comparable position. Disaster struck in 1896 when rinderpest threatened to bring the entire region to its knees. Cattle lay at the heart of the economy in the eastern region of the colony, and this increased the effects of the rinderpest. Apart from providing beef and dairy products for the domestic and export markets, cattle provided an essential source of draught power. Commerce in the region was powered by ox-wagons. Furthermore, because specific types of cattle were suitable for different uses or sectors of the regional agrarian economy, the breeding of cattle had become an important industry, and many men depended on it as a source of income.

A month after the disease had first been detected, the *Port Elizabeth Telegraph and the Eastern Province Standard* emphasised the potential catastrophic consequences of rinderpest.[5] Apart from being exceedingly contagious and deadly, the report emphasised that it was a new disease in the colony which made it difficult to control. The newspaper quoted a farmer who lamented that scientists did not appear to have a clue what they were doing. With great disappointment, he exclaimed that "when we bear in mind the number of years which have been spent in trying to discover a real preventative of horse sickness, we cannot be sanguine that the antidote, so to speak, of rinderpest will be found at an early date".[6]

This was the general feeling among cattle farmers, and the mass slaughters by the government aggravated them even further. After months of failing to control the spread of the disease, the

[3] P. Scully, 'The Bouquet of Freedom: Social and Economic Relations in Stellenbosch District 1870-1900', 35.
[4] *Ibid*.
[5] "Rinderpest", *Port Elizabeth Telegraph and Eastern Province Standard*, April 14, 1896, 5.
[6] *Ibid*.

Cape Agricultural Department embarked on a mass slaughter of all affected animals together with some uninfected ones found in the infected zone. Flustered by this act, one farmer lamented that 'Almighty's' hand was going to descend heavily on the inspectors who indiscriminately shot their cattle. He added that they would rather shoot him first before they could do so to his livestock.[7]

The examples mentioned above of the struggles of wine and cattle farmers emphasise their dependence on agriculture as a source of their income. By 1893, there were 1 795 farmers in the Colony.[8] To fully appreciate this, one must consider that farming was one of the oldest industries in the colony. Although its community was stratified, in the previous centuries as well as the one under study, farmers occupied an elevated position in the economic hierarchy. As already mentioned in Chapter Three, they were part of the 'commercial and agricultural bourgeoisie' category which included merchants and businessmen – the heartbeat of colonial capitalism. The lucrative nature of the industry meant that the number of people engaged in agriculture continued to expand, and in many instances this growth was generational. Sons inherited both their father's land and their skills with regard to commercial agriculture. Even in the mid-nineteenth century when new industrial sectors presented new employment opportunities for the white population, farming remained a large source of income for many Cape citizens. This is also confirmed by shareholder records in the Cape Limited Companies archives, which showed that between 1892 and 1902 farmers were the second largest group of investors.

This chapter seeks to contribute to literature on colonial response to crop and animal diseases. There is an extensive literature on this topic from various perspectives. The first is purely scientific by M. W. Henning's *Animal Diseases in South Africa*. This study was among the first to chronicle livestock diseases in South Africa over time. The topic has also received attention

[7] D. Gilfoyle, "Veterinary Research and the African Rinderpest Epizootic: The Cape Colony, 1896-1898", *Journal of Southern African Studies*, 29, 1, (2003), 135-136.
[8] "Statistics Register of the Colony of the Cape of Good Hope for the Year 1893", Cape Town, Government Printers, 278.

from environmental historians, among whom are H. Tilley[9] and J. Giblin[10] who have been the most cited voices in discussions on *Trypanosomiasis* and its impact on colonial societies - both the colonists and the colonised. These studies also included government policies on ecological disasters and how these affected the indigenous population. From a social perspective P. Phoofolo argues that the rinderpest epizootic negatively affected relations between settlers and the indigenous population to the extent that he claims it was responsible for the Ndebele Uprising in Southern Rhodesia.[11]

C. Aucamp[12] and D. J. Van Zyl[13] have written extensively on the impact of *phylloxera* crop disease on Cape farmers. In his study on the Rhodes Fruit farms, Aucamp highlights that the fruit industry only gained momentum after the outbreak of the *phylloxera* epidemic.[14] D. J. Van Zyl, on the other hand, chronicles the ravages of *phylloxera* from 1886 to 1900. The role of the government features prominently in most of these studies, and this has often provided the impression that farmers lacked agency. They are said to have run to the government whenever disaster struck. However, government compensation to farmers was in many cases inadequate.[15] Few attempts have been made by scholars to explore alternative methods farmers used to deal with crisis when the government failed to provide adequate protection or assistance. Among these is a study by S. W. Vogel and H. Heyne, which details how farmers in the eastern region during the rinderpest outbreak changed to jobs that provided them with cash salaries. They argue that these unfortunate farmers migrated to the mines in Johannesburg and Kimberley and are alleged to have created the first slums in South Africa.[16] While this is true, the farming community was very broad and stratified. The above argument does not

[9] H. Tilley, "Ecologies of Complexity: Tropical Environments, African Trypanosomiasis and the Science of Disease Control in British Colonial Africa, 1900-1940", *Osiris*, 19, 1, (2004), 22.
[10] J. Giblin, "Trypanosomiasis Control in African History: An Invaded Issue?", *Journal of African History*, 31, 1, 1990, 59.
[11] P. Phoofolo, "Epidemics and Revolutions: The Rinderpest Epidemic in Late Nineteenth-Century Southern Africa", *Past and Present*, 138, (1993), 112.
[12] C. Aucamp, "Rhodes Fruit Farms: A Small Beginning in the Paarl Valley, 1897-1910", Working Paper, University of Fort Hare, 1992, 11.
[13] D. J. Van Zyl, "Phylloxera Vastatrix in die Kaapkolonie, 1886-1900: Voorkoms, Verspreiding En Ekonomiese Gevolge", *Southern African Historical Journal*, 16, 1 (1984), 28.
[14] C. Aucamp, "Rhodes Fruit Farms: A Small Beginning in the Paarl Valley, 1897-1910", 11.
[15] K. Brown, "Political Entomology: The Insectile Challenge to Agricultural Development in the Cape Colony, 1885-1910", *Journal of Southern African Studies*, 29, 2 (2003), 533.
[16] S. W. Vogel and H. Heyne, "Rinderpest in South Africa – 100 years ago", *Journal of South African Veterinary Association*, 67, 4, (1996), 167.

account for a significant portion of farmers that are present in the sources consulted for this study.

What Vogel and Heyne fail to consider is the resilience and creativity of farmers, both in the eastern and western regions of the colony. K. Brown, in a study on agriculture, conservation and the state, notes that wine farmers who could not afford the resources to salvage their vines, branched into other forms of agriculture.[17] Although her study barely gets into the details of how farmers crossed over to other sectors of agriculture, shareholder information from company records in this study show that farmers faced with the expenses of reconstructing their vineyards often diverted to fruit production. This was a lucrative option, because of the Cape's geographic climatic advantages.

However, notwithstanding what has been highlighted above, fruit farming also presented technical challenges. As newcomers to the industry, Cape farmers needed aid with the general production of the various types of fruit, as well as with the marketing of them. To fully exploit the potential of the fruit industry, Cape farmers had to cover these costs. The need to finance the fruit industry is referred to in A. R. E. Burton's assessment of the Cape economy.[18] Writing in 1903, he described fruit culture as a healthy industry that deserved the same attention as mining. He further argued that it was a pity that much of foreign capital at the Cape went to mining stock, concluding that it would have benefited the colony if some of this capital went into the fruit industry.[19] Sources consulted for this thesis indicate that Cape farmers indeed financed fruit companies with little aid from foreign capital. More so, that agricultural companies such as these in viticulture sector not only helped farmers secure wine markets abroad, but provided them with the resources they needed to salvage the wine industry, amidst a crisis such as rootstocks that were resistant to *phylloxera*.

[17] K. Brown, 'Agriculture in the Natural World: Progressivism, Conservation and the State. The Case of the Cape Colony in the Late 19th and early 20th Century', *Kronos Environmental History*, 29, (2003), 110.
[18] Burton worked for the Cape Government as the editor of the *Government Agricultural Journal* in the period before he produced this publication. See Suid-Afrikaanse Biografiese Woordeboek volume 5, 112-113
[19] A. R. E. Burton, *Cape Colony for the Settler: An Account of its Urban and Rural Industries, Their Probable Future Development and Extension* (London: P. S. King and Son, 1903), 40.

Apart from branching out to invest in the fruit farming industry, sources consulted for this study show that farmers also invested in companies that were engaged in resuscitating their own troubled sectors. An examination of companies' memoranda of associations shows that these companies provided services and resources that farmers needed to resuscitate their vineyards and livestock. Purchasing pedigree stock from Europe was expensive. The same applied to the importation of phylloxera-proof stock, but companies such as the *Paarl Vineyards Renewal Limited* had means of getting the crop to the colony at a relatively low price.[20]

This chapter is divided into three sections. The next section discusses the importance of agriculture at the Cape, and how wine and livestock production were important sources of income for farmers in the western and eastern regions of the colony. This is followed by an account of the impact of the two epidemics on the farming community. The final section will discuss how the limited liability company helped farmers salvage their industry.

Wine and livestock production at the Cape

In order to fully appreciate the role of wine and pastoral farming in the Cape economy, one must understand the importance of agriculture in the colonial economy. It formed the basis of the economy and constituted a significant source of income for farmers. One of the best indicators of this importance is its contribution to net exports between 1807 and 1910. Schumann divides the growth of the Cape economy into five stages, using foreign trade as business-cycle indices. In all the stages, agriculture occupied a substantial proportion of net foreign trade, although its dominance was reduced after the discovery of diamonds in Kimberley.[21]

The first cycle spanned the period from 1807 to 1819 and was described as a period of rapid economic growth, as both imports and exports increased dramatically. The total net foreign trade (net imports and net exports) increased from an annual average of £83 800 for 1807 - 10

[20] S. Playne, *Cape Colony (Cape Province), Its History, Commerce, Industries, and Resources* (London: Juta, 1910), 105.
[21] C. G. W. Schumann, *Structural Changes and Business Cycles in South Africa, 1806-1936* (London: P. S. King and Son, Ltd, 1938), 43.

to £5 281 500 for 1816 - 20, representing an annual average increase of 20.8%.[22] The rapid increase in imports was explained by the decrease in the English wholesale price levels by about 22%. Advances in export trade, on the other hand, were mainly caused by the rapid expansion of wine-farming at the Cape. Export farming was more intensive during this period than later, when hides and skins and wool became the main exports products.[23]

The following stage was between 1820 and 1849, the age of moderate economic growth. Net foreign trade increased from an annual average of £528 500 for 1816-20 to £1 419 000 for 1846-50, representing an annual average increase of 3.4%. Once again during this period the main exports were wine, hides and skins, although the export of wool was beginning to grow rapidly towards the end of the period. What was peculiar about this period was that extensive cattle and wool farming had become relatively more important in the export trade than in the previous years.[24]

Between 1850 and 1869 agriculture led foreign trade by means of the expansion in wool production. The total net foreign trade increased from an annual average of £1 419 000 for 1846-1850 to £4 754 000 for 1866 and 1870. The annual average growth rate of foreign trade was 6.3%, which was nearly 3.4% more than that of the previous period. Although the 'food and drink' category[25] had been nearly equal to that of raw materials,[26] during the previous period, the latter now took the lead. This was mainly due to the increased exports of wool, which went from £178 000 in 1846 to £286 000 in 1850, £838 000 in 1856 and £2 082 000 in 1866.[27]

In the period between 1870 and 1885, mineral exports took precedence. However, despite a rapid growth in diamond mining, agricultural exports contributed significantly to the annual increase of 17.5% in foreign trade. The total net trade increased from an annual average of £18

[22] *Ibid.*, 45.
[23] *Ibid.*
[24] *Ibid.*, 46.
[25] This category included wine, fresh fruit, maize, sugar and meat. C. G. W. Schumann, *Structural Changes and Business Cycles in South Africa, 1806-1936*, 44.
[26] This category included wool, hides and skins, ostrich feathers and mohair. *Ibid*, 44.
[27] *Ibid.*, 47.

841 500 for 1886-90 to £67 054 000 for 1906-10, or by an annual average rate of 6.5%.[28] During this period Schumann argues that the Cape economy had transformed from an agricultural economy to an agricultural-mineral economy. This was illustrated by foreign trade figures which showed that as late as 1868 agricultural exports still formed 93.83% of total exports, and mineral exports only 2.46%. In 1880, 1890, 1898 and 1910 the percentages were respectively 54.76% and 44.23%, 39.63% and 57.69%, 18.25% and 80.03% and 18.36% and 78.33%.[29]

The above figures show that agriculture, before, and even after mineral discoveries, lay at the heart of the Cape economy. This placed farmers, together with merchants and capitalists, at the helm of commercial activity. In fact, Cape farmers in all these stages thrived, because of the networks they had fostered with merchants. This relationship linked them with the urban, as well as the world market to sell their produce and to raise credit.[30] Of the three major regions of the colony, the eastern and the western regions were the leading agricultural areas. The northern parts in the mid-nineteenth century had become a mining centre following discoveries of copper. Although the two other regions shared the same economic base, the activities that farmers pursued in the western region were different from those that were pursued by their counterparts in the eastern region. This was largely influenced by terrain and climatic conditions peculiar to each region. For instance, the dry summers and wet winters of the western region were ideal for viticulture and the production of various soft fruits, which could not stand heavy summer rains and hail rampant in other parts of the Colony, whereas the extended wet winters of the eastern region were eminently adaptable for livestock production.[31]

Despite these favourable conditions and the networks from which farmers benefited, success in the industry was ultimately dependent on patience and the art of wine production: a skill that was passed from generation to generation. These features in a wine farmer were crucial, because the trade only gave long-term rather than short-term profits. The yields from a vine could only be realised in the fourth year after planting, while maximum yields only occurred

[28] *Ibid*.
[29] *Ibid.*, 47-48.
[30] R. Ross, "The First Two Centuries of Colonial Agriculture in the Cape Colony: A historiographical Review", *Social Dynamics: A Journal of African Studies,* 9, 1, (1983), 40.
[31] S. Playne, "Cape Colony (Cape Province), Its History, Commerce, Industries, and Resources", 106.

between the seventh and the ninth year.[32] Stock production, on the other hand, in the eastern region also demanded the same patience. Raising a herd of high-grade stock, both for beef and dairy, was a capital-intensive practice as well as a long-term investment. Farmers had to import pedigree breeds from Europe, and had to wait for years to make a profit from them.[33]

The production of wine and brandy at the Cape dated back to the first Dutch settlements under the VOC, although the arrival of French Huguenots in 1688 has often been cited as a turning point in the industry.[34] Coming from southern France, the home of elite wines, the grapes they produced were naturally rich in sugar. In this regard the Cape became famous for its sweet wines, and at one period of its history sweet Constantia wine was regarded as one of the greatest delicacies of the London season. Producing quality of this nature made wine the Cape's most important export, together with wool. In 1813 the Preference Tariffs on Cape wine were introduced in Britain, and the industry grew tremendously.[35] This influenced farmers in the Western Cape to channel much of their energies towards the wine industry.

Stellenbosch, Paarl, Robertson, Worcester, Oudtshoorn and Ladismith were among the chief districts for wine production.[36] For instance, in the 1870s, Stellenbosch was rated as the second most important wine district after Paarl. In 1865 the district had 14 241 220 vines planted on 1528 morgen of land.[37] By 1875 this had increased to 15 703 150 vines planted on 1789 morgen of land.[38] Generally the growing of vines in the wine districts became even more popular between the late 1860s and early 1870s. This was in response to the temporary good market prices for wine and brandy that came with the mining boom.

Under good market conditions wine farming yielded satisfactory results for a small area of cultivation. This was evident among farmers in Stellenbosch who worked land that had been

[32] P. Scully, 'The Bouquet of Freedom: Social and Economic Relations in Stellenbosch District 1870-1900' Masters' dissertation, University of Cape Town, 1987, 42.
[33] S. Playne, "Rosemead to Stormberg, Sterkstroom, and Maclear", edited by S. Playne, *Cape Colony (Cape Province), Its History, Commerce, Industries, and Resources* (London: Juta, 1910), 240.
[34] R. Wallace, *Farming Industries of the Cape Colony* (London: P. S. King and Son, 1896), 134.
[35] J. L. Meltzer, "The Growth of the Cape Town Commerce and the Role of John Fairbairn's Advertiser (1835-1859)", 24.
[36] *Ibid.*, 134.
[37] 1,168 morgen was equivalent to 1 hectare.
[38] P. Scully, 'The Bouquet of Freedom: Social and Economic Relations in Stellenbosch District 1870-1900', 39.

parcelled into smallish lots. Scully notes that with two and half morgen sustaining roughly 20 000 vines planted 2 feet apart, producing 50 leagues[39] of wine or two leaguers of brandy, farmers were able to produce viably for the wine market in times of good prices and protected markets.[40]

The availability of a ready market for wine had its consequences. One of them was overproduction. In the 1870s wine-making in the Colony was described as primitive. Most wine farmers did not have enough capital to invest in knowledge and technology. Due to undercapitalisation, the industry depended on cheap labour. This further compromised the quality of production.[41] Credit loans from local banks were common strategies farmers used to cover their capital needs. These were usually easily accessible to them and were dependent on anticipated returns from their harvests.[42]

It was not long until the vulnerability of farmers in the industry was exposed in the last quarter of the 1870s and the early 1880s. In 1878 the colonial authorities imposed an Excise Tax on brandy. Wine farmers lamented that this regulation was unfairly imposed as it was more detrimental to their industry than to others.[43] In 1881 the industry faced another set-back as a result of the diamond share crisis. Farmers who had speculated in diamond shares suffered a double blow. Diamond share prices dropped significantly, and this inevitably resulted in a slump in the wine and brandy market in Kimberley, the industry's most valuable domestic market.[44]

Stock production also presented opportunities for fortunes to be made, but exposed farmers to new challenges in the eastern region. Pastoralism was an activity well in existence prior to the coming of colonists, because cattle were a form of wealth among the indigenous population. Cattle still retained their importance upon the arrival of Europeans, not only as a source of protein, but as an efficient means of transport. Mr Cuthbert A. Pope, a famous farmer and

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[39] A single league is equivalent to 2.2km.
[40] *Ibid.*, 41.
[41] P. Scully, 'The Bouquet of Freedom: Social and Economic Relations in Stellenbosch District 1870-1900' Masters', 46.
[42] H. Giliomee, "Western Cape Farmers and the Beginnings of Afrikaner Nationalism, 1870-1915", *Journal of Southern African Studies*, 14, 1, (1987), 48
[43] C. Simkins and E. van Heyningen, "Fertility, Mortality, and Migration in the Cape Colony, 1891-1904", 79.
[44] A. Mabin, "Recession and its Aftermath: The Cape Colony in the Eighteen Eighties", Seminar Paper, African Studies Seminar University of the Witwatersrand, 1984, 3. Accessed 06 October 2018. http://wiredspace.wits.ac.za/handle/10539/9068.

investor in the East London based *Farmers' Co-operative Company Limited*,[45] argued that cattle had played a great part in the history of South Africa. He highlighted that without the enduring and economical trek-ox, the hinterland could never have been opened to European occupation.

