

THE INTRODUCTION OF PAPER MONEY IN THE SOUTH AFRICAN REPUBLIC

Part 2

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The full implications of all the disadvantages that the injudicious printing and issuing of paper money had had for the financial administration of the country were brought very clearly to the attention of the Volksraad towards the end of 1867 through the agency of the Financial Commission. In addition, the Financial Commission was also able to show that the administration of the country's monetary resources was in an extremely precarious state. Its report, which came before the Volksraad in December 1867, brought to light that, according to the budget of 1866, there should have been a favourable balance of £5,215.13.9 in the national treasury on 1 August 1867. Not only was this amount not present, but in the course of the preceding year a further £20,000 in paper money had also been brought into circulation. In this way the national debt had been added to, but exactly how large it was at that stage the Commission could not determine, because of the "deplorable condition" in which the state's bookkeeping found itself.¹

In view of the muddle which the Commission found with regard to the country's finances, it laid a number of very important proposals before the Volksraad. Mindful of the fact that the Volksraad had in the past too readily brought too many notes into circulation, the Commission recommended that, should it be necessary in future to issue more Government notes, a commission of three persons be charged with supervising the issue.² Evidently the Commission was more concerned about the expenditure of the national finances and the resulting deficits, and a number of important economy measures were therefore suggested. "As a first step of economy" it recommended "the abolition of fixed salaries, during peacetime, of the Commandant General; commandants; artillery commandant; as well as of Chief and other Bailiffs; chief and other powder-magazine masters; and also that, when Landdrosts are absent and receive travel and subsistence allowances for this, the acting Landdrost shall during that time receive the salary of the absent Landdrost".³ Although economy measures of this kind could in turn give rise to problems of another kind, the Volksraad agreed with the proposals in principle and referred them to the Budget Commission for further consideration.⁴

To bring greater order and regularity into the financial administration, the Commission also proposed that in future no public works be undertaken without the prior approval of

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1. V.R.B. 4 December 1867, art. 235, St. Cr. 5 Feb. 1868.

2. V.R.B. 6 December 1867, Arts. 244 and 252, St. Cr. 5 Feb. 1868.

3. E.V.R. 111, p. 381: J. G. C. van Leenhof to Chairman of Budget Commission, Pretoria, 12 Feb. 1868.

4. V.R.B. 12 Feb. 1868, art. 257. Cf. *Staats Courant* 18 March 1868.

the Executive Council having been obtained and without proper tenders for the work having been called for. The Commission further proposed that the financial reports of all the landdrosts be published monthly in the Government Gazette; that the State President, as often as he considered it necessary but at least 4 times a year, have all landdrost offices inspected by a commission; and that all officials who in one way or another had to do with the administration of money immediately furnish good sureties, failing which they would be dismissed from their posts. As a contribution to the improvement of the general administration of the country it was further proposed that all officials be provided with instructions on how to manage their offices. The above proposals were accepted by the Volksraad essentially unchanged, apart from minor adjustments here and there, and put into effect.⁵

The Budget Commission, to which the economy measures had been referred for consideration, was indeed faced with a difficult problem. In the Northern Transvaal various native tribes had risen in revolt against the authority of the state, and it was necessary to send a commando there, which immediately put paid to the prospect of savings. Under these circumstances the findings and recommendations of the Budget Commission gave no cause for optimism. In its report to the Volksraad the Commission declared that, on the strength of verbal communications supplemented by estimates and such written evidence as could be found, it had come to the conviction that the public debt on 1 August 1867 amounted to no less than £30,000. To meet the state's obligation in this respect, the Commission recommended that notes for an equal amount be issued immediately, with government farms as guarantee.

The Commission then further brought to the attention of the Volksraad that, according to the ordinary budget, the country's expenditure for the following financial year would exceed its revenue by approximately £15,000. The Commission declared its intention of eliminating the difference by recommending that salaries be reduced, some posts abolished, the erection of public buildings postponed and certain fees payable to the state increased. The Commission considered it impossible, however, to carry through these reforms in the coming financial year, and therefore recommended that the expected deficit of £15,000 be added as a debt to the existing £30,000 and that paper money be issued for it as well. The Volksraad accepted these proposals and decided to refer everything in connection with the new issue of paper money to a commission of five persons to be chosen by the Volksraad.⁶

The new commission did not let the grass grow under its feet and had a report ready less than a week later. The upshot of the commission's recommendations, as contained in its report, was