Unlike the wine industry, which had very few sectors such as brandy making, cattle production at the Cape was divided into three main sections. The first was breeding, followed by beef and dairy production. These branches of the industry were also broad and highly specialised. Breeding demanded more capital than the other two, and this often posed many challenges for the farmers.[46] For instance, in addition to paying hundreds of pounds to purchase a bull in Britain, freight charges to get the stock from Europe to the eastern region of the colony were between 50 or 100% of the stock's cost. For that reason, farmers tried to lobby the government towards subsidising freight costs for imported stock. Nonetheless, the Cape annually exported thousands of breeding and slaughter cattle to adjacent colonies.[47] Mr W. H. Booysen from Graaff-Reinet, and a shareholder in the *Midland Wine, Brandy and Spirit Company Limited*, is a good example of a specialised breeder. He was famously known as the only breeder of pure Jerseys in the eastern region.[48] He monopolised the trade and enjoyed an unrivalled market.

Although breeding stock for slaughter was profitable, the dairy industry during this period was growing at a phenomenal rate. This is indicated by the fact that the Friesland type, a quintessential dairy breed, was one of the most popular breeds in the eastern region. One reason was that the breed maintained itself well in the colony, although from time to time it lacked enough food and tended to degenerate in size.[49] The second one, supported by Wallace, was that Australia's successful establishment of dairy exports, such as butter, to Great Britain, enticed Cape farmers to divert their energies towards that sector of the industry.[50] Prior to the construction and extension of the Cape railways, ox-wagons were the primary means of

[45] CAD, LC 418, The Farmers' Co-operative Company Limited, 1902.
[46] A. R. E. Burton, *Cape Colony for the Settler: An Account of its Urban and Rural Industries, Their Probable Future Development and Extension*, 135.
[47] C. A. Pope, "Cattle in the Cape Colony", edited by S. Playne, *Cape Colony (Cape Province), Its History, Commerce, Industries, and Resources* (London: Juta, 1910), 426.
[48] A. R. E. Burton, *Cape Colony for the Settler: An Account of its Urban and Rural Industries, Their Probable Future Development and Extension*, 149.
[49] S. Playne, "Rosemead to Stormberg, Sterkstroom, and Maclear", 280.
[50] R. Wallace, *Farming Industries of the Cape Colony*, 270.

transportation for all goods. Consequently, in the neighbourhoods of towns and villages there was no means of trading surplus dairy produce after local demand had been supplied. However, with the extension and connection of the different systems of the railway network, butter could now be sent in refrigerated cars to the principal business centres from all parts of the Colony serviced by the railways. This equalised the prices of butter and increased its demand on the local market as the quantity of butter imported during the 1890s had been reduced by more than one half.[51]

After these developments there was a considerable increase in the number of large dairy farmers devoting their attention to cheese-making. However, despite the role that the railways played in making life easy for the Cape dairy farmer, there was much to be improved in the industry. The quality of the colony's dairy products was not yet ready for the London market. To rectify this handicap, Cape farmers drew on examples and experiences from the Australian Colonies. In the mid-1880s, the dairy sector in the Australian Colonies was as backward as that in the Cape Colony. However, by the beginning of the 1890s, they overcame this by means of the introduction of cream separators, by the adoption of the most approved methods of manufacturing dairy produce, by giving greater attention to the selection of dairy cows, and by making provision for feeding them when natural vegetation failed.[52]

In the Australian Colonies, the greatest stimulus to the development of the dairy industry, especially in Victoria, was the government's offer of large bonuses for the establishment of creameries and butter factories. It also offered to help in the exportation of butter to England, and developed a 'travelling dairy' which was fitted up with all appliances necessary for making butter and cheese on the most approved principles.[53] The Cape government adopted this system and found that it was very useful, and educational, and it was credited for improvements in the dairy industry.

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[51] A. R. E. Burton, *Cape Colony for the Settler: An Account of its Urban and Rural Industries, Their Probable Future Development and Extension*, 133.
[52] *Ibid.*, 134.
[53] *Ibid*.

To improve both the quality and quantity of dairy products, the industry demanded farmers to make provision for dairy cattle during the winter season. This generous winter feeding increased the annual production of each cow. There was also a substantial increase in the importation of high-quality stud cattle into the colony. This indicated the confidence that farmers now had in the prospects of the dairy industry.[54]

After that, the Cape government in 1892 sent Alexander MacDonald, the Agricultural Assistant stationed in Grahamstown, to Europe to enquire into the most recent advances in the dairy world, and to procure the most approved modern appliances. As a result of this, two travelling dairies were fitted out, one in the eastern region and the other in the western region, and instruction not only in the theory, but also in the best practices of butter and cheese-making were provided to farmers within easy reach of their homes. After this initiative there was a significant improvement in the quality of butter produced in the farms. Furthermore, it was well received by farmers to the extent that it grew into an important industry. Butter and cheese-making became a prominent industry in Bedford in the eastern region.[55]

There were popular farms in the province that conducted these various activities at an extensive scale. The Droogefontein and Rosslands farms in the Middelburg and Burgersdorp Districts were amongst these. These farms had more than 300 head of cattle, 30 of which were pure-bred. This included a pedigree shorthorn bull. They often procured such massive grades of cattle from England in Lincoln. At the shows held at Port Elizabeth, Middleburg, Bloemfontein, and Aliwal North, cattle from these farms took no fewer than 16 first, 6 second, and 2 third prizes, altogether at five shows.[56] Another success story was the Varkenskop farm owned by Mr J. O. Southey (an investor in the *Farmers' Co-operative Society Limited Company*). The whole farm was fenced and subdivided, and 300 morgen were irrigated by floodwater, and an area of 200 morgen, was divided into paddocks.[57] The farm had a herd of 200 Devon cattle, all bred from imported stock. The farm also had a dairy.[58] Cattle farming had become a booming sector on which many people depended for their livelihoods.

[54] *Ibid.*, 135.
[55] R. Wallace, *Farming Industries of the Cape Colony,* 270-272.
[56] S. Playne, "Rosemead to Stomberg, Sterkstroom, and Maclear", 240.
[57] *Ibid.*, 257.
[58] *Ibid*.

Another example of success was Mr C. A. Pope who, as previously mentioned, was a prominent farmer and owner of the Wyvern farm in Molteno. He carried on an extensive business as a buyer of stock of all descriptions for others, and as an importer from all parts of the world. His knowledge and experience of all classes of stock, particularly cattle, was widely known in the eastern region. Playne argues that several Catalonian donkeys and Shorthorn bulls had come to the Cape Colony through his agency. He also had 1700 sheep of the Rambouillet type. Mr Pope also won many prizes for his cattle, in the beginning with Herefords and Jerseys, and later on with Shorthorns. Due to his meticulous hand in cattle breeding, he was also widely known as a judge of cattle shows, and as a writer on subjects related to cattle breeding, and as inspector of shorthorns for the *Stud Book*. He was a member of the Executive of the Cape Agricultural Judges Association and had been president of the Molteno Farmers' Association, with intervals, for many years.[59]

Apart from servicing the beef and dairy industry, the breeding sector played a crucial role in the transport industry. Therefore, breeding can be described as the most important pillar of the industry, as all sectors of the regional economy depended on high-grade stock to maximise on yields. The importance of stock breeders was revealed by how the entire commercial sphere of the eastern region was dependent on draught power. Between 1862 and 1870, Port Elizabeth rose to become the Cape's most important trading port at a time that the Cape economy was dominated by the export of wool and inland transport dependent on the ox-wagon. Inngs argues that the common denominator of all Port Elizabeth's major exports was that they were all bulky items, with a relatively low value to mass, produced in the distant interior. Thus, their viability as exports depended on the state of inland transport.[60]

Before the advent of railways in the 1870s, eastern region transport was dominated by the ox-wagon.[61] Although there are no extensive statistics available on the exact number of wagons in the region, in 1854 it was reported that 4 000 wagons entered Port Elizabeth loaded with

[59] *Ibid.*, 265-266.
[60] J. Inggs, "Liverpool of the Cape: Port Elizabeth Trade 1820-1870", *South African Journal of Economic History*, 1, (1986), 77.
[61] *Ibid.*, 96.

wool during the three shearing months. In addition during this year, 2 000 wagons with other goods arrived at the town. During 1856 wagons were using the Sunday's River punt at the rate of almost 1 000 a month. Four years later 1 200 wagons a month used the Rawson bridge across the Swartkops River outside Port Elizabeth.[62]

As trade in the eastern region expanded, more and more wagons were required. The resultant competition between wagoners eventually forced down transport costs. Between 1851 and 1870 wagon transport costs from Port Elizabeth dropped by an average of 75% to most destinations. The rate to Graaff-Reinet dropped from 5s per 45kg to 3s, while those to Bloemfontein dropped from 40s to 11s. The busiest route was between Grahamstown and Port Elizabeth and the prices remained competitive.[63]

From the above discussion, it is apparent that agriculture was a lucrative industry that attracted numerous individuals into the industry. Large sums of money and time were dedicated towards production. Although wine farming during this period was reported to have been under-capitalised, farmers financed their operation by means of credit. This put them in a very vulnerable position if unforeseen events affected their harvests. Moreover, wine production was a long-term investment, which meant that ample time was dedicated towards the trade. With regard to livestock production in the eastern region, the industry was both capital-intensive and long-term. Furthermore, as already illustrated above, livestock not only affected the food and drink industry, but also the transport industry. The following section discusses how the two ecological disasters affected the farmers.

Environmental crisis and economic decline: 1886-1896

The outbreaks of the *phylloxera* and rinderpest pandemics hit the colony at the worst possible time. The colonial economy had experienced booms, which had encouraged farmers to bolster their production. In the case of wine farmers, mineral discoveries, both in Kimberley and the Transvaal, had encouraged them to take up more credit to boost production. For instance, in

[62] J. Inggs, "Liverpool of the Cape: Port Elizabeth Trade 1820-1870", 97.
[63] *Ibid.*, 98.

1891 the Paarl Standard Bank manager remarked that 'on the whole the farms are bonded to about the full amount of their present saleable value'.[64] A similar statement was uttered by the manager of the Western Province Bank who not only disclosed that farms in the western region were bonded, but that wine farmers, compared to wheat farmers, were bonded 'much too heavily'.[65] On the eastern frontier, commerce was booming, and new trade routes had been charted going inland. Following these booms were bursts, which affected both the wine and cattle industry equally. Among these was the 1881 diamond crash, which led to the dramatic fall of diamond share prices. This indirectly reduced the demand for wine and brandy in the region, and certainly reduced the need for beef and draught power in the form of oxen. This was because the crisis reduced mining activity which in turn minimised the demand for draught power.

To add to this, the ability of wine farmers to handle the effects of the *phylloxera* infestation on a financial level was already compromised by the raising of the Excise Tax on wine and brandy. In 1878 when this tax was introduced, the colonial government sought to raise revenue to pay interests on a substantial loan it had received for railway construction. However, Davenport argues that this bill had all the ingredients for agitation, because it came at a time when farmers were just recovering from losing special privileges in the British market. The introduction of this tax made it difficult for them to recover fully.[66] In addition to this, the *phylloxera* outbreak all but seemed to doom the wine industry. Similarly, cattle farmers had to contend with a myriad of animal diseases just before the outbreak of the rinderpest. Prior to 1896 there were babesiosis, anthrax, black quarter and African horse sickness, foot and mouth and lung-sickness.[67] The latter was perhaps the most dreaded disease in the Colony during this period. It was a highly infectious lung disease in cattle and, in 1893 alone, killed over 36,000 cattle in the Colony.[68] These outbreaks, together with the rinderpest epidemic of 1896, led to the deaths of hundreds of thousands of animals, causing the colony great damage.[69]

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64 *Ibid*.
65 *Ibid*.
66 T. R. H. Davenport, *The Afrikaner Bond: The History of a South African Political Party, 1880-1911*, 14-16.
67 R. Wallace, *Farming Industries of the Cape Colony*, 274.
68 Lung-sickness was also called pleuro-pneumonia because stock infected by it exhibited pleurisy which was accompanied by pneumonia. *Ibid.*, 282.
69 V. R. Jenjezwa, "Stock Farmers and the State. A Case Study of Animal Healthcare Practices in Hertzog, Eastern Cape Province, South Africa", Master's dissertation, University of Fort Hare, 2010, 61.

To fully understand how and why farmers participated in the securities market, it is important to chronologically outline the events that have been discussed above. As mentioned, developments in the western region were the first blow to the farming community. The preparations for the possible outbreak of *phylloxera* were made when it first broke out in Europe. The Cape government knew that a crisis in the wine-farming industry would pose a severe threat to the entire colonial economy. In 1880 a government report stated that ‘in no country in the world is there so large a district proportionally, wholly and entirely dependent on viticulture, and which, if destroyed, would involve in abject poverty so large a body of men relatively’.[70] During this period wine farming represented an estimated investment of £20 million and it was the largest provider of work in the Western Cape. Approximately one third of the region’s economically active population was directly or indirectly involved in the industry. By 1880, over 18 000 000 vines covered two-thirds of the cultivated area of the Paarl district, whereas Stellenbosch had a total of 14 600 000 vines. During this period, these two regions combined produced a total of 1 090 000 gallons of wine and 71 000 gallons of brandy, representing a value of nearly £100 000.[71] Given this large-scale production of wine, it was almost certain that farmers were going to suffer severely if the insect pest struck.

Farmers’ organisations were among the first to react to the possibilities of the insect pest spreading to the colony. *The Cape Times* on the 19th of December 1879 reported that they were “glad to know that we have been mistaken in thinking that the Farmers’ Protection Society has been sleeping with regard to the *phylloxera*”.[72] They received two letters from Mr A. C. Taylor, a member of the Farmers’ Association, regarding the action taken by the Farmers’ Protection Society to deal with the crisis. The Association had a joint meeting with the Wine Growers’ Association to discuss both the alleged appearance of the *phylloxera* in the colony, as well as the steps to be taken to prevent the importation of the pest from abroad. In that meeting, they resolved to send vines to Europe for examination by experts, to request the government to appoint a commission of scientists and agricultural experts to report diseases in their vines, and to also urge the government to prevent the importation, not only of vines, but of other plants and roots from abroad. Furthermore, the Farmers’ Protection and Wine Growers Association

[70] H. Giliomee, “Western Cape Farmers and the Beginnings of Afrikaner Nationalism, 1870-1915”, 39.
[71] *Ibid.*, 40.
[72] “Latest Telegram”, *Cape Times*, December 19, 1879, 4.

decided to corporate towards eliciting from the farmers an expression of opinion, and to show government the necessity for immediate steps to be taken.[73]

Although the Cape government was aware of the damage *phylloxera* was capable of inflicting on the economy, it viewed the outbreak of the virus in Europe as an advantage to local wine farmers. The government, and the wine producers, perceived *phylloxera* as a European problem that was thousands of miles away. Indeed, its effects in Europe were fatal specifically in France, where the economy was greatly dependent on wine production, just as in the Cape Colony.[74] The outbreak of *phylloxera* in the French wine regions caused damage worth 10 billion French francs (£400 million) and cost the government more than its involvement in the Franco-German War (1870-1871) had cost it. These disasters in the wine-producing European countries were therefore greeted with enthusiasm, as they presented Cape wine growers with the opportunity to dominate the British market. During this period the value of Cape wine exported to the London market increased from £1 570 in 1882 to £14 746 in 1884.[75]

It was not until 1875 when the epidemic reached Australia that the colonial officials realised that being oceans apart did not guarantee immunity to the insect pest. Upon the realisation that *phylloxera* could easily cross the ocean and cause the same havoc it had caused in Europe, Cape farmers immediately pressured the government to devise measures to keep the disease at bay. In fact, Van Zyl argues that winemakers and other stakeholders in 1879 and 1880 criticised the government's inertia at large meetings in Paarl, Stellenbosch and Cape Town to take effective steps to combat the *phylloxera* outbreak. They insisted that the government had to impose a strict ban on the import of vines, grapevines, plants, tubers, roots or any part of the said vines and plants. They also called for the appointment of a commission to investigate the rumours of a possible presence of the insect causing the disease in Cape vineyards.[76]

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[73] *Ibid.*

[74] D. J. Van Zyl, "Phylloxera Vastatrix in die Kaapkolonie, 1886-1900: Voorkoms, Verspreiding en Ekonomiese Gevolge", *Southern African Historical Journal*, 16, 1, (1983), 28.

[75] P. Scully, 'The Bouquet of Freedom: Social and Economic Relations in Stellenbosch District 1870-1900' 54.

[76] D. J. Van Zyl, "Phylloxera Vastatrix in die Kaapkolonie, 1886-1900: Voorkoms, Verspreiding en Ekonomiese Gevolge", 33-34.

On 5 February 1880, the colonial government put together the Vine Diseases Commission comprising of experts in viticulture. Despite careful investigations, no trace of the aphid was identified in the Cape vineyards. However, the commission proceeded to make recommendations, and one of them was that the Colony had to start importing the chemical agents that were used in Europe to combat the pest. The commission also suggested that the authorities had to start procuring American grape vines, which had proven to be exceptionally resilient to the disease. Their final recommendation was the appointment of a vigilance committee, which would continue the commission's work and constantly monitor vineyards in order to report and attempt to combat the first signs of the insect.[77]

Following these suggestions from the commission, in 1881 the government passed firm restrictions on the importation of vines and plants from overseas through the ports of the Cape Colony. This legislation prohibited the importation of cuttings or plants from overseas countries where *phylloxera* was present in order to limit the spread of the disease into the Colony. In addition to this, the government, by means of the 1880 legislation, gave inspectors the permission to investigate any vineyard suspected to be harbouring the pest.[78] However, due to the absence of the aphid in the Colony, and the limited budget by the colonial government to continue preparing for the possible coming of *phylloxera*, the government relaxed legislation in 1884. The amendment introduced new import measures that allowed vines and plants to be imported on the condition that the shipper certified that they were not infected. It also dissolved the Vine Diseases Commission, so there no longer was a governing body to monitor the possible outbreak and proliferation of the disease.[79]

Two years later, *The Cape Times* reported the first case of *phylloxera* in the Colony. It confirmed that the vineyard affected was that of Mr Kotze at Mowbray. What baffled the farming community was that an inspection of the vines from this farm indicated that there was a great possibility that the insect might have affected Mr Kotze's vines soon after 1880. The plants on this farm presented signs of gradual deterioration, i.e., the rods of the cultivars had

[77] *Ibid.*, 34-35.
[78] "Phylloxera Regulations at the Cape", Bulletin of Miscellaneous Information (Royal Botanic Gardens, Kew), 35, (1889), 255-256.
[79] D. J. Van Zyl, "Phylloxera Vastatrix in die Kaapkolonie, 1886-1900: Voorkoms, Verspreiding en Ekonomiese Gevolge", 35.

faded to a point, which were described as 'beyond dead'. It was then speculated that the pest might have been in the country for many years, but that under the climatic conditions in the colony, its progress was low. Some scientists suggested that for this reason it would possibly not be as fatal as it was in Europe, but the years that followed proved otherwise.[80]

By 1890 there were already 24 infected vines in the neighbourhood of Stellenbosch, 11 in the Moddergat area, eight in Eerste River, five at Bottelary, two at Klapmuts, four at Groot-Drakenstein in Paarl, and one in Hottentots-Holland. While the Paarl area was the least affected, as the 1890s progressed, it was recorded as the hardest hit. For instance, by 1891 there were 214 652 infected vines in the Cape. Of this number, 170 138 were in Great Drakenstein alone, which made up nearly 80% of the total. This region was where most of the Cape's vineyards were located.[81] The spread of the pest gained momentum to such that by the mid-1890s it had spread to other regions where it had not been recorded. These areas included Somerset West, Cape Town (on the slopes of Tables Mountain), Kuils River, Durbanville, and further inland at Tulbagh, Caledon, Worcester, De Doorns, the Swartland, and even as far as Somerset East. The only areas that seemed to have been spared the fury of this pest were a few farms located around Ceres, Robertson and parts of Constantia Valley. These areas remained free of the *phylloxera* until the 1900s, although the insect found its way there as the twentieth century progressed.[82]

The rapid spread of this insect pest was partially attributed to the Cape's strong southeast winds and long summers, which provided it a prolonged period to breed. Coupled with the close location of vineyards at the Cape, mobility was easy for the winged aphid and it moved from one vineyard to another quickly, because it did not have to travel a long distance to reach its next destination. Apart from these factors, there were claims that farmers were in some instances negligent and ignorant when it came to the regulations of dealing with *phylloxera*, and this aided its proliferation and spread. For instance, some farmers instructed their workers to use baskets which had previously contained infected grapes to collect new grapes. Apart from that, the workers also transmitted the pest b6y means of their clothes. As they moved

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[80] "Reuter's Telegrams", *Cape Times*, January 11, 1886, 2-4.
[81] D. J. Van Zyl, "Phylloxera Vastatrix in die Kaapkolonie, 1886-1900: Voorkoms, Verspreiding En Ekonomiese Gevolge", 36-37.
[82] *Ibid.*, 38.

through the vineyards, they unconsciously spread the insect onto the healthy vines. Grapes were also picked from infected vines, because farmers wanted to harvest as much as possible before the complete destruction of their vineyards.[83]

As it became apparent that Cape vineyards were under siege, the government created another special commission consisting of R. Trimen, P. MacOwan (insect specialist) and L. Peringuey (assistant curator). In April 1886, they submitted a report to the government with possible measures that could be taken. In response to these reports, the government appointed Peringuey as the Inspector of Vineyards. He was tasked with the duty to inspect the vineyards for the insect, and to make recommendations on how to combat it.[84] As the only vine diseases specialist in the colony, a lot was expected of him, especially since the colonial government had sent him to France for training on finding solutions for the outbreak. His first solution was to quarantine all affected areas, and these stretched from the mouth of the Eerste River to the seventh milestone on the Cape Town-Wellington railway, and from the mouth of the Salt River, and then to the northeast corner of Paarden Eiland. Under the Proclamation No.2 of 1886, the terms of quarantined areas stipulated that no grapes, vines, cuttings or parts thereof, or tubers, roots, bulbs or parts thereof growing in an infected vine, or soil of an infected vine may be transported outside the quarantine area.[85]

These stipulations elicited fierce opposition from wine growers in Constantia. Their bone of contention was that while the insect was yet to be detected in their vines, they were included in the quarantined area. What aggravated them further was that farmers in Stellenbosch, a district where the virus had been recorded to be at large, were permitted to transport their produce freely to the Cape Town market.[86] Although the government relaxed these measures, and limited quarantine to infected areas, farmers lamented that Peringuey did not do his inspection work accurately. While this may have been true, the inspection programme did not have enough personnel. For instance, initially Peringuey performed his duties with the help of volunteers, but by the mid-1890s he worked with bandits which, according to many,

[83] *Ibid.*, 38-39.
[84] "A Well-Timed Letter", *Cape Times*, January 13, 1886, 2-4.
[85] D. J. Van Zyl, "Phylloxera Vastatrix in die Kaapkolonie, 1886-1900: Voorkoms, Verspreiding En Ekonomiese Gevolge", 40.
[86] *Ibid*.

compromised accuracy. Due to pressure from farmers and critics, he resigned and was replaced with C. Mayer and B. Von Babo. Although these were equally qualified men, they took up the task at a time when the pest was spreading with greater intensity. Hence, they continued with Peringuey's solution, one dreaded by farmers, of removing and burning all the infected rods and rootstocks.[87]

In 1898 the government changed Elsenburg farm, previously owned by Simon van der Stel, into an agricultural college. This was an initiative taken with the hope that short- and long-term solutions for crises such as the *phylloxera* pandemic could be found by means of investing in research and training. This college was specifically designed by the Department of Agriculture for the scientific and practical instruction of students, with special regard to the needs of the Colony. The Principal of the College was Mr W. Allan and the course of study comprised agriculture, fruit culture, viticulture, wine making, veterinary science, dairying, poultry farming, chemistry, botany, entomology, mechanics, mensuration, surveying and beekeeping. The college also included a practical and theoretical course in farm management. Candidates for admission as students had to be between the ages of 16 and 22 years old and the duration of the course was two years.[88]

The Department of Agriculture also established a few nurseries for the rearing of American *phylloxera*-proof vines for distribution in the Colony. Two were situated in Stellenbosch, another two in Paarl and one in Worcester. The results from the programmes were, however, still not satisfactory, because as late as 1896 more than eight million out of 78 million vines were destroyed by the pest. This was an estimated annual loss of £32 000, yet only 1 250 000 American stocks had been planted. As part of the resuscitation programme, the government offered *phylloxera*-proof plants at 1s per 100, carriage free to the nearest railway station. While this seemed to have been a fair offer to the farmers, the supply of American stocks was limited to 500 for each farmer. This aggravated many farmers, as they believed that it was ridiculous for the government to effectively give control of such an important industry over to private businessmen. They lamented that one of the greatest industries in the Colony was threatened with sudden destruction, but no adequate attempt was being made to apply the only known

[87] *Ibid*.
[88] R. Wallace, *Farming Industries of Cape Colony* (London: P. S. King and Son, 1896), 152.

remedy.[89] It was perhaps at this point that the farmers began to question the extent to which they could trust the government to solve their problems. As will be shown in the next section, joint stock companies offered in abundance some of the services that the government was failing to provide.

Although the government offered compensation for the damage caused by the *phylloxera* infestation, the money they offered was not sufficient to cover the full losses farmers had incurred. To most farmers the amount they received was tantamount to a mere stipend for survival. It was not even a tenth of what they expected from their harvest. Moreover, from this meagre amount, farmers were supposed to cover the costs of chemicals for treating the vines, buying American rootstocks, and for the labour needed to plant these. These overwhelming responsibilities, coupled with limited financial resources, diverted some farmers to other branches of agriculture such as cereal production, ostrich farming and fruit farming. Wine growers in Robertson, Worcester, Montagu, Ladismith and Calitzdorp were among the earliest in the colony to switch to fruit production, because farms in those regions were relatively larger.[90] However, those who did not have the resources or expertise to make such shifts took up new professions. Occupational information provided by the shareholders lists suggests that many farmers changed to new professions and economic activities when disaster befell the region. For example, Mr Theodore Gerhardus Alant from Paarl changed from being a farmer in 1897 to a shopkeeper in 1900,[91] whereas Mr Albert John Coaton from Wellington changed from being a farmer to an engineer between 1894 and 1900.[92]

The outbreak of *phylloxera* had caught many farmers off guard, and the cases discussed above reveal a combination of desperation and the very limited options available to the farmers in distress. Prior to this period, farmers who produced quality wines often had surplus capital, which they used to invest in banks, town property, bonds, wine companies and wagon making. Banks, especially the Standard Bank branch in Paarl, were commonly known to attract affluent

[89] *Ibid*.
[90] D. J. Van Zyl, "Phylloxera Vastatrix in die Kaapkolonie, 1886-1900: Voorkoms, Verspreiding En Ekonomiese Gevolge", 46.
[91] CAD, LC C181, The Paarl Vineyards Renewing Association Limited, 1897; LC C302, The African Mutual Trust and Assurance Company Limited, 1900.
[92] CAD, LC C43, The Bains Kloof Prospecting Syndicate Limited, 1894; LC C302, The African Mutual Trust and Assurance Company Limited, 1900.

farmers in the area as clients. With such options, these farmers were presumably in a much better financial position to deal with the effects of the disease than those who did not have alternative sources of income. However, it was an unfortunate coincidence that many of these businesses in which they usually invested had been affected by a recession a few years before the outbreak of the *phylloxera* infestation. For instance, during the 1880s the *Paarl Berg Wine and Brandy Company* collapsed, and so did the *Paarl Bank* in the early 1890s.[93]

Land prices also began to drop dramatically. In 1891 the Paarl Standard Bank manager stated that most farms in the area during this period were not going to fetch their District Council valuation, because of the state they were in.[94] This was also coupled with the fact that many of the wine farms were bonded. The result was the gradual loss of land by wine farmers. Shareholder information consulted for this study shows that men who had the financial means to purchase land, and had ambitions to become farmers seized these opportunities. Examples of such men were Mr Daniel Retief who was recorded as a clerk when he first appeared in the capital market, but changed to a farmer between 1894 and 1897,[95] and Mr James Nelson Dean, a merchant, who became a farmer in 1894.[96]

Ten years after the discovery of the *phylloxera* infestation in the western region, rinderpest made its first appearance, and inflicted a similar level of damage to the farmers on the eastern frontier. Similarly, the government lacked the expertise to deal with the crisis. Termed the 'cattle plague' in Europe, rinderpest was among the most feared animal diseases in the world. For instance, from 1709 to 1717 in the Kingdom of Naples in the southern part of Italy and in The Netherlands (Holland), a combined figure of 270 000 cattle perished due to the disease. Altogether 1 500 000 cattle were killed by the disease in Europe during this period. In England it made its first appearance in 1713 and was curbed by the slaughter of 6 000 cattle in Essex, Surrey and Middlesex. However, in 1847 the disease spread to England from The Netherlands

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[93] H. Giliomee, "Western Cape Farmers and the Beginnings of Afrikaner Nationalism, 1870-1915", 51.
[94] *Ibid*.
[95] CAD, LC C50, Paarl Matabeleland Syndicate Limited, 1894; LC C181, The Paarl Vineyards Renewing Association Limited, 1897.
CAD, LC C43, The Bains Kloof Prospecting Syndicate Limited, 1894; LC C49, Pioneer Fruit Dryers Company Limited, 1894.

and led to the loss of 40 000 cattle in Nottinghamshire and Leicestershire in a space of six months. In 1848, the disease was conveyed to Egypt and 350 000 cattle succumbed to it.[97]

In Africa the *Johannesburg Times* claimed that the virus was introduced by the Italian army during their 1889 campaigns in North Africa. It is presumed that these cattle had been imported from Russia and India; regions which had suffered similar outbreaks in previous years. These suspected rinderpest-infected cattle were then shipped to Eritrea to feed Italian troops. Upon arrival in the Horn of Africa, the disease was detected and between 1890 and 1891 it had reached Sudan via the Nile Valley, and was well on its way to East Africa. In February 1896, the epidemic had reached the Zambezi River, and it would only take two months to penetrate the South African border. In southern Africa, the disease spread primarily along the transport routes. The commonly cited route was the one between Bechuanaland and Mafeking. Transportation in these regions often involved oxen, because the African horse-sickness had long prevented the use of horses.[98]

In the southern African colonies, the first reports of the presence of rinderpest came through 1 April 1896 from the *Zuid-Afrikaansche Republiek* (ZAR) authorities. In March 1896, the ZAR government was informed by the High Commissioner of the Cape about the outbreak of rinderpest near Bulawayo. They immediately responded by suspending all trade with Rhodesia and a three-mile strip along the borders was cleared of stock. Dr Arnold Theiler, a trusted veterinarian, was sent to investigate the disease. Alarmed by these developments in neighbouring colonies, the Cape Colony made a few changes to protect itself from this devastating disease. The first step was the erection of 1600 kilometres of barbed wire fencing south of the Orange River. This fence followed a line from the northern region of the Cape to what is now Lesotho in the east. It was further extended to the Cape Natal border.[99]

Police patrols were stationed all along the line and any communication between the infected area on the north of the line and the Cape Colony was carefully supervised. European travellers

[97] *Johannesburg Times*, April 17, 1896, 4.
[98] S. W. Vogel and H. Heyne, "Rinderpest in South Africa – 100 years ago", 164.
[99] *Ibid.*, 165.

from the north were admitted only after disinfection of their clothes. People were made to sit over a pit inside a shed while sulphur fumes were wafted up from below. Mail trains were also fumigated, and black people were barred from entering in most cases. These measures delayed the progress of the epidemic into the Cape Colony for four months until 24 March 1897, when rinderpest was found to be present in the Herschel district in the eastern region, close to the Free State and Lesotho borders. A transport rider travelling in the Aliwal North area was reported to have been responsible for the infiltration of the disease into the Cape Colony. This individual was found with a sack of dried meat and a pair of blood-stained trousers. His own oxen started dying within days, and many other cattle with which he and his oxen had been in contact, turned out to have been infected.[100]

After the rinderpest reached Mafeking, futile efforts were made to contain it. Despite the posting of mounted police officers to try and prevent any movement of cattle, the epidemic spread southwards. In October 1896 it had reached Kimberley. The first outbreaks in the Kimberley district caused the death of 29 cattle from 24 herds on 16 farms. After the disease was diagnosed, the affected herd was destroyed. According to reports, 2 951 of these animals were clinically unaffected, but were shot and buried nevertheless.[101]

The effects on livestock and game were devastating. Between 1896 and 1899 an estimated two and half million cattle perished in Southern Africa. Adding to this loss, farming communities became isolated, because the chief mode of transport, oxen, had been grounded to a halt. There were severe food shortages, because no slaughter animals were left, and crop production was almost impossible without the necessary draught power. The cost of living became incredibly expensive. For instance, the cost of immune (salted) draught oxen went up from £6 to £60. The only animals not decimated by the disease were donkeys, but many of them suffered from *foot rot* – a condition that rots the hoofs of donkeys.[102]

[100] *Ibid.*, 166.
[101] *Ibid.*, 165.
[102] *Ibid.*, 166.

In the Transkei, it was estimated that 90% of the cattle, which formed the real wealth of the people, were swept away by the disease. With the transport system crippled by the loss of draught-oxen to the disease, prices for basic commodities soared. This is because transport drivers had to pay inflated prices for 'salted' cattle.[103] Their financial outlays were recouped from their transport charges to their clients, which rose, in parts, to ten times the normal rate. For those with the necessary capital, transport become a lucrative business. These price increases were passed on to store owners, and finally to consumers.[104] The situation had become so dire that the *Eastern Province Herald* reported the following:

> The Government, however, seems to be indulging in a vein of scientific curiosity, by gauging the exact amount of toleration of which an apathetic public is capable, but while the prices of milk and meat and every other article of food are rising at an alarming rate, the Government still preserves an unbroken silence.[105]

The government drafted a few laws to control the disease. As in the case of the policies adopted to combat *phylloxera*, government measures against rinderpest were not always popular. D. Gilfoyle argues that veterinary policies at the Cape were based on the British model of quarantine and slaughter. These were greatly opposed by the farmers especially the Scab Act.[106] This legislation was initially enacted in 1874 after the lung sickness epidemic.[107] It required farmers with affected cattle to either destroy or isolate them. Thereafter, they were ordered to give immediate notice to the Resident Magistrate of his district or the Field Cornet of the ward, or the nearest Justice of the Peace Inspector of Native Location, or Scab Inspector and to the occupiers of all contagious lands.[108]

The effects of the rinderpest epidemic are summed up in Burton's statistics on foreign trade during the period under study. He argues that hides fetched about £60 000 in 1891 and reached £200 000 in 1897. This figure dropped dramatically between 1898 and 1899 to £30 000 and £40 000. It further decreased to £12 000 in 1900. The same trend could be seen in the export

[103] Salted cattle are those that had recovered from the disease and were therefore immune.
[104] C. van Onselen, "Reaction to Rinderpest in Southern Africa 1896-97", *The Journal of African History*, 13, 3, (1972), 484.
[105] *Eastern Province Herald*, 24 November 1897.
[106] W. Beinart, *The Rise of Conservation in South Africa. Settlers, Livestock, and the Environment: 1770-1950* (Oxford: Oxford Press, 2003), 132.
[107] S. J. E. Van den Bergh, "The Story of a Disease: A Social History of African Horse Sickness, c.1850-1920", Master's dissertation, Stellenbosch University, 2009, 44.
[108] *Ibid.*, 151.

of horns. In 1898 the total amount raised by the export of horns went from £5 500 to £12 500, but dropped tremendously in the following year to £2 000. In 1901 they fetched £3 000, which shows that the sector could not maintain the levels of income it had generated in the preceding years. These fluctuations and drops were a result of the rinderpest crisis.[109] The rise in the volume of horns being exported was accounted for by the collecting of horns of rinderpest-stricken cattle in addition to normal supply.

This section has shown that the government intervened whenever farmers were in distress. When the *phylloxera* infestation broke out in the colony, it spent large sums of money to procure American and grafted vines to compensate farmers who had been forced to destroy infected vines. It also spent a fair amount on hiring staff who were responsible for the inspection of vines. The same was done with regard to the crisis in the eastern region. Large sums of money were poured into scientific experiments to try and find a cure or a solution for the rinderpest. Despite these efforts, the crisis persisted. For that reason, farmers looked to other possible solutions for their financial crises.[110] The following section explores some of the alternative solutions farmers found to solve their financial problems.