5. V.R.B. 12 February 1868, arts. 246, 253 and 254. Cf. *Staats Courant* 5 and 10 March 1868.

6. V.R.B. 10 March 1868, arts. 383 and 384.

that the principle, already accepted earlier, of placing a “commission of finances” in charge of supervising new issues of notes was adopted. After manufacture, the notes would be signed by the State President and one member of the Executive Council, after which they would be handed over to the commission of finances and signed by one more of its members. It was also decided that 600 notes of £5, 30,000 of £1, 20,000 of 5/- and 40,000 of 2/6 would be printed, and that in addition 20,000 “Goed Voors” of 1/- and 40,000 of 6 pennies would be issued. As security for this and other existing paper money, 1,000 farms would be set aside and properly mortgaged. For the redemption of the notes, farms would from time to time be sold by public auction at an “upset price” of £100 per farm. Sales would take place only after being advertised six months in advance in the Government Gazette and in Free State and Natal newspapers.⁷

Even before the plans in connection with the new issue of paper money had been completed, unfavourable reports from the North reached the State President in Pretoria. Commandant-General Paul Kruger made urgent representations to the government to supply his commando effectively with munitions and provisions, which would naturally entail considerable additional expenditure for which no provision had been made in the normal budget.⁸ For that reason the State President attempted a solution by recommending that a further £2,000 in government notes be printed. The Volksraad considered the recommendation and decided to refer the matter to the Commission of Finances, which, quite rightly, did not respond to it further.⁹ This new body was evidently very determined to bring the muddle that existed with regard to paper money under control as soon as practicable, and as one of its first measures notified the public on 15 July 1868 to exchange all existing five- and ten-rixdollar notes for new government notes before 1 April 1869.

But it was not only the Commission of Finances; the government itself also began to think seriously about plans to improve the country’s financial position. The Executive Council very fittingly took the initiative and in April 1868 laid a number of proposals before the Volksraad for consideration. In these it was proposed, among other things, that every burgher’s land tax on all uncultivated or unoccupied farms in excess of four be doubled; that persons resident abroad who owned unoccupied farms in the South African Republic pay a tax of £6 per year per farm; and that such persons, in the event of war, pay an extra £10 war tax on each farm unless they provided, to the satisfaction of their field cornet, an armed person for military service in their place. The Volksraad endorsed the proposals in principle and

7. Cf. implementation in V.R.B. 16 and 17 March 1860 [sic], arts. 410 ff.; V.R.B. 19 March 1868, art. 437.

8. E.V.R. 110, p. 229: M. W. Pretorius to the Volksraad, dated Pretoria, 14 March 1868.

9. V.R.B. 14 March 1868, art. 401. Cf. *Staats Courant* 27 May 1868.

requested the president to publish them in the Government Gazette so that they could be discussed at the next ordinary meeting of the Volksraad.¹⁰

When the Volksraad assembled for its ordinary annual session that September, the State President in his customary address skilfully sketched the seriousness of the situation for the members. He expressly emphasised that the issue of more paper money was out of the question and that other methods would have to be found to meet unavoidable expenditure. In this regard he expressed the hope that, should it become necessary to increase taxes, the public would loyally cooperate. The State President was by no means gloomy in his summing-up of the position. The national debt was, after all, still relatively small, and if peace with the natives in the Northern Transvaal could be restored, he held out the prospect that internal trade would improve to the benefit of every burgher, so that everyone would be able to pay somewhat higher taxes. But it was especially the low rate of the government notes that caused the State President concern. Although the entire population was disadvantaged by it, it was above all the state officials who were hard hit as a result. The State President saw the matter in its correct perspective when he ascribed the low rate of the notes “to lack of confidence in the government and the legislation”. If the country’s legislation in general could be improved, the confidence of traders in the republic would increase and the rate of the notes would improve of its own accord.¹¹