Farmers and the share market

Farmers in South African historiography have often been presented as individuals who were not always open to change, especially when it concerned production. However, crisis and the government's inadequacies exposed the industry's capital limitations. Scully argues that it was at this point, when the government could not help them any further that they realised that years of experience would not secure them from environmental disasters.[111] Although farmers were said to be averse to change, they were not oblivious to capitalist activities in Kimberley and the Transvaal. For that reason, it is possible to argue that the intensification of capitalist activities in other parts of the colony, and beyond, influenced how farmers dealt with their crisis of undercapitalisation after they were severely affected by natural disasters.

[109] A. R. E, Burton, *Cape Colony for the Settler: An Account of its Urban and Rural Industries, Their Probable Future Development and Extension*, 27-28.
[110] H. Giliomee, "Western Cape Farmers and the Beginnings of Afrikaner Nationalism, 1870-1915", 47.
[111] P. Scully, 'The Bouquet of Freedom: Social and Economic Relations in Stellenbosch District 1870-1900', 49.

Figure 29 below shows the pattern of investment in companies by farmers between 1893 and 1902. The addresses of farmers provided in the companies' registers and the year in which they invested in these companies were used to illustrate the correlation between natural disasters and increased farmer participation in the capital market. About 85% of the farmers were from the western region, 12% from the eastern region, 1% from the northern region and 2% from neighbouring territories. Although the first farmer in this data set to appear in the capital market was from the eastern region in 1893, the first substantial number of farmers to appear in the capital market can be seen in 1894. About 97% of these individuals were from the western region – specifically the wine area. In line with the hypothesis of this study, this large number of farmers from the wine-producing region was anticipated, given the production shock the industry suffered from the *phylloxera* crisis.

More so, as already stated in the previous section, it was a common exercise among farmers to hold shares in financial institutions, wine companies and other local enterprises.[112] Therefore, there was a great possibility that they were going to engage the securities market when their main source of income was threatened. This is reinforced by Scully, who notes that during the *phylloxera* crisis, and the depression a few years earlier in the Colony, some farmers adapted to changing circumstances in the region by joining the economic momentum that had been generated by mineral discoveries, and the subsequent expansion of the colonial economy.[113] This was either by means of political mobilisation or, most importantly, investment in mining companies, and a revitalised commitment towards improving the production and marketing of wine.[114] Although findings in this study indicate that it was uncommon for farmers to invest in mining companies, they did invest in companies that had the objective to improve the production and marketing of wine.

[112] H. Giliomee, "Western Cape Farmers and the Beginnings of Afrikaner Nationalism, 1870-1915", 51.
[113] *Ibid.*, 34.
[114] *Ibid.*

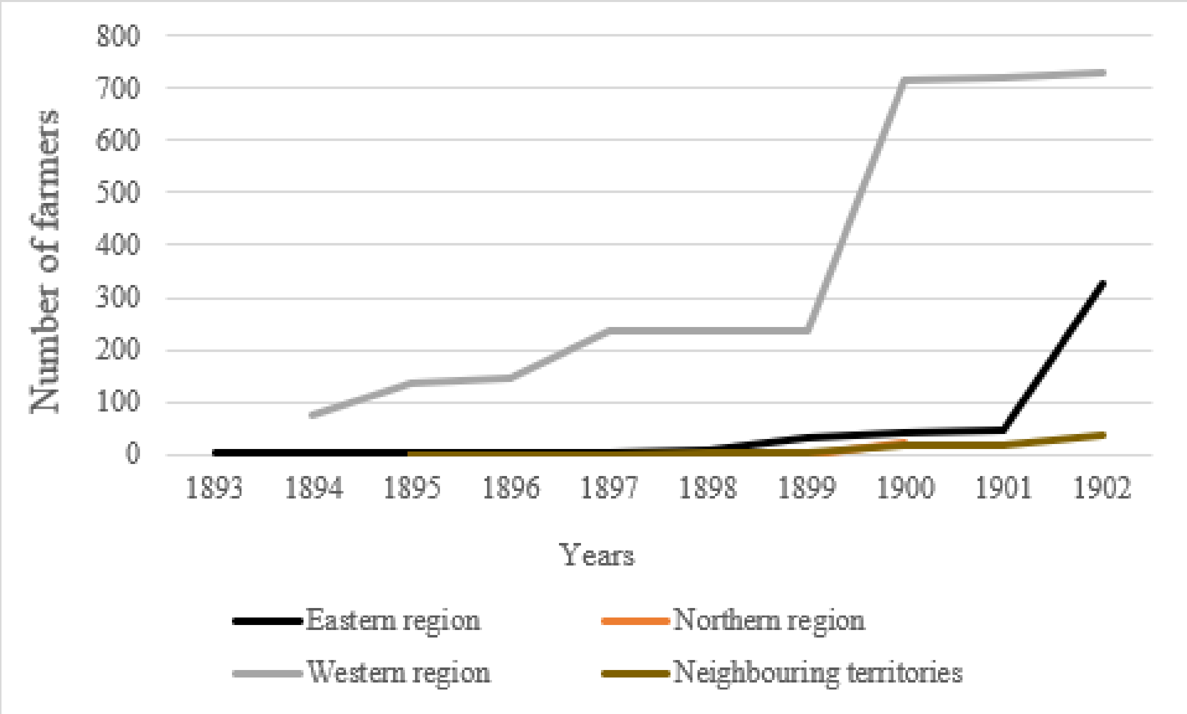

Figure 29: The geographic distribution of farmer investors.

Source: CAD, LC 1 – LC 467.

The same behaviour was evident in 1902 with a rapid increase of farmers from the eastern region and neighbouring territories investing in the capital market. During this year 93% of the farmers came from the eastern region, 5% from neighbouring territories and 2% from the western region. The first two regions were predominantly cattle-producing areas whose livestock had recently succumbed to the rinderpest. The neighbouring territories which had reported the presence of this disease were the Transvaal, Natal, the Free State Colony, Southern Rhodesia, and Bechuanaland. Prior to this period these regions combined barely participated in the capital market, but surged simultaneously after the incorporation of *The Farmer's Co-operative Society Company Limited* in East London.[115] As will be explained later, this company was specifically designed to cater for the needs of pastoral farmers which, in essence, supports the preceding argument that there was a strong correlation between crisis and the involvement of farmers in the capital market.

[115] CAD, LC 418, The Farmer's Co-operative Company Limited, 1902.

Figure 30 supports the above contention, and provides detail about the distribution of farmers' investments per sector. Findings show that unlike other categories in the capital market (the middle class and businessmen), farmers' investments were channelled towards two specific industries. These were financial organisations and companies in involved in agricultural activities. About 47% of the capital farmers invested in joint-stock companies during the period under study went to financial organisations and 41% went to agricultural companies. However, although the former attracted more farmers' capital than the latter, Chapter Three shows that overall, farmers were the leading financiers of agricultural companies in the colony. Compared to other investor groups, they contributed 40% of the capital that financed this sector, compared to 3% they contributed towards financial organisations.

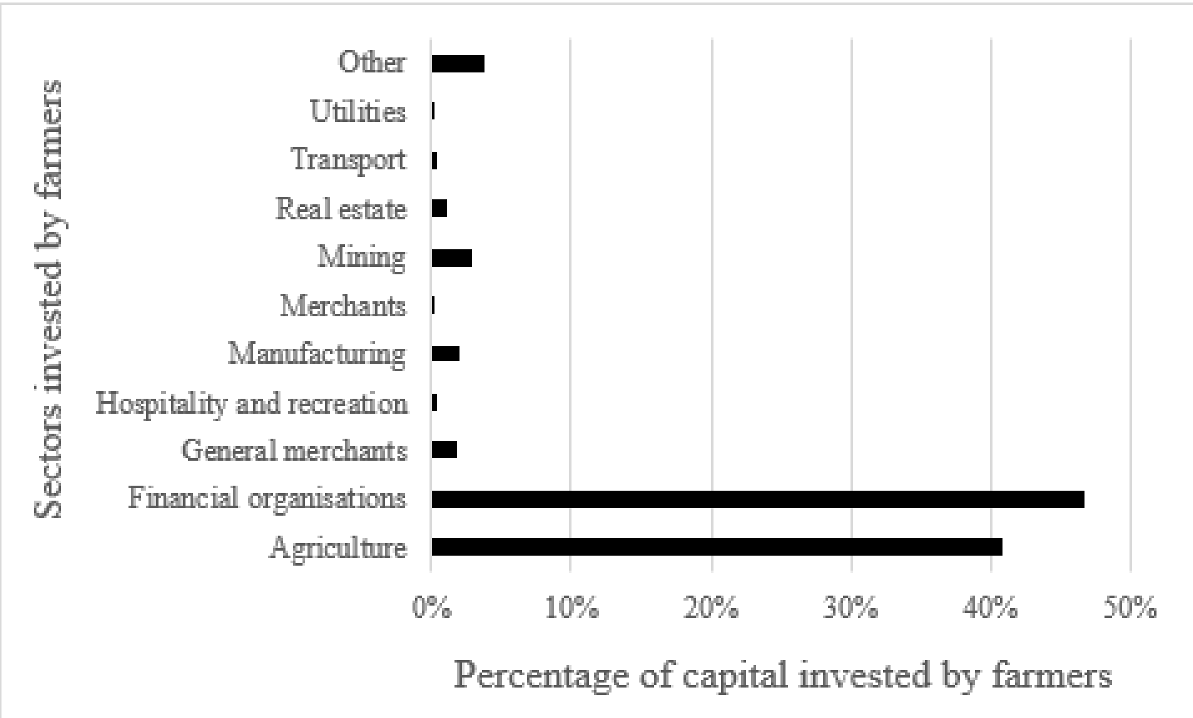

Figure 30: Sectors financed by farmers.

Source: CAD, LC 1 – LC 467, 1893-1902.

Between 1893 and 1902, the companies that were engaged in agriculture were involved in vine renewal, general fruit production, fruit drying and canning. From the objectives in their memoranda of associations, it was apparent that they served a specific purpose for the farmers.

The Paarl Vineyards Renewing Association Limited was a good example of a company that sought to resuscitate the wine industry. In their memorandum of association, its directors noted that they sought to acquire, produce, and cultivate grafted American vines.[116] As already discussed in the previous section that as the *phylloxera* infestation persisted, the government struggled to distribute the vines it had promised farmers as compensation at a suitable rate. This company provided both convenience and efficiency towards these efforts. One of their important goals was to distribute these grafted vines amongst shareholders at a lower cost.[117]

The Hex River Vineyard Company Limited had similar objectives. Like the former, it emphasised the need to promote viticulture and wine growers, and sought to provide a market for all kinds of fruit and vegetables.[118] *The Farmer's Co-operative Company*, as mentioned earlier, offered similar services for pastoral farmers. Their objective was to purchase and sell different types of livestock ranging from cattle, sheep, horses, and so forth. They sought to import farming implements as well as machinery that may have been necessary for farmer's requisites.[119]

Companies concerned with fruit culture, on the other hand, were affected by numerous factors of which the most important was their capacity to draw farmers' capital. This is because, although farmers in the late nineteenth century began to diversify into fruit culture, it was a relatively new and unknown sector, which they had approached with great caution over the years. Burton notes that until this period, fruit culture was a trade only practised by a few men who had arrived at the Cape from other countries. It was often considered a 'toy of the landowner'.[120] H. E. V. Pickstone states that fruit farming was a very small industry which farmers were reluctant to practise on a large scale.[121]

Given this background, farmers needed to be convinced of the prospects of this sector. The founding of the Fruit Growers' Association (later called the Western Board of Horticulture) in

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[116] CAD, LC 181, The Paarl Vineyards Renewing Association, Ltd, 1897.
[117] *Ibid*.
[118] CAD LC 337, The Hex River Vineyard Company, Ltd, 1901.
[119] CAD, LC 418, The Farmer's Co-operative Company, Ltd, 1902.
[120] A. R. E. Burton, *Cape Colony for the Settler: An Account of its Urban and Rural Industries, Their Probable Future Development and Extension*, 39.
[121] H. E. V. Pickstone, "The Cape Fruit Industry", *Journal of the Royal African Society*, 16, 64, (1917), 289.

1893 was the first step in this direction. The farming community was a closely knit group, which relied on these societies for two things. The first was that these societies were instrumental in providing information about the respective sectors of agriculture in which farmers were involved. The second and most important one was that they acted as the voice for farmers' struggles and needs in the industry. As shown in the previous section, these societies played an important role of lobbying government towards fulfilling the operational needs of the farmers during crisis. This organisation represented the interests of horticulturists in the western region and had membership from established Afrikaner families and prominent farmers such as Petrus Cillie,[122] Charles Kohler,[123] and Percy Malleson.[124] This was important for two main reasons: the social network these prominent farmers had with ordinary farmers (which made it possible to convince and lure farmers to fruit production), and the networks they had with political figures in the colony. For instance, in 1893 the organisation by means of these individuals petitioned the government to endorse its cause.[125]

The results of the political ties of this society were witnessed in the way it managed to win the undivided support of the then Minister of Agriculture, J. X. Merriman. He is argued to have played an important role in the development and expansion of the industry. He directed the investigation of the type of fruits, which were suitable for Cape soils, i.e., which varieties were most suitable to grow in different districts for export, packing and drying.[126]

The result of this was the successful export of the first consignment of fruit to England in 1891. Malleson argues that these shipments opened the eyes of fruit growers in the colony to

[122] K. Brown describes Petrus Cillie as a prosperous agriculturalist from Wellington and the founder of the Fruit Growers' Association. He was also known as Piet Kalifornië (Piet California) and was involved with the *phylloxera* investigations. See SA Biografiese Woordeboek Volume IV, 86.
[123] Charles Kohler was the founder of the *Koöperatieve Wijnbouwers Vereniging van Zuid-Afrika, Beperkt* (The Co-operative Wine Growers' Association of SA) famously known as KWV. This organisation was specifically founded to regulate the quality of wine produced in the colony after the *phylloxera* outbreak, as well as to provide a market for it. He was also a shareholder in The Paarl Vineyards Renewing Association Limited.
[124] Percy Malleson was the founder of the Cape Orchard Company, as well as the Rhodes Fruit Farms together with C. J. Rhodes. Pickstone was also a founder of Rhodes Fruit Farms: See the SA Biographical Dictionary. See K. Brown, 'Agriculture in the Natural World: Progressivism, Conservation and the State. The Case of the Cape Colony in the Late 19th and early 20th Century', 114.
[125] K. Brown, "Political Entomology: The Insectile Challenge to Agricultural Development in the Cape Colony, 1885-1910", 532.
[126] P. R. Malleson, "Fruit Culture", in S. Playne (ed.), *Cape Colony (Cape Province), Its History, Commerce, Industries, and Resources* (London: Juta, 1910),105-106.

possibilities of a trade in fresh fruit with Britain.[127] Behind this success were men trained in fruit culture in other parts of the world, and who had travelled to the Cape. Pickstone himself was among these men – a well-established agricultural scientist who had worked in the orchards of California in the Unites States. He was also acknowledged as the man who convinced C. J. Rhodes of the potential of fruit culture in the colony, and played an important role in revitalising neglected citrus production.[128]

After careful examination by the Department of Agriculture, it was found that the climatic conditions of the colony, together with its soils, were varied across different regions. It was for this reason that the Cape was able to produce with great perfection an immense variety of fruit ranging from the sub-tropical pine to the cold-loving apple. There were regions in the Cape that had unique fruit seasons, which had the capacity to extend throughout the whole year. For instance, in the Stellenbosch and Paarl regions, at the beginning of October strawberries and loquats could be cultivated until January. In December it was apricots, early peaches and plums and this season would last until March. January and February were the harvest months for these soft fruits. Early pears, apples and grapes came into season at the end of January, and continued in full swing during February, March and April. May and June were the months with the lowest variety of fruit, but guavas came into season then, together with late pears and apples. From June to September the market was supplied with citrus fruits of all kinds, keeping up the supply of fruit, until the loquats and strawberries appeared again on the market.[129]

Furthermore, the Cape was the only area which, until then, could provide European markets with fresh fruit between December and March. This gave them an edge over other fruit-producing countries, and provided farmers with an incentive to take the industry more seriously. For example, New Zealand and Australia could only provide fruit from March to May, while the United States could only do so from May to August. The Cape farmers, therefore, had an unlimited market for those few months.[130] Adding to the availability of a vibrant export market, the discovery of diamonds at the Cape and gold in the Transvaal gave rise to an internal market. Moreover, the discovery of these minerals also helped bring about

[127] *Ibid*., 105.
[128] *Ibid*.
[129] *Ibid*., 106-107.
[130] C. Aucamp, "Rhodes Fruit Farms: A Small Beginning in the Paarl Valley, 1897-1910", 11-12.

the necessary infrastructure, e.g., railways which was essential for the transportation of highly perishable produce such as fruit.[131]

Prospects to yield substantial profits from fruit production were great and this is perhaps why many farmers invested in these companies. By-products from second-grade fruits could be used to produce jams, dried fruits and canned fruit, which contributed to the establishment of the industry. This not only helped the producers to find outlets for fruit not suitable for export, but also encouraged the development of new industries.[132] In addition, all the special appliances required for both lines of the enterprise were already provided. Steamship companies supplied cold storage on their vessels, and refrigerating chambers were available ashore for goods awaiting shipment. In 1891 the Cape Colony exported less than £1 000 worth of fruit, but five years later this reached about £4 500, and in 1901 the amount was over £9 100.[133]

The fruit industry in the colony has often been credited to C. J. Rhodes.[134] The argument was that it was his capital that enabled fruit-growing regions such as Wellington to fully realise its potential in the trade. However, with due respect to the role played by C. J. Rhodes, farmers had found that through co-operation, several advantages were gained. The cost of production was reduced to a minimum, and the uniformity in the quality of large returns ensured a more profitable market than was possible under the old system.[135]

These fruit companies played a significant role in the growth of the fruit industry. This was because the shift from viticulture to fruit production for most wine farmers was not swift. Fruit farming was complicated, and demanded the same diligence that was required for wine production. Fruit producers and traders struggled to get produce to the local markets in good condition. Several factors contributed to this, which included poor quality young trees, vines and cultivars, lack of expertise concerning the cultivation of fresh fruit, the absence of a well-

[131] *Ibid.*, 11.
[132] *Ibid.*, 12.
[133] A. R. E. Burton, *Cape Colony for the Settler: An Account of its Urban and Rural Industries, Their Probable Future Development and Extension*, 27-39.
[134] P. R. Malleson, “Fruit Culture”, edited by S. Playne, *Cape Colony (Cape Province), Its History, Commerce, Industries, and Resources* (London: Juta, 1910), 176.
[135] A. R. E. Burton, *Cape Colony for the Settler: An Account of its Urban and Rural Industries, Their Probable Future Development and Extension*, 135.

co-ordinated railway and ocean transport system, poor roads and cold storage facilities in the harbours, railway cars and ships, as well as the lack of a properly structured marketing system.[136]

Companies such as the *Pioneer Fruit Dryer Company, Ltd* made life easier for farmers. The company's work involved the planting, cultivating, and selling of fruits. It also imported seeds of all description for its investors.[137] Another such company was the *Cape Fruit Syndicate, Ltd*. Like the other companies, they sought to grow and sell fruits. However, they did something slightly different to what the other companies did - they sought to act as brokers, commission merchants and agents for this produce. They also dried and preserved fruits.[138] Companies such as the *Cape Orchard Company* had selling produce abroad as one of their primary objectives.[139]

Farmers also preferred to hold shares in one company, unlike other investor categories where investors often diversified their portfolios. While this can be associated with risk aversion, considering that the colony had recently experienced the diamond share crash, it strongly resonates with the hypothesis of the study that farmers' goals in the capital market were vastly different from those of other investors in most categories. Farmers sought to rescue their industry, and this was the reason why they tended to invest in fewer companies. This is also evidenced by the fact that they invested in large numbers in similar companies.