The state’s system of taxation subsequently came fully under the spotlight when the budget for the tax year running from 1 August 1868 to 31 July 1869 came up for discussion.¹² The budget, in which £12,825 was set aside for ordinary and extraordinary expenditure and which would nevertheless yield an expected surplus of £5,429.9.4, caused serious concern in view of the large number of government notes in circulation that would at some time have to be redeemed, so that thought was given on the one hand to economy measures and on the other to increased sources of revenue. In a debate that took up more than five days of the Volksraad’s time, a whole series of tax reforms was carried through. Strangely enough, the fathers of the nation applied the pruning shears where one would least expect it. Provision had been made in the budget for the salaries of five ministers of religion to a total amount of £1,225. The Volksraad accepted a recommendation of the budget commission and decided to remove the ministers’ salaries from the budget and to appeal to church councils and ministers for each congregation itself to accept responsibility for its minister’s salary.¹³ Further savings were effected by the decision that the landdrost of Potchefstroom would hold a sitting at Bloemhof every three months and that only

10. V.R.B. 9 April 1868, arts. 566 and 567. Cf. *Staats Courant* 9 September 1868.

11. Cf. Address of the State President, V.R.B. 14 September 1868, art. 15.

12. E.V.R. 112, pp. 1005 ff.

13. V.R.B. 23 November 1868, art. 304.

a justice of the peace would be stationed at the latter place.¹⁴ In a similar way Schoemansdal and Nylstroom were placed under the authority of one landdrost with his seat at Potgietersrust.¹⁵

After a measure of saving had been achieved in this way, the Volksraad proceeded to increase the national revenue by amending existing taxes and general tariffs. Thus, for example, the tax on erven was increased to 10/-; import duty to £3 per load of 3,000 pounds; transfer duty to 3%; shop licences to £7.10.0 and butchers' and bakers' licences to £2.0.0. Land surveyors' licences would in future amount to £10 per year, which would also be the amount for agents appearing in the lower courts. Advocates and attorneys would have to pay £15 annually, notaries £10, sworn translators £3 and appraisers £2. Auction duties were fixed at 2½% for movable and 1% for immovable property. In addition, the Volksraad introduced entirely new taxes and, although it acted with particular moderation in this respect, it entered a field which those affected would experience as a shock. Loan farms, the Council decided, would in future be taxed at £1.10.0 per year, while a personal tax of 10/- was imposed on the adult male population.¹⁶

As will appear later, the foregoing reform measures did have a favourable effect on the country's financial position. With regard to the government notes, however, they did not succeed in bringing about any noteworthy relief. Barely two weeks after these decisions had been taken, landdrost Potgieter of Lydenburg complained to the government that "for some time it has been altogether impossible to obtain anything for the government notes on behalf of the government". Convicts had to be hired out to private persons "in order in that way to provide them with food", with the result that highly necessary government work could not be done. Even the post of messenger of the court could not be filled, because everyone refused to enter the service of the state with government notes as remuneration.¹⁷ To landdrost Potgieter's complaint the Executive Council replied that it could do nothing about the matter and that the landdrost would just have to manage as best he could. The Executive Council did, however, hold out the prospect that "measures will be taken to give the Government Notes a better rate".¹⁸

What the Executive Council intended to do is not mentioned in its reply to landdrost Potgieter, and evidently the Council itself had not yet seen the light either. The expectation had nevertheless been raised by an interview which one G. Moodie had held with the Executive Council two days earlier,¹⁹ during which he proposed that the issue of government notes be regulated by law and that such a law should clearly

14. V.R.B. 24 November 1868, art. 307.

15. V.R.B. 24 November 1868, art. 308.

16. V.R.B. 27 November 1868, arts. 319–326.

17. R.1446/68: Landdrost C. Potgieter to U.R., dated Lydenburg, 11 December 1868.

18. U.R.B. 24 March 1869, art. 41.

19. U.R.B. 22 March 1869, art. 33.

determine “in what manner the same shall be guaranteed and secured”. The Executive Council agreed that “the passing of such a law is highly desirable and necessary” and undertook, should Moodie submit such a draft law, “to have the same published and laid before the Volksraad for approval”. With the cooperation of Proes, Moodie thereupon submitted a draft to the Executive Council the very next day.²⁰

Armed with this draft law, M. W. Pretorius addressed the next session of the Volksraad with more than his usual self-confidence, declaring that “the State of our finances is very satisfactory”. The low rate of the notes did, however, trouble him, for not only in the Free State, Natal and the Cape Colony, “but even in the Republic they are scarcely accepted in trade at one third of the nominal value”. Mindful of Moodie’s draft law, he informed the Volksraad that whatever was necessary would be done to remove this anomaly.²¹ Great, then, must have been the State President’s disappointment when the Volksraad, “with almost general Votes”, rejected the purport of the draft bill²² and instructed the State President to submit his own scheme.

The State President was not entirely unprepared to carry out this instruction. With Moodie’s draft as a guide, the Executive Council was ready two days later and laid the following ideas before the Volksraad for consideration.²³ The sale of land for the redemption of notes would not work out satisfactorily unless the land could be marketed abroad. The image of the Republic abroad had to be improved, and in particular the slanderous and unfounded accusations that slavery was practised in the Transvaal had to be refuted on the spot in Europe, and especially in England. The weak financial position of the state was to be ascribed to the surplus of imports over exports. The balance could only be restored by greater production, the development of natural resources, the exploitation of mines and the promotion of industry, trade and agriculture. The possibilities which the Republic offered in this respect also had to be brought to the attention of interested parties abroad. Above all, the Executive Council was convinced “that our Childhood years must come to an end, and that we must be placed in the rank to which the size and wealth of our country entitle us”. To this end as many treaties as possible had to be concluded with foreign powers to recognise the independence of the state, guarantee its borders and obtain for it a generous measure of free trade. To promote all these aims, the Executive Council proposed that, regardless of the cost involved, an influential

20. U.R.B. 23 March 1869, art. 39.

21. Address of the State President, V.R.B. 3 May 1869, art. 11. Cf. *Staats Courant*, 5 May 1869.

22. V.R.B. 10 June 1869, art. 197.

23. U.R.B. 12 June 1869, art. 28.

commission be appointed to go and plead the cause of the Republic in Europe and England.

Although the Volksraad approved the plan, nothing came of it in the end. Among the public there was apparently no great enthusiasm, and not much was expected of the mission. From Potchefstroom an unsigned document gave expression to the resentment that many people felt towards the fathers of the nation, precisely because of the paper money question. "God knows", this letter laments, "we would forgive the Government many sins if it made a serious, honest, reasonable attempt to replace its paper with coin, or to improve its value". The issue of paper money, it declares, "has filled the mouths of the people with curses and bitterness". Between people and government there exists no sympathy, "but on the contrary the deepest and bitterest aversion".²⁴ In the end, however, it was not reactions such as this that caused the grand plans for an overseas mission to founder, but precisely the lack of the money needed to send such a mission to Europe. In Cape Town²⁵ and in Natal²⁶ attempts were made in vain to borrow £1,000 in the name of the Republic for the commission that was to go to Europe. H. Ueckermann, who was to try to borrow the money in Natal, after first seeing which way the wind was blowing, did not even make an attempt, since he feared "a refusal". When the matter dragged on until June 1870 and the commission had still made no preparations to set out, a special commission charged with an investigation into the notes recommended that the plan be postponed indefinitely. With that the fate of the overseas deputation was sealed.²⁷

Meanwhile the problem of the low rate of the notes remained unsolved. The government's attention was drawn back to this urgent problem by an offer which one Theodor Doms made to the Executive Council. Doms, as a trader, would undertake to accept the notes at their full value and to sell goods to customers at fair prices, on condition that the government entered into a contract with him to sell him approximately 200 farms annually at a fixed price (£30 or £40 per farm), and that the contract would remain in force until he had bought land to the amount of £30,000 or £40,000.²⁸ The Executive Council did not take up Doms's offer, but some three months later itself set the matter in motion when landdrosts were notified that proposals for the improvement of trade and of the circulation of government notes would be awaited until 15 April 1870. Landdrosts were instructed to hold discussions with shopkeepers

24. S.S. 118, Suppl. 227: Unsigned document, dated Potchefstroom, 31 Aug. 1869.

25. S.S. 2704, Brieweboek 1869, no. 1149: M. W. Pretorius to Alfredo du Prat, dated Pretoria, 9 November 1869.

26. R.29/70: H. Ueckermann to B. C. E. Proes, dated Heidelberg, 3 January 1870.

27. R.844/70: Report of special commission, dated Pretoria, 30 June 1870.

28. R.1426/69: Theodor Doms to U.R., dated Pretoria, 22.12.1869.

and other interested parties and to communicate their findings to the Executive Council, after which the matter would be considered further.²⁹

Various bodies responded to this,³⁰ and although nobody apparently had a solution ready, all were more or less unanimous that the number of notes in circulation had to be reduced and that arrear debts to the state had to be vigorously collected and applied to the redemption of notes,³¹ while in a few cases it was suggested that notes be printed on good bank paper.³²