[136] C. Aucamp, "Rhodes Fruit Farms: A Small Beginning in the Paarl Valley, 1897-1910", 12.
[137] CAD, LC 49, The Pioneer Fruit Dryers Company, Ltd, 1894.
[138] CAD, LC C85, The Cape Fruit Syndicate, Ltd, 1895.
[139] CAD, LC 125, The Cape Orchard Company Limited, 1895.

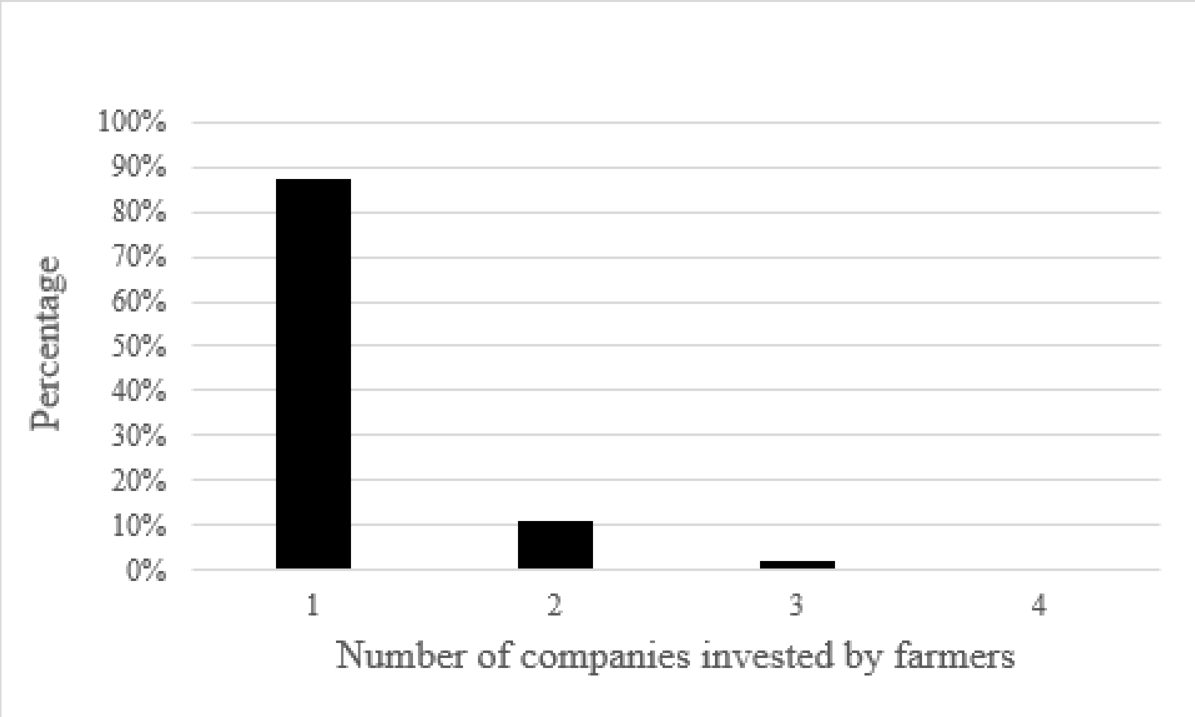


Figure 31: Distribution of farmers' portfolios.

Source: CAD, LC 1 – LC 467.

The propensity to invest in groups was strongly aligned to their inclination to invest in their own regions. While this is also an indication of risk aversion, a compelling argument is that the farmers' investments were influenced by their networks. During this period, farmers formed associations that were intended to improve agricultural practice in the colony. For instance, organisations such as the Fruit Growers Association, referred to earlier, introduced this system. It was through these organisations that ideas were brought about, and information given on the subject of their special industry. Until these associations sprang up, mainly by means of individual activity and personal influence. During this period at the Cape it was difficult to find a market gardener who took in a garden periodical or cared to learn what was done in other countries.[140]

The average distance between farmer investors' residences and the location of both company offices and location of operation was 141 km. The minimum distance for this was 1km and the maximum 800km for the company office and 900 km for the company operation. The standard

[140] A. R. E. Burton, *Cape Colony for the Settler: An Account of its Urban and Rural Industries, Their Probable Future Development and Extension*, 39.

deviation for the distance between farmers' locations and the companies in which they invested, was 247.3 km. This suggested that there was little variance in the regions that farmers invested in. Their tendency to invest in companies with their relatives reinforces the above. For instance, 71% of the farmers invested in companies, which had their brothers, sisters, parents, wives, children and even grand-parents as shareholders.[141] Only 29% of farmers invested individually. What this also confirmed was intergenerational wealth; a phenomenon that was widespread in the nineteenth century Cape Colony.[142]

The figure above also shows that there were farmers who invested in more than one company. Such investments were usually in companies that operated in neighbouring territories like *The Paarl Matabeleland Syndicate Limited*.[143] Investments of this nature were often carried out in a system of networks. For instance, 70% of the farmers who invested in this company had relatives who held shares in it. Moreover, more than 80% of the investors that financed this company came from Paarl.

Conclusion

This chapter has shown that crisis in the agricultural industry lured farmers to the securities market. Figure 21 illustrates that these farmers came from different regions in the colony, and appeared in the capital market at different periods, which were associated with environmental disasters that befell their respective agricultural sectors. Findings in this study also show that not only did they appear in the capital market during these turbulent times, but they also invested in companies that were engaged in agriculture. This reinforces the primary argument of the study.

Their investments reveal two distinct parts. Farmers in the western region either invested in companies which sought to supplement failed government attempts to resuscitate wine farming or fruit companies, and those in the eastern region did the same for the cattle industry. Much has been written on how farmers diversified into the fruit-producing industry when disaster

[141] CAD, LC 1 – LC 467, 1893-1902.
[142] *Ibid*.
[143] CAD, LC C50, Paarl Matabeleland Syndicate Limited, 1894.

struck the wine industry, but little is known about how this happened. This was a very technical sector, which was equally capital intensive. Company records fill this void by showing how farmers invested in these companies, and how the objectives of these companies were aligned to those of the farmers. On the other end, instead of diversifying, farmers invested in the industry they were engaged in such as vine renewal. This was also witnessed among farmers from the eastern region who invested in companies that sought to support their efforts towards fighting the rinderpest outbreak.

Chapter Six: Conclusions and implications of the study

Summary of the study

This study has shown that joint stock companies operated in various sectors of the Cape economy. They were a clear indication of how vibrant the colonial economy was during the nineteenth century. Their importance to economic growth in both Europe and North America has long been established by scholars such as Rousseau and Sylla, Wright, as well as North and Thomas.[1] These studies explain how joint stock companies, by means of the assistance of financial intermediaries, channelled people's savings to commercial endeavours that were responsible for the discovery of new technologies and industrial expansion. This, however, would have been impossible without limited liability – the core principle of the joint stock company. This study has shown that business partnerships that resembled joint stock companies existed prior to the nineteenth century, but did not protect the liability of their members. This meant that debt in a business adventure trickled down to the property of business partners. Consequently, people were unwilling to risk their savings for such volatile commercial ventures. When limited liability ceased to be a privilege granted by royal charters and special acts by Parliament, ambitious entrepreneurs and individuals with large savings at their disposal were willing to invest in these ventures. Acheson, Campbell and Turner argue correctly that British joint stock companies in the Victorian era were financed by a very diverse capital market.[2]

In the case of colonial South Africa, with specific focus on the Cape Colony, the phases of economic growth have often involved the commercialisation of agriculture and the discovery of diamonds.[3] Various works on the economic history of South Africa emphasised the role of diamonds in the rapid economic growth during the nineteenth century.[4] In these studies companies themselves have received little acknowledgement for this growth.[5] Notwithstanding the importance of these preceding studies, this dissertation has illustrated how limited joint stock corporations enhanced the performance of various industries in the colony. The period

[1] P. L. Rousseau and R. Sylla, Financial Systems, Economic Growth and Globalization, 2.
[2] G. G. Acheson, G. Campbell, J. D. Turner, "Who Financed the Expansion of the Equity Market? Shareholder Clienteles in Victorian Britain", 1.
[3] C. H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development*, 4.
[4] M. H. De Kock, *Selected Subjects in the Economic History of South Africa*, 258.
[5] *Ibid*.

between 1892 and 1902 experienced a substantial rise in the number of companies registering for limited liability – a period of rapid economic growth.[6] These companies operated in various economic sectors and were located in various corners of the Colony and the southern African continent.

The objectives of the dissertation were to assess the impact of the 1892 Cape Joint Stock Company Amendment Act. The rationale behind investigating this specific legislation was because the first Company Act of 1861 had numerous limitations, which included that 357 sections of its parent legislation in Britain were missing.[7] Moreover, its stipulations were that companies could only register for limited liability after incurring liability, and not before.[8] Chapters One and Two discussed how despite introducing limited liability, limitations such as these, tended to stifle company growth. The second objective was to find out who financed these companies, and the motives behind their investments.

To achieve these goals, this study used company records from the limited company archive. As mentioned in Chapter One, all companies registered under the Company Act were requested to deliver their records to the company registrar in Cape Town. This procedure was carried out immediately after incorporation. These records included information about the date when the company registered for limited liability, address of its head office and that of its operation, the sector in which it operated, its objectives, nominal capital and share value, as well as liquidation records, if any. This data was instrumental in fulfilling the first objective of the dissertation on assessing the impact of the Company Act. The second objective was achieved by analysing data from the lists of shareholders, which were also requested by the company registrar upon incorporation. These included the names, surnames, addresses and occupational details of the investors. They also provided the number of shares these individuals held, as well as their value. While this data was sufficient to provide a bird's eye view of the development of companies at the Cape after the new law, it presented a set of challenges. For instance, information on company survival was not consistent. It was a challenge to determine if some of these companies were still in existence, as they did not have any liquidation records.

[6] C. G. W. Schumann, *Structural Changes and Business Cycles in South Africa, 1806-1936*, 46.
[7] C. H. Van Zyl, "Joint Stock Company Act", 238.
[8] *Ibid*.

Furthermore, of the 457 companies that were analysed, only 263 companies had information about investors. The remaining companies either had missing records, or the shareholder lists were difficult to comprehend, as the handwriting of the various contributors could be difficult to read. Some investors did not clearly state their occupations and addresses. Fortunately, convenience data sampling overcame all these limitations.

It should also be mentioned that both the framework and methods of this dissertation were derived from preceding studies on joint stock companies in Victorian Britain. This is because the Cape Company Acts were extensions of the British company law, which made it natural for the present study to borrow methodologies from scholars who focused on British companies in the nineteenth century. For instance, studies by Acheson, Campbell and Turner,[9] Newton,[10] Jeffreys,[11] and Rutterford and Sotiropoulos,[12] used such company records to achieve similar objectives as the ones in this study. Apart from emulating these methods, the study's theoretical perspective was strongly influenced by Schumpeter's theory of economic development. According to this principle, the entrepreneur is the innovator and driver of economic growth. By means of a process called "creative destruction", innovation ceaselessly introduces new systems of production and products that perpetually replace old ones.[13] However, this process is contingent on the availability of credit for the entrepreneur. Such transformations in the economy were risky, capital-intensive, and had to be financed by pooled capital. The limited liability joint stock company then became a fitting solution to this problem.

Chapter Two of this dissertation discusses the impact of the 1892 Company Act at the Cape. There was a gradual rise in the number of companies registered under the company law. Although mining companies had greater representation among the 457 companies that were sampled, companies involved in other economic sectors also emerged in the Cape's commercial landscape. Companies in the manufacturing industry were among those that

[9] G. Acheson, G. Campbell, J. D. Turner, "Who Financed the Expansion of the Equity Market? Shareholder Clienteles in Victorian Britain", 2.
[10] L. Newton, "The Finance of Manufacturing Industry in the Sheffield Area c.1850-c.1885", 5.
[11] J. B. Jeffreys, "The Denomination and Character of Shares, 1855-1885", Economic History Review, 16, 1, (1946), 45.
[12] J. Rutterford and D. Sotripoulos, "The Rise of the Small Investor in the US and the UK, 1895-1970", 4.
[13] J. E. Elliott, *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*, 10.

exhibited a substantial rise compared to the previous period. The process of creative destruction was shown by the reduction in merchant corporations and the growth of manufacturing companies. In this study this was interpreted as a gradual shift from the dependence on imported goods, to those produced locally. A very good example of this was *The Cordes Patent Friction Reducer Syndicate Limited* which assembled a friction-reduction product that was essential for steamships.[14] This process was also witnessed in the agricultural sector, where fruit companies emerged and pioneered the fruit drying industry. Companies such as the *Cape Orchard Company Limited* were vast in size and were heavily mechanised. Not only did they produce their own fruits, but they packed, dried and canned them. Moreover, they had mechanisms in place to market these products. Considering that the fruit industry was mostly a hobby for most farmers, this was an important shift in the industry.

Chapter Three examined the individuals who financed these companies. This dissertation has shown that the Cape capital market, like the one in Britain, was diverse. It was composed of individuals from various social and economic backgrounds. Informed by Kuznets' theories on the socio-economic impact of efficient capital markets on inequality, this chapter described how joint stock companies gave individuals who had previously been excluded from wealth-accumulating mechanisms opportunities to store and build wealth with very little risk. Evidence from preceding studies has shown that capitalists, merchants (classified under businessmen in this study) and farmers were the typical financiers of companies. However, data from the records consulted for this study show that businessmen and the middle-class were the largest financiers of joint stock companies at the Cape between 1892 and 1902. Following these groups were the rentiers class (which according to Acheson et al. was the dominant group in Britain), the farmers and company investors. Like investors in Victorian Britain, Cape financiers exhibited different behaviours in the capital market. Although businessmen appeared to finance more companies than other groups, the middle-class were prone to invest in financial organisations and mining companies, despite also appearing in most company shareholder lists. Rentiers and farmers had similar preferences and tended to invest in agricultural companies and financial organisations. A slight difference between these two investor groups was that rentiers had an interest in real estate companies – an interest they shared with the British rentier class.

[14] *Ibid*.

Other details about the Cape capital market were that foreign investors constituted 11% of its financiers, and that the businessmen and middle-class categories were divided into sub-groups. Of notable importance was that one middle-class sub-group was female investors. Like most Victorian societies, women at the Cape occupied a lesser social position than men in the society. They were often excluded from any income-generating opportunity. They constituted 15% of the middle-class category investors and contributed 15% of its capital. These were important findings in this study and Chapter Four examined why women invested and where their savings came from.

Chapter Four began by discussing the separate-spheres theory, which is often used by scholars when narrating the history of women in the nineteenth century. This theory explained how British women in the nineteenth century were socially conditioned to become housewives who had the responsibility of taking care of their families. Their sphere of existence was to be the domestic (private), while men had the privilege to engage the public world.[15] Unlike women, men could start businesses or seek employment to earn salaries. Even in the private realm, women had little power since financial contributions in the household mostly came from their husbands. Although the Cape was a diverse society, which included people of Dutch, British, German and French descent (only to name a few), the position of women remained lower than that of men. Ross's work, that was instrumental in understanding gender at the Cape, showed that the norms governing gender and gentility at the Cape were also taught in schools.[16] Despite all these limitations, women participated in the capital market. The main argument of this chapter was that the limited liability joint stock company gave women the opportunity to build wealth without transgressing the confines of the separate-spheres ideal. Among the many reasons why women invested, this chapter suggested that the emergence of "the new woman" in Europe and the rise of feminism filtered through to the Cape Colony. As a result, the number of women in the Cape capital market began to increase. Since they were excluded from many places where they could get information about share dealings, results from the shareholder lists suggest that they often invested in companies in which their male relatives or friends had

[15] L. Davidoff and C. Hall, *Family Fortunes: Men and Women of the English Middle Class, 1780-1850*, 1-2.
[16] R. Ross, *Status and Respectability in the Cape Colony 1750-1870, A Tragedy of Manners*, 88.

interests. Investors in the category of 'ladies' were the only ones that seemed to invest independently.

Chapter Five examined the behaviour of farmers in the capital market. As already mentioned, farmers in the capital market seemed to only invest in financial organisations and agricultural companies. This was because farmers between the years 1892 and 1902 experienced environmental disasters which directly affected their income. By 1892, farmers in the western region were recovering from the 1886 *phylloxera* epidemic, and those in the eastern region had just fallen victim to the 1896 rinderpest outbreak. These circumstances severely compromised farmers' incomes, as most of their livelihoods depended on these economic sectors. Although the government provided financial support to affected farmers, its resources to this end were limited. Farmers were then left to deal with the crises themselves. The outcome was the rise of agricultural corporations that dealt specifically with the challenges that farmers faced. Moreover, findings from this chapter suggest that the convenience provided by the Cape Company Act enabled them to branch into other sectors of agriculture. For instance, in the years after the outbreak of *phylloxera*, there was a rise in companies involved in the fruit industry. In all these developments, farmers were the principal financiers.

Key conclusions

The Cape Company Act came into being at a very important period in the economic history of South Africa. It was a few years after the collapse in mining shares in Namaqualand. This had resulted in the closure of numerous companies and led to severe financial losses for many people who had invested in the sector.[17] Secondly, the first Company Act also was passed five years before the discovery of minerals in Kimberley. These two time periods in South African history, as well as the passing of the 1892 Amendment of the Company Act, are central to the discussion on the Cape economy in the nineteenth century. This is because, as illustrated in figures 4 and 5 in chapter two, the rapid growth of companies in the Colony only started after the passing of this Act. This transition was characterised by the emergence of companies involved in various sectors of the economy at the Cape. This suggested how the limited joint stock company had become an importance element of the colonial economy. The figure below

[17] J. M. Smalberger, *Aspects of the History of Copper Mining in Namaqualand 1846-1931*, 47-48.

shows how important this legislation was in the development of the colonial economy in the nineteenth century.