After the reports from the various landdrosts had been received, the Executive Council decided to forward all of them to the Volksraad for further consideration and to recommend to the Volksraad “that a reduction of the number of notes is desirable, namely by means of an extraordinary per capita contribution to be paid by every burgher for one year, to the amount of two pounds sterling, under the name of note tax”. The proceeds of the tax would be used to withdraw notes from circulation. The Executive Council further recommended that all trading licences be withdrawn and re-granted only to traders who undertook to accept the government notes at their full value.³³ When the proposal came before the Volksraad, it was decided to refer the whole matter to a select committee for report and recommendation.³⁴ Initially the committee consisted of D. Uys, A. Munnick, J. Franck and P. Sietzman, with B. Avenarius as secretary.³⁵ In the course of its work Munnick ceased to be a member of the committee, and G. Moodie and one Minnaar joined it.³⁶

Without the slightest doubt the committee went to work very earnestly and acquitted itself very well of its task. The first task it set itself was to establish exactly how many notes were in circulation. With all the information at its disposal, the committee came to the conclusion that £79,092.2.6 in government notes had been brought into circulation from time to time,³⁷ which was £2,092.2.6 more than the Volksraad had authorised.

29. U.R.B. 14 March 1870, art. 88.

30. Cf., *inter alia*, copy of a resolution of a group of traders under the chairmanship of F. W. Reid, undated, in R.419/70, and copy of resolution of 16 inhabitants of Utrecht, dated 16 April 1870, in E.V.R. 113, p. 149.

31. Arrear taxes had in the course of time assumed alarming proportions. For the three years to the end of July 1869 burghers owed the state an amount of £7,122.14.6 in Farm, Erf and Personal taxes. Cf. E.V.R. 114, pp. 331–332.

32. Evidently the proposal was made because various cases of counterfeiting of notes had occurred. Cf., *inter alia*, R.521/69 and R.1036/70.

33. U.R.B. 21 April 1870, art. 36 – U.R. Kladnotule 1870, No. U.R. 18/1.

34. V.R.B. 4 May 1870, art. 10.

35. E.V.R. 113, pp. 129 ff.

36. R.844/70.

37. For some reason the committee differs in this respect from the Auditor-General, who in a letter of 27 May 1870 informed the Government Secretary that £80,092.2.6 in notes were in circulation – a difference, therefore, of exactly £1,000. Cf. R.685/70.

In its report, which was ready on 30 June 1870, the committee names the following factors which in its opinion were responsible for the depreciation of the notes: 1. No proper mortgage bond had ever been registered on the farms set aside as security for the notes. 2. No proper provision had been made for the redemption and destruction of the notes. 3. No proper return in connection with the issue of the notes had ever been published, and after the first irregularity in the administration of the notes had come to light, no steps had been taken to assure the public that it would not happen again. 4. The fact that the Volksraad had sought to use compulsion to give the notes standing. In this connection reference is made to a Volksraad resolution of 1866³⁸ which laid down “that all those who conduct business under protection of licences and refuse to accept this money at equal value with silver or gold money, or refuse to accept it at all, shall upon sufficient proof of such conduct be declared to have forfeited their licences”. 5. The paper on which the notes were printed was still of very poor quality.³⁹ With the above factors, in so far as they pointed to negligence on the part of the Volksraad, the fathers of the nation would not identify themselves. In its own judgement the Volksraad had done everything possible and necessary to provide a good guarantee for the notes and for their redemption.⁴⁰

Having analysed the problem in this way, the committee made a number of very important recommendations. According to information from the Auditor-General, an amount of £5,265.17.2 was available for the redemption of notes,⁴¹ which would still leave notes to an amount of £73,826.5.4 in circulation. Because in the committee’s judgement this exceeded the real needs of the state, it was proposed that arrangements be made without delay to reduce the amount by £10,000 and, if at all possible, by £15,000. It was further proposed that a law be drafted making proper provision for the redemption of the remaining notes. The law should also provide that the notes be printed on proper bank paper; that a proper bond be passed over the 1,000 farms that would serve as security for the notes; that provision be made for an annual redemption of £5,000 or more; and that the restriction on free trade be lifted. It was also recommended that a commission of competent persons be constituted to administer the law, and for this purpose the names of F. W. Reid, E. Pavey and G. Moodie were put forward. Lastly, the committee further recommended that a special poll tax of £2 for owners of fixed property and £1 for other persons be levied. The proceeds of the tax, which had to be paid before the end of October,

38. V.R.B. 28 September 1866, art. 257.

39. E.V.R. 113, pp. 129 ff. Cf. also R.844/70: Copy of report of committee charged with improvement of notes, dated Pretoria 30.9.1870.

40. V.R.B. 18 June 1870, art. 186.

41. R.630/70: Auditor-General to Government Secretary, dated Pretoria, 18 May 1870.

were to be applied in their entirety to withdrawing notes from circulation.⁴²

The Volksraad evidently placed great confidence in the work of the committee, since almost all its recommendations were accepted more or less unchanged and thereafter embodied in Law No. 11 of 1870.⁴³ The law provides, among other things, that all notes in circulation be called in and replaced by others printed on proper bank paper. The notes kept in circulation would be secured by a special mortgage bond over 1,000 farms, which would be registered without delay. The new notes “shall be legal tender for the payment of all debts contracted within this Republic”. For the redemption of the notes an amount of £5,000 would be placed on the budget annually. If the £5,000 could not be found from ordinary revenue, as many of the 1,000 farms would be sold as were necessary to make up the shortfall. Lastly, the law also provides for the repeal of the contentious Volksraad resolution of 1866.

The recommendation that a special note tax be introduced for one year only was likewise accepted by the Volksraad.⁴⁴ After all, the idea of such a tax had originated not with the committee but with the Executive Council. Although the tax was not exorbitantly high, it nevertheless caused something of a storm among the burghers and provoked protests everywhere. In the Rustenburg district, for example, a protest meeting was organised on the occasion of a Communion gathering [*nagmaal*], at which a large number of burghers not only objected to the tax but also unanimously declared themselves unwilling to pay it.⁴⁵ From other quarters too, protests from large numbers of burghers reached the government.⁴⁶ In general the objection rested on the assumption that the 1,000 farms put up as security ought to be sufficient for the redemption of the notes. In a few cases the fear was expressed that the special tax would in time become a permanent law of the land.

Apart from the special note tax, the government came forward with various other tax increases for the tax year running from 1 August 1870 to 31 July 1871. Transfer duty, for example, was raised from 3% to 4%; stamp duties were almost doubled; licence fees for shopkeepers were increased from £7.10.0 to £50 per year; licences for the sale of liquor by small measure were increased to £100 per year, while all other kinds of licence fees were roughly doubled. The government was compelled to do this because a deficit of £1,421.10.0 had been budgeted for the year,

42. R.844/70 and E.V.R. 113, pp. 129 ff.

43. *De Locale Wetten der Z.A. Republiek, 1845–1885*, p. 392. The law was approved by the Volksraad on 20 June 1870, art. 189.

44. V.R.B. 20 June 1870, art. 188.

45. R.1241/70: Acting Landdrost C. Pistorius to M. W. Pretorius, dated Rustenburg, 12 October 1870.

46. Cf. R.1277/70: Undated protest of 105 burghers; R.1413/70: Protest of 75 burghers, dated Pretoria, 30 August 1870; R.1500/70: Protest of 79 burghers from the district of Pretoria.

whereas in terms of Law No. 11 of 1870 a surplus of £5,000 actually had to be found for the redemption of notes. In the same budget the government also made provision for considerable salary increases for officials – the persons who had suffered most from the depreciation of paper money.⁴⁷ The available documents do not show that any objections were raised against these measures.

The provision in Law No. 11 of 1870 under which all existing notes would be replaced by notes printed on proper paper was referred for further investigation and recommendation to a committee consisting of F. W. Reid and Fred Jeppe.⁴⁸ On the committee's recommendation, an order for the printing of notes was placed, through the mediation of J. J. Pratt, the Republic's Consul-General in Britain, with the firm of William Brown of Old Broad Street in London.⁴⁹ The notes would be printed according to a model approved by the Volksraad.⁵⁰ In total, notes to an amount of £60,000 were ordered, in the following denominations:

- 31,000 notes of £1 printed on green paper
- 2,400 notes of £5 printed on pink paper
- 800 notes of £10 printed on white paper
- 200 notes of £20 printed on blue paper.

In addition, so-called *Goed Voors*, which were to serve as small change and be printed on proper parchment, were ordered in the following quantities:

- 12,000 *Goed Voors* of 6d.
- 12,000 *Goed Voors* of 1/-
- 6,000 *Goed Voors* of 2/6
- 5,000 *Goed Voors* of 5/-
- 4,200 *Goed Voors* of 10/-.