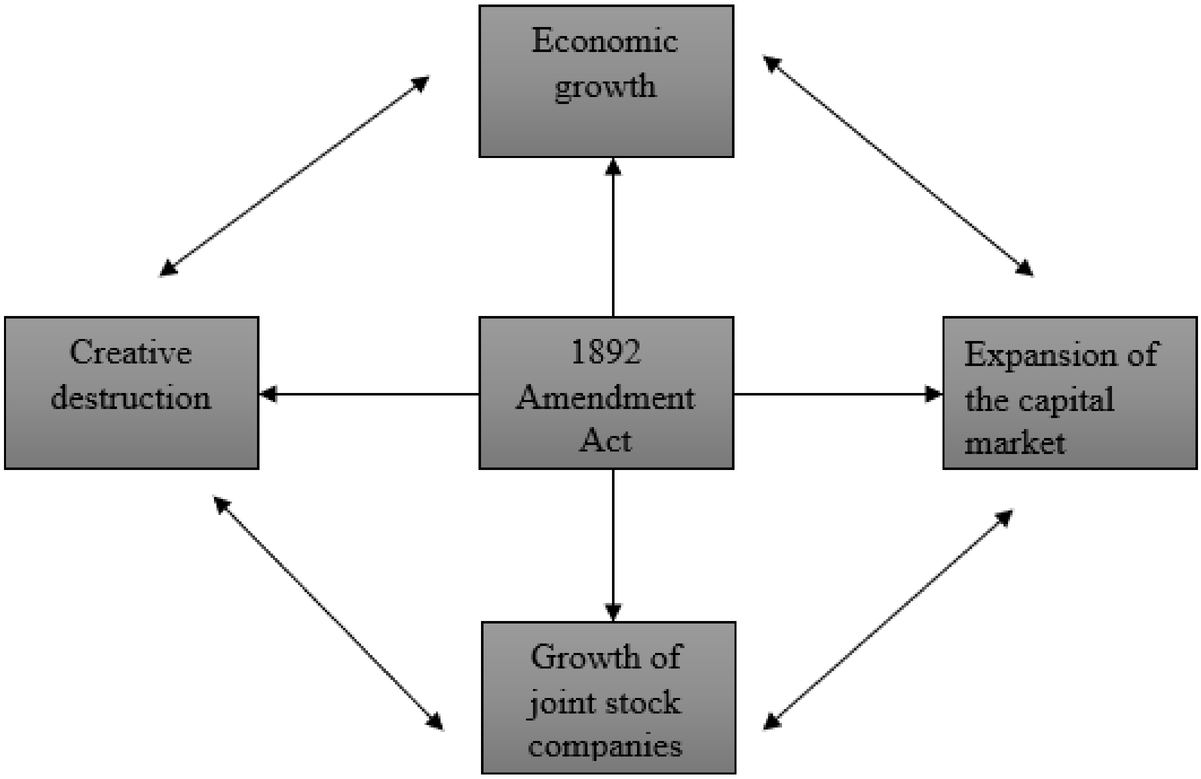


Figure 32: The impact of the 1892 Company Act.

Sources: Author's own formulation.

The Company Act extended the capital market by lowering the risks associated with dealing in shares. The outcome was the growth of joint stock companies and an increase in the distribution of income in the colony. This, in turn, necessitated the emergence of new industries and technologies as shown in Chapter Two. According to Penrose's assertion about the number of companies in operation being an indication of an economy's status, the above suggests that the new company law contributed to economic growth.

Furthermore, the Company Act was an important foundation for the establishment of the fruit industry. Today more than 50% of South Africa's agricultural export is fruit.[18] Of this proportion, 90% of the fruits produced in South Africa are exported to the international market. This has made South Africa one of the leading fruit exporters in the world.[19] Looking back in history, this sector was initially regarded a hobby for wealthy farmers that had larger portions of land.[20] Although Aucamp claims that the fatal effects of the *phylloxera* epidemic changed this after 1886, little attention was paid to the technicalities that could have stalled the growth of this sector in the previous years.[21] For instance, the commercial production of fruits demanded expertise, which most farmers lacked in the Cape Colony. Favourable climatic conditions alone could not have driven the success of this industry. As in the case of any new industry, there were many inherent financial risks, but these were conveniently reduced by the passing of the Company Act. The role of joint stock companies in this sector was further illustrated by the expansion of the fruit-growing industry into new facets, which included fruit drying and canning. This would have been difficult to achieve by individual farmers.

Another important finding is that by expanding the capital market, the Cape Company Act invited people from different spheres of the society to take part in capitalist activities. Of this population, 7% were women.[22] They hardly feature in studies focused on the financing of business at the Cape, yet findings from this dissertation show that their presence in the capital market rose significantly between 1892 and 1902. Given this development, it is important to acknowledge their role when discussing the growth of the Cape economy in the nineteenth century.

The growth in the number of women investors in the capital market was evidence of the diversity of the Cape capital market. It was composed of individuals from different social and economic backgrounds. Preceding studies on the development of capitalism at the Cape have often emphasised the role played by merchants, farmers, capitalists as well as foreign capital

[18] L. Phaleng, Trade Analysis of South Africa's Fruit Industry, (Cape Town: National Agricultural Marketing Council, 2017), 2. Accessed June 27, 2020, http://www.namc.co.za/wp-content/uploads/2018/07/NAMC-DAFF-TradeProbe-69-May-Issue.pdf.
[19] *Ibid*.
[20] C. Aucamp, "Rhodes Fruit Farms: A Small Beginning in the Paarl Valley, 1897-1910", 11.
[21] *Ibid*.
[22] CAD, LC 1 – LC 467, 1892-1902.

in financing Cape companies. As already mentioned, these studies tended to neglect other members of the society who also participated in the growth of companies in the colony. Findings from this study have shown that more than 60% of the capital that financed joint stock companies in the period under study came from a very diverse group of local investors. It should be stated, however, that this local capital market excluded the indigenous population. Their financial capacity was compromised by discriminatory laws that were imposed on Africans by colonial administrators.

This dissertation has also shown that companies outside the financial sector survived for a longer period than Adam Smith had predicted for joint stock companies in Britain. Of all the economic sectors in which Cape joint stock companies operated, mining companies had the poorest lifespan. Companies invested in other sectors had a longer survival rate.

Implications of the study

There are limited studies on the business history of Africa in general, and South Africa in particular. Jones highlighted that one of the earlier major setbacks to the discipline was methodological limitations. He claimed that the reason why there are biases in the way business histories are written, was because researchers hardly explored alternative sources, or attempted to triangulate their methodologies.[23] The first signs of this methodological integration in South Africa were shown in economic history studies that combined quantitative and qualitative sources. In studies on business history, the limitations highlighted by Jones seem to have had a profound effect. This study, therefore, is an attempt to reverse this trend. It has made use of an archive that has not been explored by business historians in the country. In addition to this, its methodology, one hopes, lays the foundation for future studies.

Investigating the impact of the passing of the Joint Stock Company Act in the context of the Cape Colony sets a precedence for further studies on company history in South Africa. By virtue of being the oldest colonial settlement in South Africa, its context is valuable to potential studies on the evolution of company law in South Africa. In addition, the Joint Stock Company

[23] J. Jones, "Business Imperialism and Business History", 8.

Act was made up of various elements. This study focused mainly on limited liability. It is possible for future researchers to explore other avenues of this Act. There is scope for more investigations on the impact of the Joint Stock Company Act in South Africa.

Findings from this study showed that companies engaged in various sectors of the economy emerged at the time of the publication of the amendment of the Joint Stock Company Act. Using the limited liability company archives, it is possible to analyse the growth of specific sectors such as utilities, fruit production, transport, real estate, financial organisations, as well as manufacturing. This data can also be useful in the study of technological advancements in the Colony.

There are also great prospects for research on imperialism and Cape joint stock companies in southern Africa. Evidence has shown C. J. Rhodes' imperialist expansion in the region beyond the Limpopo River lured entrepreneurs with varied business backgrounds. Gold prospecting led to the founding of many exploration companies that would eventually operate in Matabeleland and Mashonaland. More research can be done to investigate the number of these companies that incorporated at the Cape, but operated in Rhodesia, Swaziland and Bechuanaland. This could be followed by an analysis of the nature of their businesses, their sizes, as well as their survival rate. Future researchers can also investigate the people who financed these companies, and the possible motivation for their business decisions.

The gradual rise of the number of women investors in the capital market calls for more research in the study on capitalism at the Cape. Various reasons were proposed in this study to explain why women seemed to have developed a keen interest in the securities market. Perhaps a social study on women in the capital market can be done. This may include investigating the influence of the rise of feminist ideals in Europe on women residing at the Cape. For instance, M. L. Shanley in her study sees a connection between the changing of marital laws and the rise of feminism.[24] She discusses various themes of this phenomenon, and describes how women's

[24] M. L. Shanley, *Feminism, Marriage, and the Law in Victorian England, 1850-1895* (New Jersey: Princeton University Press, 1989), 74.

investments in joint stock companies could remain hidden from their spouse.[25] Such perspectives can be explored using this data in future studies. This is especially important when one considers that there was substantial growth in the number of women investors towards the end of the nineteenth century. It is very likely that their participation in the capital market increased further after this period. Analysing such trends will help carry out a study similar to that done by Shanley.

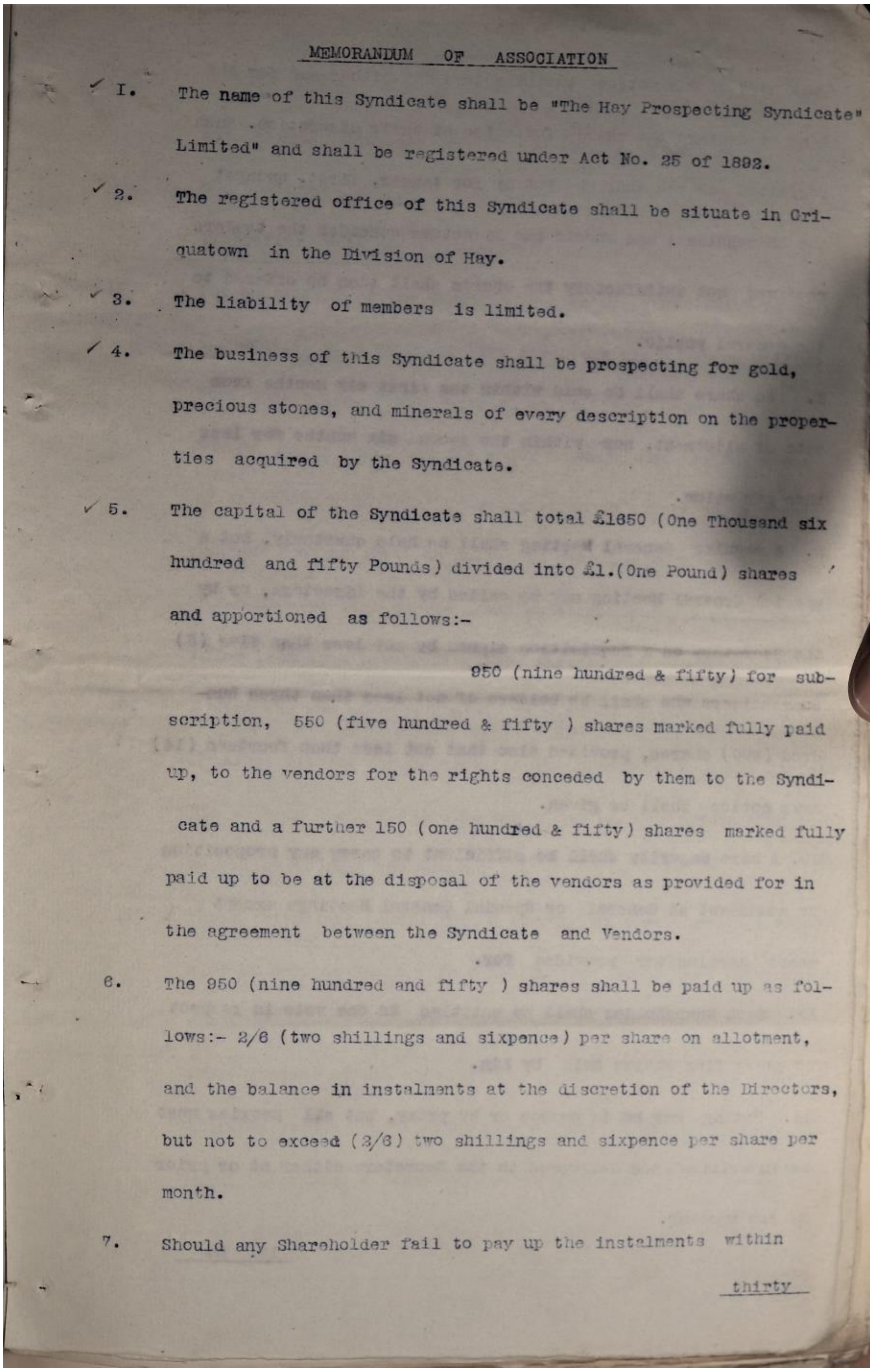
This also applies to the presence of Africans in the capital market. Although they constituted a small percentage of the Cape capital market, the pattern in which they invested calls for more research to understand why they began to form companies and invest in shares during this period. Given that they appeared in 1900, there is a possibility that in the years leading up to the South African Union they appeared more regularly in the capital market. A thorough investigation of African investors in the Cape capital market can shed new light on the history of capitalism at the Cape.

Comparative studies on the impact of the passing of the Company Act in British territories should also be undertaken. As already mentioned in previous sections, British territories adopted different versions of the British Joint Stock Company Act. It would be worthwhile to investigate the impact of this Act on colonial economies.

[25] *Ibid*.

Appendices

Appendix 1



MEMORANDUM OF ASSOCIATION

I. The name of this Syndicate shall be "The Hay Prospecting Syndicate" Limited" and shall be registered under Act No. 25 of 1892.

2. The registered office of this Syndicate shall be situate in Griquatown in the Division of Hay.

3. The liability of members is limited.

4. The business of this Syndicate shall be prospecting for gold, precious stones, and minerals of every description on the properties acquired by the Syndicate.

5. The capital of the Syndicate shall total £1650 (One Thousand six hundred and fifty Pounds) divided into £1.(One Pound) shares and apportioned as follows:-

950 (nine hundred & fifty) for subscription, 550 (five hundred & fifty) shares marked fully paid up, to the vendors for the rights conceded by them to the Syndicate and a further 150 (one hundred & fifty) shares marked fully paid up to be at the disposal of the vendors as provided for in the agreement between the Syndicate and Vendors.

6. The 950 (nine hundred and fifty) shares shall be paid up as follows:- 2/6 (two shillings and sixpence) per share on allotment, and the balance in instalments at the discretion of the Directors, but not to exceed (2/6) two shillings and sixpence per share per month.

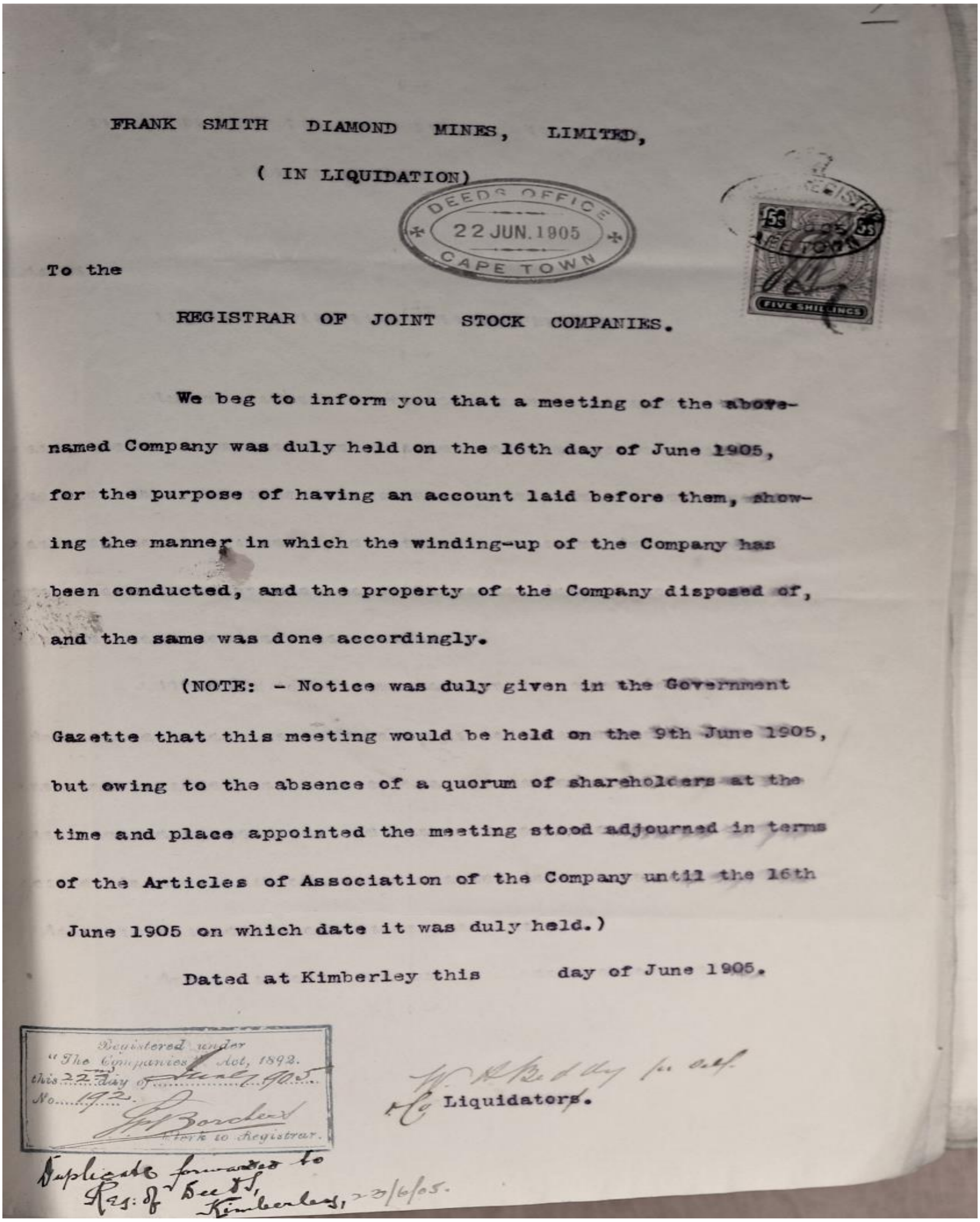
7. Should any Shareholder fail to pay up the instalments within

thirty

Figure 33: Sample of Memorandum of Association.

Source: CAD, LC 193, The Hay Prospecting Syndicate, 1897.

Appendix 2



FRANK SMITH DIAMOND MINES, LIMITED,

(IN LIQUIDATION)

DEEDS OFFICE
22 JUN. 1905
CAPE TOWN

FIVE SHILLINGS

To the

REGISTRAR OF JOINT STOCK COMPANIES.

We beg to inform you that a meeting of the above-named Company was duly held on the 16th day of June 1905, for the purpose of having an account laid before them, showing the manner in which the winding-up of the Company has been conducted, and the property of the Company disposed of, and the same was done accordingly.

(NOTE: - Notice was duly given in the Government Gazette that this meeting would be held on the 9th June 1905, but owing to the absence of a quorum of shareholders at the time and place appointed the meeting stood adjourned in terms of the Articles of Association of the Company until the 16th June 1905 on which date it was duly held.)

Dated at Kimberley this day of June 1905.

Registered under "The Companies Act, 1892." this 22 day of June 1905. No. 192.

Clerk to Registrar.

Liquidators.

Duplicate forwarded to Reg: of Deeds, Kimberley, 22/6/05.

Figure 34: Sample of liquidation records.

Source: CAD, LC 192, The Frank Smith Diamond Mines Limited, 1897.

Appendix 3

Summary of Capital and Shares of the ____________________

made up to the ________ day of ____________ 190__

Nominal Capital, £ ____________ divided into ____________ Shares, of £ ________ sterling each.

Number of Shares taken up to the ________ day of ____________ 190__

There has been called up on each Share ____________

Total amount of Calls received ____________ Total amount of Calls unpaid ____________

List of Persons holding Shares in the ____________ on the ________ day of ____________ 190__, and of Persons who have held Shares therein at any time during the Year immediately preceding the said ________ day of ____________ 190__, showing their Names and Addresses and an Account of the Shares so held.

Folio in Register Ledger containing particulars.	NAMES, ADDRESSES AND OCCUPATIONS.					ACCOUNT OF SHARES.			
	SURNAME.	CHRISTIAN NAME.	ADDRESS.	OCCUPATION.	Shares held by Existing Members during preceding year.	Additional Shares held by Existing Members during preceding year.		Shares held by Persons no longer Members	
						Number	Date of Transfer	Number	Date of Transfer.
		Broughtforward			2815				
	Villiers de	Stephanus Isaac	Somerset Strand	Teacher	IO				
	do	Jacob Eliza	Paarl	Farmer	IOO				
	do	Carl Albrecht	Paarl	Ironmonger	25				
	do	Jacobus Pieter	Paarl	Miller	IO				
	do	Rocco C.	Paarl	Music Teacher	20				
	do	David Francois	Paarl	Trader	IO				
	do	Septimus. P.H.	Paarl	Speculator	IIO				
	do	Jan Jacobus	Worcester	Genl Dealer	IO				
	do	Matthys Johannes	Caledon	Farmer	25				
	do A/Son.	Jan Jeremias	do	Farmer	IO				
	do	Andries Stephanus	do	do	IO				
	do	Jacob Isaac	Kalk Bay	do	IOO				
	do	Jacob Izak	Langverwacht	do	20				
	do	Izak C. B.	Noodr Hoek	do	200				
	do	Abraham P.	do	do	50				
	Versfeld M/Son.	William F.	Platteklip	do	25				
	do	J. W. C.	do	do	25				
	Vink	Pieter	Platterug	do	IOO				
	Visser	Johannes D. J.	Klipbank	do	20				
	do	Jan A.	Occultdale	do	50				
	do	Jan D. J.	Elsenberg	do	50				
	do	James W.	Malmesbury	Merchant	25.				
	do	Andries Jacobus	Herculesfontein	Farmer	20				
	do	Floris Gerhardus	Wegloopersheuvel	Farmer	IO				
	do	Dirk Jacobus	Groenvley	Farmer	IO				
	Ville de	James Curlewis	Langvley	do	50				
	do	Pieter B.	Paarl	Wagonmaker	IO				
	Vos de W/Son	Jacob	Olifantsberg	Farmer	40				
	do J/Son.	Gabriel	Worcester	Retired	20				
	do	Maryna Magdelina	Worcester	Housewife	20				
	do	Gideon Jacobus	Olifantsberg	Farmer	I50				
	Vries de	Revd Jan	Somerset Strand	Minister	I2				
	Voigt	Frederick C. M.	Worcester	Wagonmaker	50				
	Voigt	Johan Carel	Paarl	Capitalist	50				
	Vlotman	Lourens J.	Groen-berg	Farmer	25				
	Viljoen	Gabriel Petrus	Hex River East	do	40				
	do H/Son.	Philip W.	do do	do	20				
	do	Barend Johannes	Goedemoed	do	IO				
	do	Pieter G.	do	do	IO				
	do	Hendrik Jacobus	Wolfkloof	do	20				
	do	Jan Bastiaan	Zandvleit	do	IO				
	do	Hermina Elizabeth	Worcester	Spinster	IOO				
	Voigt	Philip Wouter	do	Capitalist	50				
	do	Pieter N.	do	do	I50				
	Voesee	Pieter J. J.	Roodezand	Farmer	20				
	do	Theunis C.	Hex River	do	20				
	Vlok Revd	Johannes Nicolaas	Piquetberg	Minister	20				
	Vlok	Nicolaas Johannes	Secy D. C.	Piquetberg	IO				
	Voesee	Pieter J. J.	Hex River	Farmer	60				
	Wyk van	Gert J. J.	Klipkraal	do	IO				
	Werdmuller	Frederick F.	Malmesbury	Attorney	200				
	Westhuyzen v d	Petrus Johannes	Rozenburg	Farmer	50				
	do	Johannes D. J.	do	do	IO				
	do	Petrus Johannes	Maastricht	do	20				
	do	Albert Johannes	Nieuwfontein	do	20				
	do	Anna C. S.	Maastricht		20				
	do	Gideon C. A.	Meerendal	do	I5				
	do	Hendrik Jacobus	Papkuilsfontein	do	25				
	do	JohannesP.	Platterug	do	IO				
	do	Melt	do	do	IO				
	do Jr	Benjamin	do	do	IO				
	do Sr	Benjamin	do	do	IO				
	do	Andries A. G.	do	do	IO				
	Wit de	S. J.	Meerendal	do	I5				
	Wet de	Paul J.	Hex River	do	400				
	do	Daniel Jacobus	Brandvley	do	40				
	do	Johannes Francois	Klein Ezeljagt	do	20				
	Wiehan	Jacob Johan	Achterdam	do	IO				
	do	George J.	do	do	IO				
	Walters	Hugo A. L.	Doornkuil	d	IO				
	do	Samuel A.	Kelderfontein	do	20				
	Walt van der	J. A.	Brandfontein	do	IO				
	Walters	Stephanus S.	Bakenfontein	do	25				
	do	Stephanus S.	Porter Ville		20				
	do	Matthys Michielse	Moorreesburg	Teacher	IO				
	Wessels	WesselsJ.	Vroolykheid	Farmer	IO				
	do Jr	Johannes Frederick	do	do	IO				
	Waal de	Jan Hendrik Hofmeyr	Cape Town	Auctioneer	50				
	do	Hermanus L.	SchooneOort	Farmer	80				
	do	Adriaan J.	Langverwacht	do	50				
	Wrensch	Johan F. J.	Cape Town	Law Agent	IO				
	WOlfaardt	Georg Sebastiaan	Ashton	Farmer	I40				
	Wolfaardt	Willem J.	De Doorns	do	IO				
	Ward	David	Green Point	Retired	50				

Figure 35: Sample data of shareholders lists.

Source: CAD, LC C302, The African Mutual Trust and Assurance Company Limited, 1900.

Appendix 4

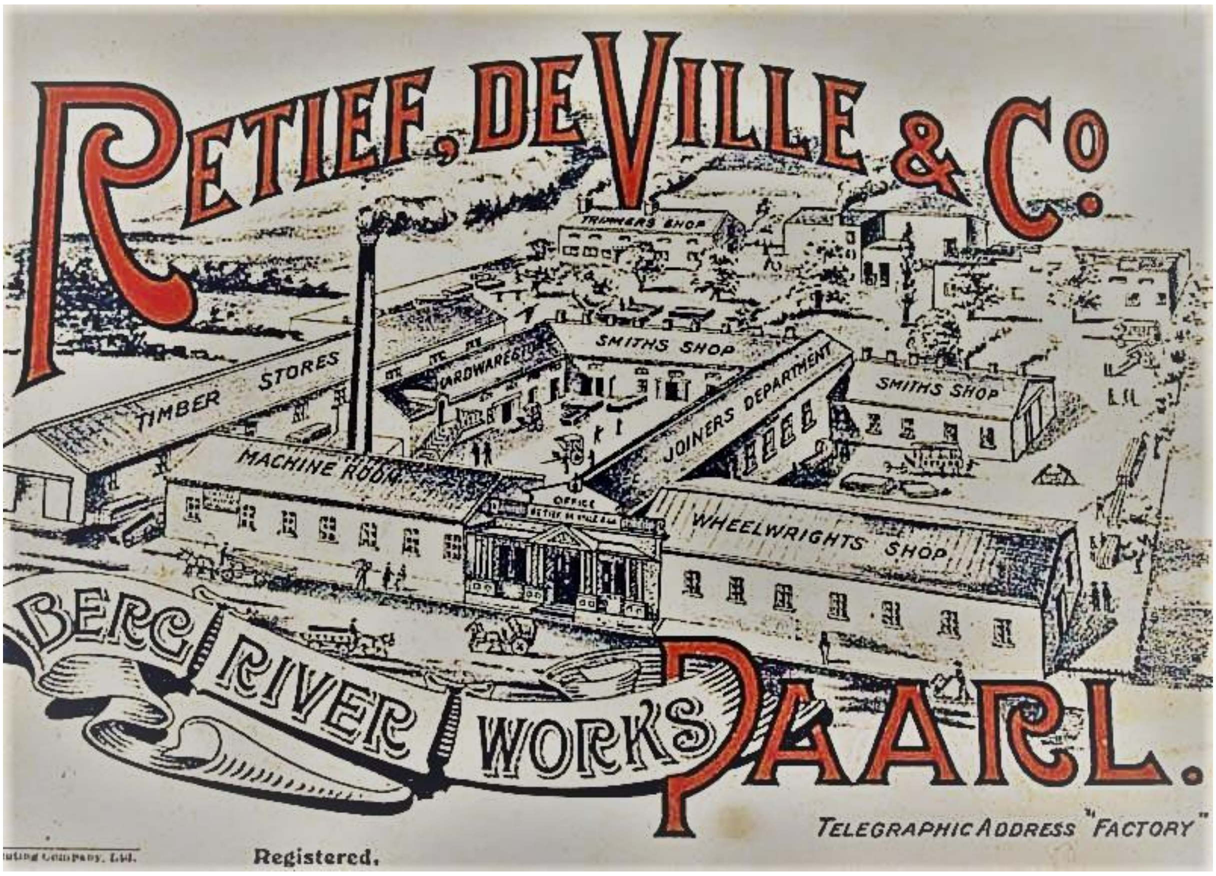


Figure 36: Retief, De Ville and Company vehicle catalogue, 1899.

Source: Antiquarian Auctions.com, "Illustrated Price List of Vehicles Manufactured by Retief, De Ville and Co."

Appendix 5

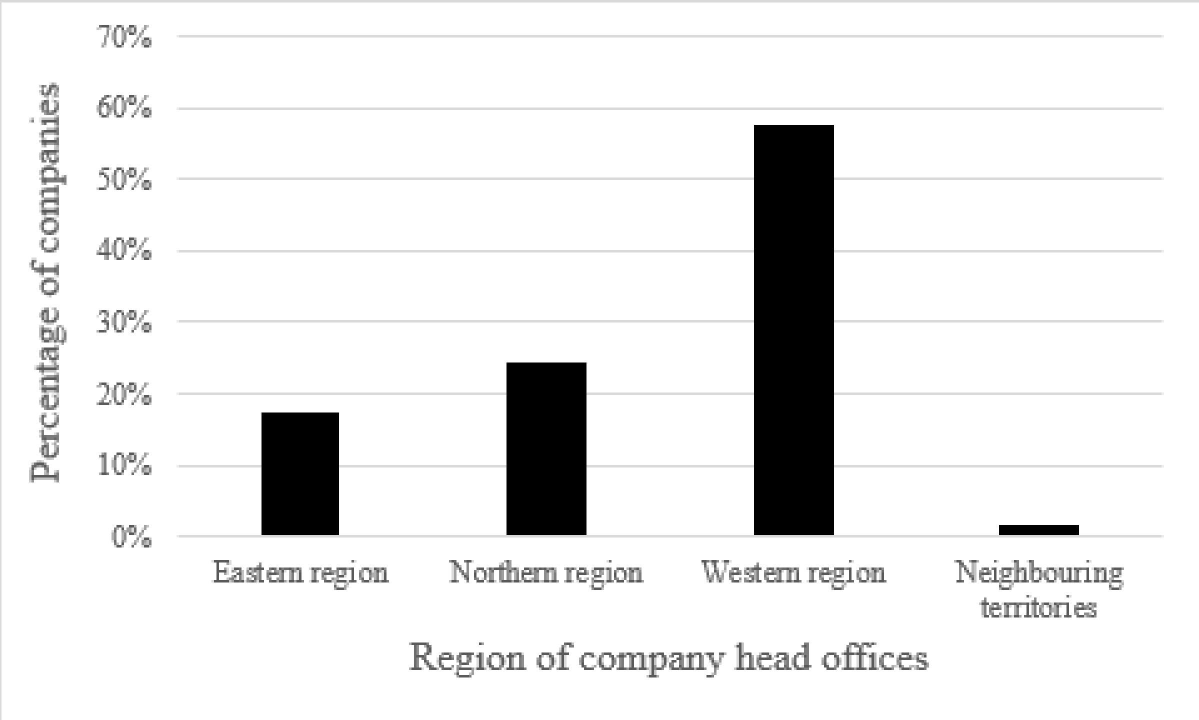


Figure 37: Location of companies' offices, 1892-1902.

Source: CAD, LC 1 – LC 467.

Appendix 6:

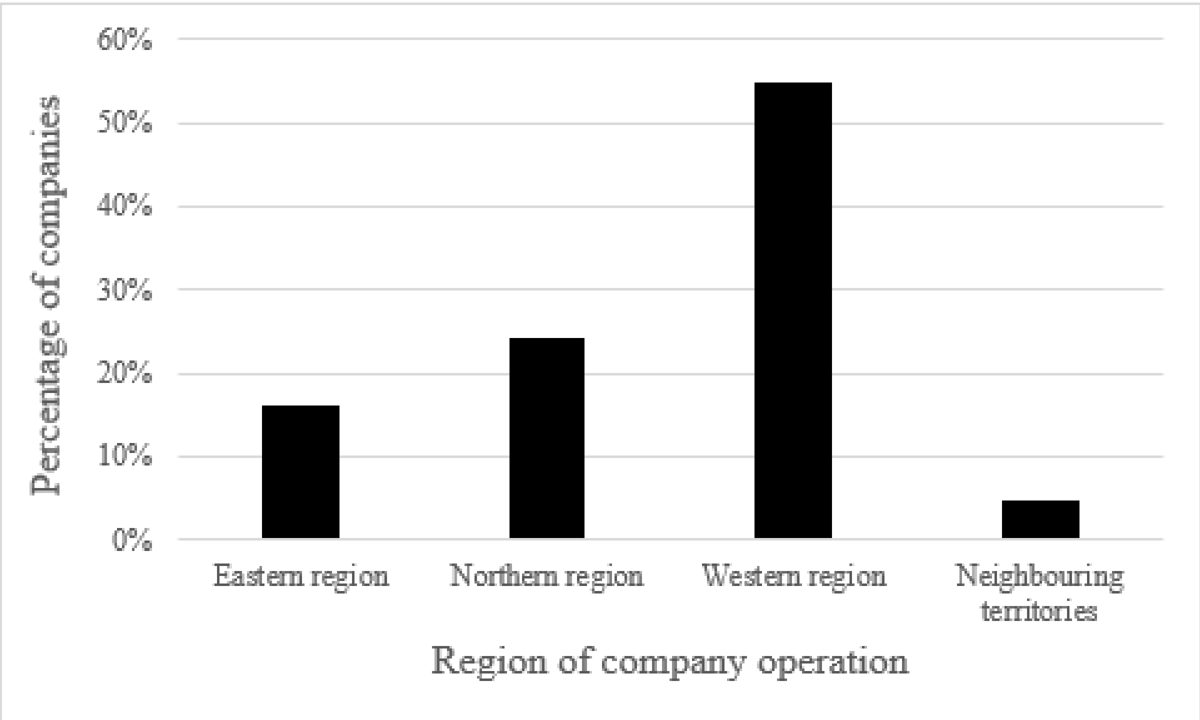


Figure 38: Location of companies' operations, 1892-1902.

Source: CAD, LC 1 – LC 467.