The notes, which were to be signed by hand by the State President, the Treasurer-General and a member of the financial commission, would bear the national coat of arms and the name of the Republic as a watermark. On the "*Goed Voors*" a facsimile of President M. W. Pretorius's signature would be printed.⁵¹ In May 1871 Consul-General J. J. Pratt was able to inform the government in Pretoria that the order had been executed and shipped on board the *Syria* to the firm of Muirhead and Co. in Durban for the Republic. In the end 6,000 *Goed Voors* each of 5/- and 10/- were printed. Otherwise the order was executed correctly. The total cost of printing the notes amounted to £186.18.8.⁵² It was characteristic of the financial position in which the

47. E.V.R. 114, pp. 301–385.

48. R.1246/70: F. W. Reid and Fred. Jeppe to M. W. Pretorius, dated Potchefstroom, 12 October 1870.

49. U.R.B. 18 October 1870, art. 84.

50. V.R.B. 21 June 1870, art. 203.

51. S.S. 2705, *Brieweboek*, 1870, No. 1509: M. W. Pretorius to Consul-General J. J. Pratt, dated Pretoria, 29 October 1870.

52. R.699/71: J. J. Pratt to Proes, dated London, 24 May 1871.

Republic found itself that the national treasury did not have the means to pay the printing costs. The Treasurer-General was, however, instructed to pay the account immediately and to sell a number of farms for this purpose.⁵³

Once the new notes had been received, arrangements were made without delay to replace the old notes with them.⁵⁴ For this purpose the Volksraad passed the necessary legislation,⁵⁵ and on 4 December 1871 the exchange began⁵⁶ – a process that was to be completed within two years.⁵⁷

The conversion to well-printed banknotes did not, however, improve the financial condition of the Republic in the least. Forgeries and similar irregularities could be prevented in future, but basically the lack of confidence in paper money, with all its attendant disadvantages, remained as great as before. Already towards the end of 1870, but much more strongly in 1871, a wave of dissatisfaction arose which could in a certain sense be traced back to the way in which the government had allowed State lands in the diamond-field area between the Vaal and Harts rivers to be exploited for private gain and to the detriment of the national treasury.⁵⁸ From there the objections spread, and senior officials repeatedly brought it to the government's attention that, in view of the depreciation of the paper money, it was impossible to lead a decent existence. Thus, for example, A. A. O'Reilly, in his capacity as Commissioner of Arbitration, complained about the worthlessness of paper money at the diamond fields. With great difficulty he succeeded in persuading one of the shopkeepers to accept it at 5/- in the pound.⁵⁹ In a private letter B. C. E. Proes reported to M. W. Pretorius "that the bad state of the notes makes me fear that many officials will be obliged to resign their posts: the State Clerk, Auditor and Registrar cannot exist and their salary is no payment".⁶⁰

Although the government, probably as a result of powerlessness rather than indifference, often displayed a weak attitude towards general conditions in the country, it was becoming increasingly sensitive to the lot of its officials. At the September session of the Volksraad in 1871 the financial position was again thoroughly analysed, in the light of the general realisation that the value of the notes would have to be improved

53. U.R.B. 8 July 1871, art. 47 and U.R.B. 18 July 1871, art. 115.

54. R.1054/71: Fred Jeppe to Acting President and Executive Council, dated Pretoria, 26 September 1871.

55. Law No. 7 of 1871, *De Locale Wetten der Z.A. Republiek, 1849–1885*, p. 459. Cf. also U.R.B. 5 December 1871, art. 104 and V.R.B. 6 December 1871, art. 448.

56. Cf., e.g., *Staats Courant*, 26 December 1871. In the law the date is set at 11 December. In an advertisement that appeared in the Government Gazette after that date, however, the date is given as 4 December 1871.