Appendix 7

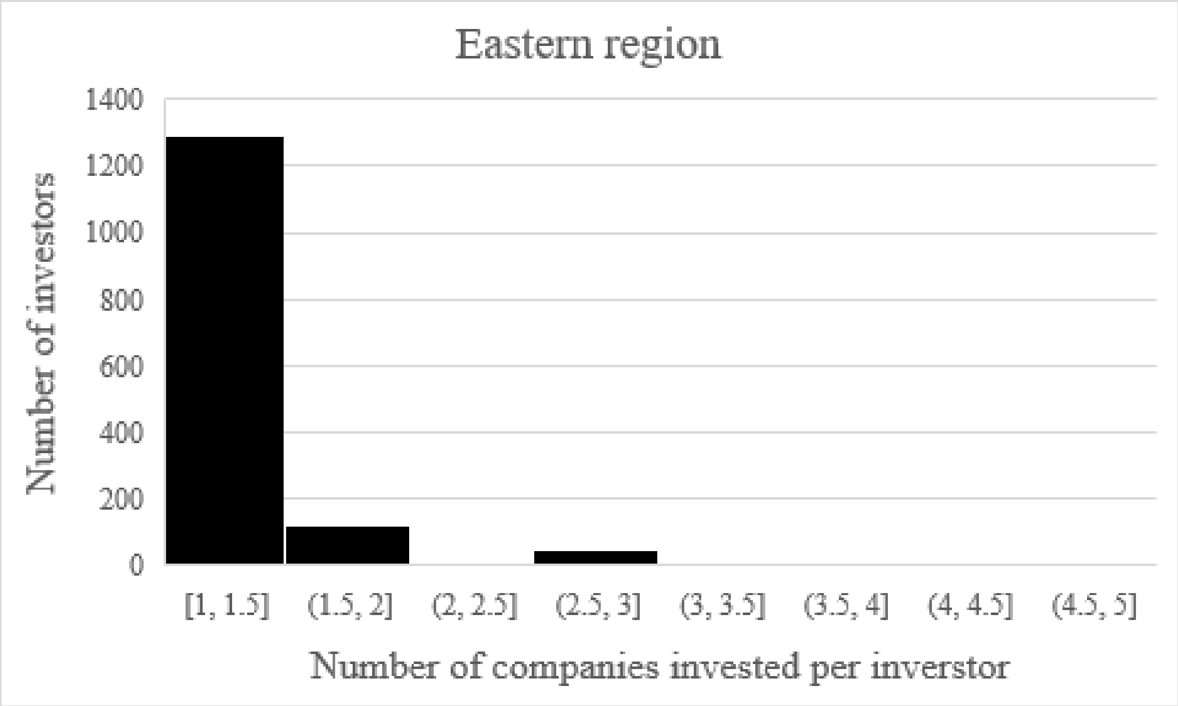


Figure 39: Portfolio diversification in the eastern region, 1892-1902.

Source: CAD, LC 1 – LC 467.

Appendix 8

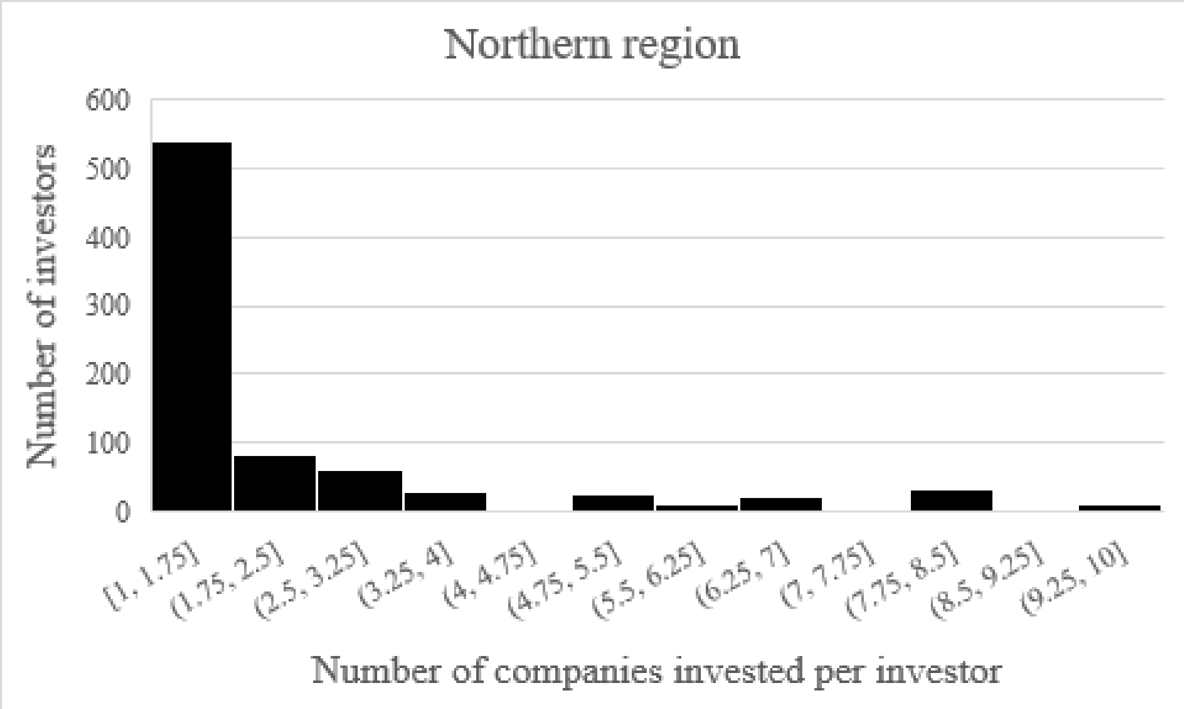


Figure 40: Portfolio diversification in the northern region, 1892-1902.

Source: CAD, LC 1 – LC 467.

Appendix 9

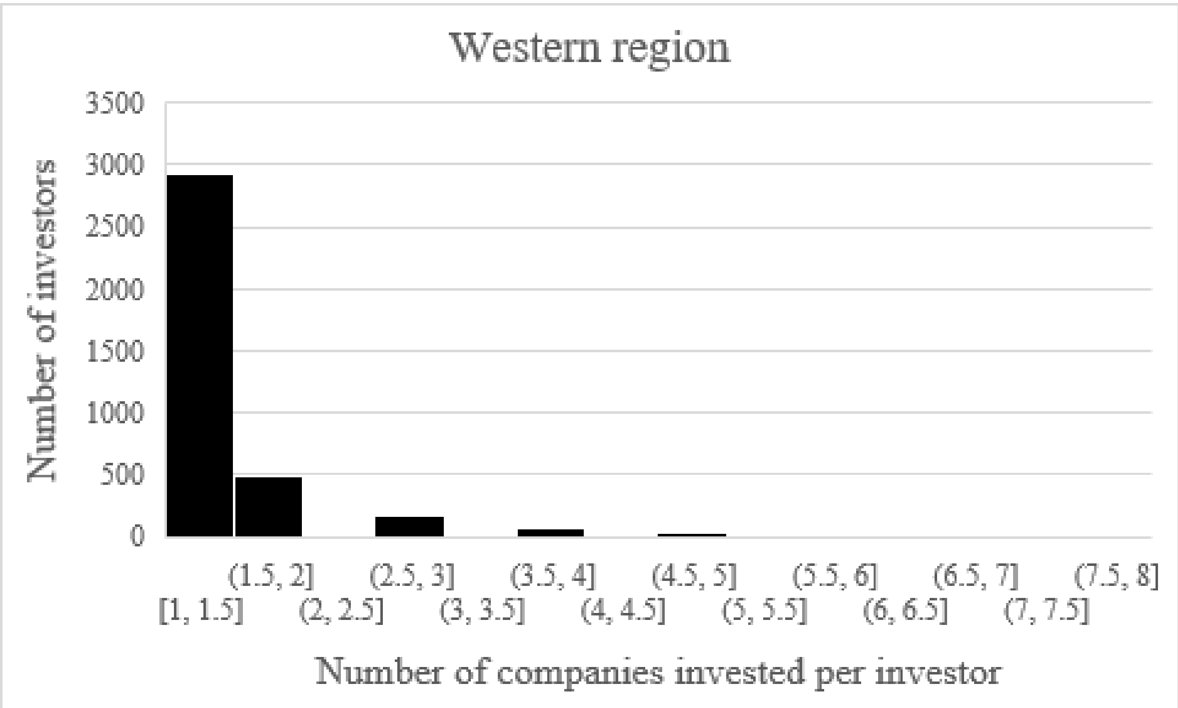


Figure 41: Portfolio diversification in the western region, 1892-1902.

Source: CAD, LC 1 – LC 467.

Appendix 10

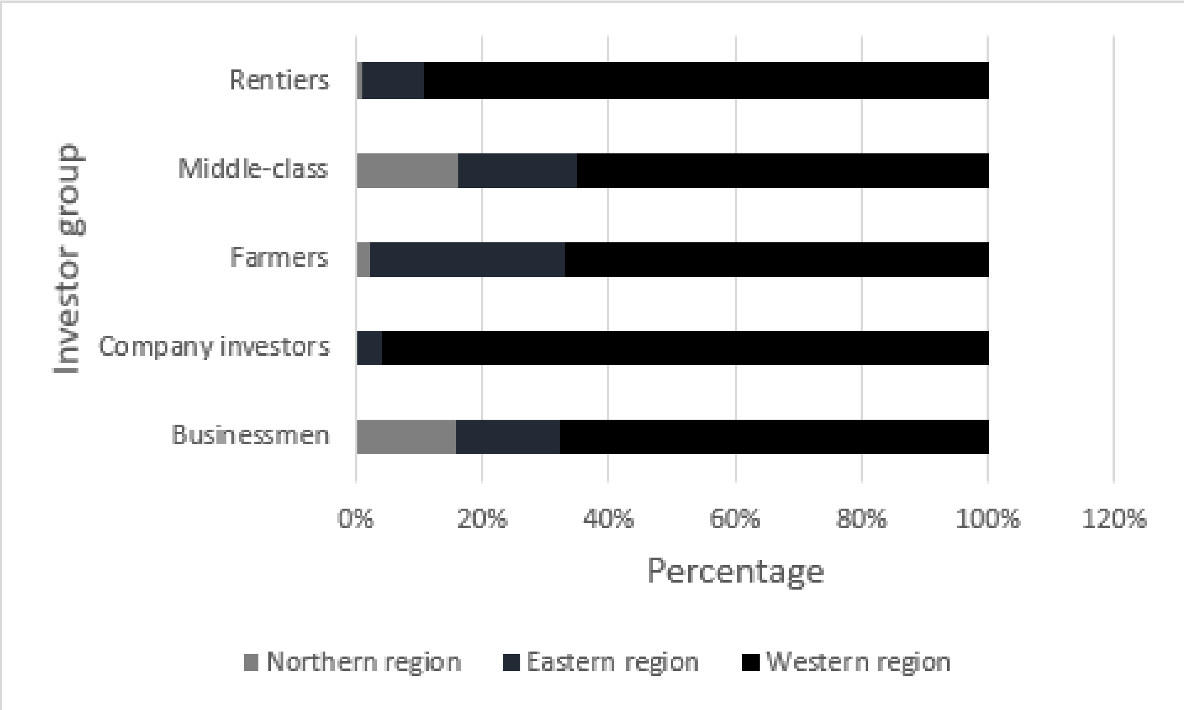


Figure 42: Distribution of each investor group per region at the Cape, 1892-1902.

Source: CAD, LC 1 – LC 467.

Appendix 11

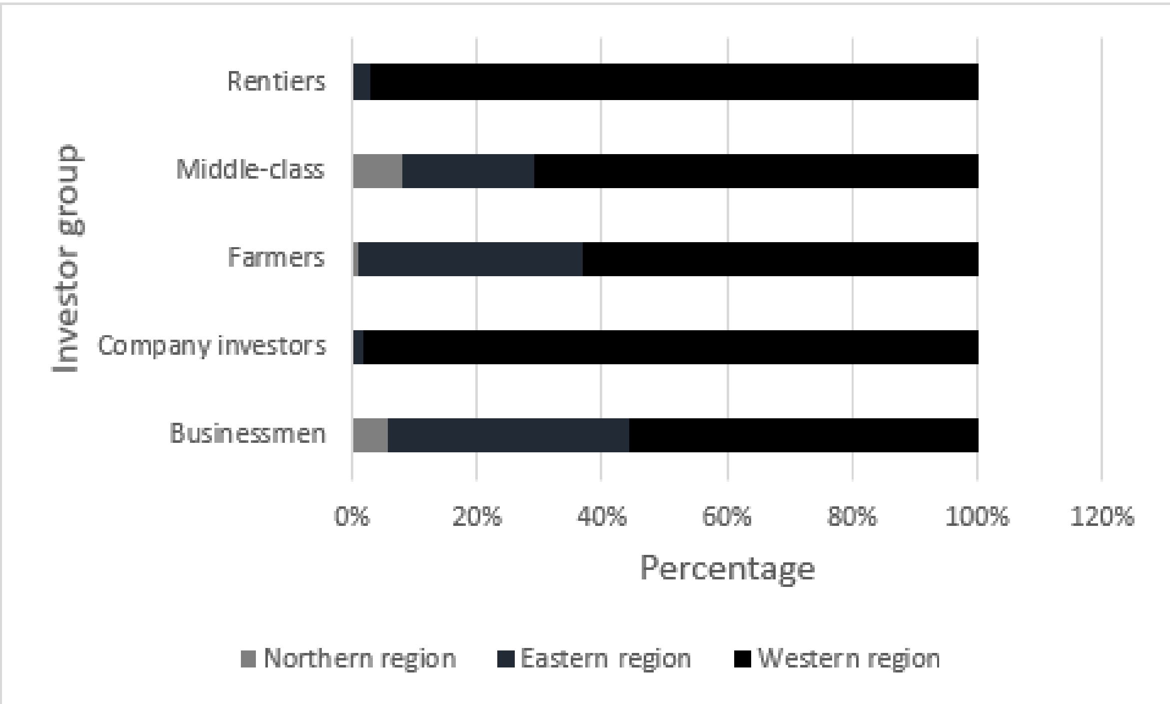


Figure 43: Capital contribution of each investor group per region at the Cape, 1892-1902.

Source: CAD, LC 1 – LC 467.

Appendix 12

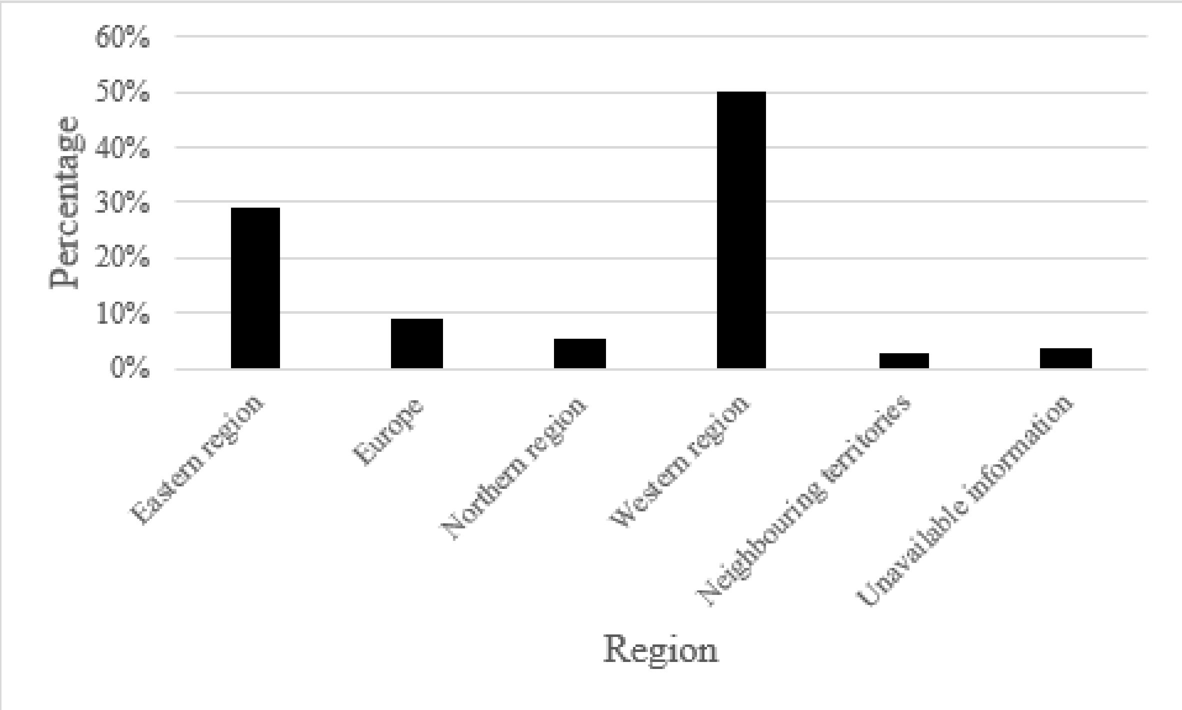


Figure 44: Women investors per region at the Cape, 1892-1902.

Source: CAD, LC 1 – LC 467.

Appendix 13

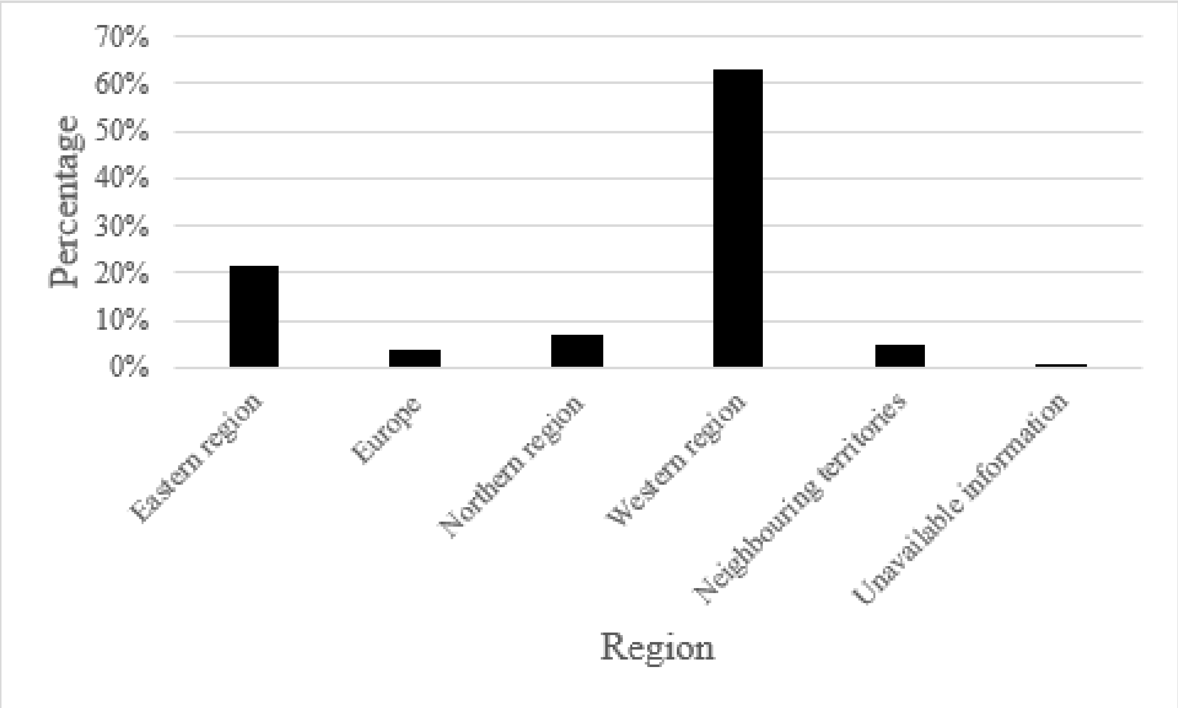


Figure 45: Women investors capital value per region at the Cape, 1892-1902.

Source: CAD, LC 1 – LC 467.

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