57. Law No. 7 of 1871, art. 6.

58. Cf., inter alia, *De Tyd*, 1 September 1870, R.923/71, R.924/71 and R.951/71.

59. R.1597/71: A. A. O'Reilly to M. W. Pretorius, dated Bloemfontein, 27 April 1871.

60. R.1605/71: B. C. E. Proes to M. W. Pretorius, dated Pretoria, 27 May 1871.

to prevent the country from going to ruin.⁶¹ The occasion for this arose when the budget for 1871/1872, in which a deficit of £13,320.13.1 was provided for, was dealt with.⁶² After the budget commission had made provision for all manner of tax increases, there was still a deficit of £12,438.9.11. To meet this deficit, one of the following three proposals was recommended to the Volksraad for consideration:

- (a) That for a period of two years licences be paid annually as follows: “By the owner of every wagon £1.0.0, of every buck-wagon £1.10.0, of every cart 10/- and for every four-wheeled pleasure carriage £1.10.0; and that persons who have distilleries for strong liquors must pay licences of £1 for each half-aum capacity of the still, and likewise £1 for each half-aum.”
- (b) That debentures of £50 and £100 be issued, with land as security, at an interest of 6% per year, and that the debentures be redeemed within three years.
- (c) That land be sold “without occupation or absence tax” for a period of five years. The commission itself had serious objections to the second and third recommendations and therefore laid the first before the Volksraad as a proposal.⁶³

In consequence of the Budget Commission’s recommendations, the Volksraad appointed a further commission, consisting of Messrs Ueckermann, Moodie and Forster, which together with the Treasurer-General and the Auditor-General was to devise plans for meeting the deficit on the budget.⁶⁴ The commission met the day after its appointment and recommended that the government issue signed debentures which “shall extend over a period of one to ten years and shall bear interest of 6% per year, payable annually in interest coupons signed by the Treasurer General”. With this recommendation the commission thus returned to an idea expressed by the Budget Commission, which the latter, however, had not wished to put to the Volksraad as a proposal. Having made its proposal about signed debentures, the commission almost in passing came forward with an entirely new idea when it suggested that the government consider borrowing a sum of money.⁶⁵

The Volksraad accepted this idea and decided to raise a loan to the amount of £15,000 by issuing debentures at an interest rate of 6% per year.⁶⁶ The Executive Council was not enthusiastic about the decision, for it realised that “unless a loan is made in hard coin to exchange the government notes”, no lasting solution to the problem

61. V.R.B. 8 September 1871, art. 35.

62. E.V.R. 114, pp. 736–7.

63. E.V.R. 114, pp. 640–1.

64. V.R.B. 10 November 1871, art. 500.

65. E.V.R. 114, p. 494.

66. V.R.B. 1 December 1871, art. 425.

would be found.⁶⁷ At last, after many years of uncertain, almost aimless groping, the government was on the right track. If some institution or other could be found willing to lend the government a cash sum with which to replace all government notes, a new start could thereafter be made and financial stability attained, because with little effort it would be possible to balance the annual budget.

It was on this foundation that acting president Erasmus built when, in his Address at the opening of the Volksraad session, he expressed the hope that it would be possible to raise a cash loan somewhere.⁶⁸ The Volksraad unanimously endorsed the idea and instructed the government to submit proposals during that same session on how and where a loan of £60,000 could be raised.⁶⁹ In the meantime Thomas François Burgers had taken the oath of office as State President. He built effectively and speedily on the preparatory measures already taken and submitted written plans to the Volksraad on how the loan should be raised.⁷⁰ At this stage he was still thinking in terms of debentures to the amount of £60,000. The Volksraad endorsed the president's line of thought and decided to consider the feasibility of the scheme at an extraordinary session of the Volksraad.

At the extraordinary meeting held early in 1873, the president was able to inform the Volksraad that he had succeeded in raising a loan of £60,000 with a Cape commercial bank. The documents needed to legalise the loan had already been prepared, and all that was still needed was the approval of the Volksraad.⁷¹ The Volksraad approved the president's actions and passed the necessary legislation in connection with the loan.

In the first of the two laws passed, provision is made for a Sinking Fund,⁷² and the Volksraad binds itself to withdraw annually, on the first day of January, an amount of £3,000 from public funds for the redemption of the loan of £60,000. The law further provides that the Volksraad would appoint three burghers who, together with the Treasurer-General, would form an honorary commission to supervise the Sinking Fund. The second law⁷³ makes provision for the manner in which the government notes would be exchanged for "good" money.

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67. U.R.B. 21 February 1872, art. 19.

68. Cf. Address, 1 July 1872, art. 2.

69. V.R.B. 25 July 1872, art. 139.

70. V.R.B. 7 August 1872, art. 198.

71. Cf. Address, 24 February 1873, art. 1(c).

72. Law No. 2 of 1873.

73. Law No. 3 of 1873.