

THE INTRODUCTION OF PAPER MONEY IN THE SOUTH AFRICAN REPUBLIC

Part 1

by A. N. Pelzer*, *Historia Vol. 10 No. 4 (1965)*

That the Transvaal community would experience great economic problems under pioneer conditions is almost self-evident. When the exodus from the Cape Colony began around 1836, most of the Trekkers were more or less reasonably well provided with cash. The unsettled life on the trek path, the restlessness and lack of stability that would be the lot of almost every Voortrekker for the next ten years or longer, meant that they constantly had to fall back on the available cash for their subsistence. When at last, after years of wandering, a measure of stability was once again attained in the territory north of the Vaal River, most people had virtually no cash at their disposal. In a letter which the Volksraad addressed to Smellekamp in 1851, it is emphasised how essential it is to build up permanent trade relations with the outside world. To be able to do so, however, money is needed, and to its regret it has to be admitted that "for many among us it is impossible to raise even Rd. 5 in money".¹ The remote location of the trans-Vaal community, with its poor communications, was also not conducive to encouraging traders to visit the territory in large numbers.

What made the position even more difficult was that money had become an indispensable necessity of life for this community. The days when barter could provide for their economic needs were permanently a thing of the past, especially now that they had also been called upon to found and maintain a state. However simple the initial administration of the country may have been, it could not be maintained without a regular and steady income in cash.

For those at the head of affairs it was necessary to find sources of revenue. In 1846 the Volksraad made traders subject to licence fees and devised a fine for certain offences.² With a great deal of ingenuity, other forms of indirect taxation were also introduced.³ Because the system of indirect taxation did not yield enough to enable the authorities to meet all their obligations, a kind of poll tax, which came to stand at three rixdollars a year "for every head who is over twenty years of age or married", was introduced relatively early.⁴ In 1852 landdrost Smit of Potchefstroom submitted a comprehensive proposal to the Volksraad and suggested a whole number of new taxes.⁵

* The research on which this article is based was made possible, inter alia, by a grant from the National Council for Social Research.

1. E.V.R. 235, pp. 42–45: Letter from Volksraad to J. A. Smellekamp, dated Lydenburg, 5 December 1851.

2. V.R.B. 21 January 1846, Arts. 2 and 3.

3. Pelzer, A. N.: *Wordingsjare*, p. 71.

4. V.R.B. 24 September 1849, Art. 35.

5. V.R. 221/52: Landdrost A. Smit to Volksraad, dated Mooirivier, 16 June 1852.

The Volksraad responded to this with enthusiasm and, during the session then in progress, successively introduced an estate duty, an auctioneers' tax, transfer duties on farms and erven, and a licence for the sale of strong drink.⁶ In 1853, after the Transvaal community had obtained its first minister of religion, a kind of church tax was also introduced on "all male persons over 16 years and all female persons over 20 years, . . . married and unmarried makes no exception".⁷

The first experimental phase in the country's system of taxation was completed by 1858, when the fathers of the nation saw fit to indicate in the constitution that the revenue of the state would consist of:

- (a) "The profits on the sale of gunpowder, lead, tin, flints and percussion caps.
- (b) Licences for Shopkeepers, foreign Itinerant Traders, Public Auctioneers and sellers of strong drink.
- (c) Transfer fees on the conveyance of immovable property.
- (d) Transfer duties [*Heerenregten*] or duty of transfer on the sale of immovable property.
- (e) Salary fees or duty of transfer, payable by the Public Auctioneer, on the sale of movable property.
- (f) Court costs or reimbursement of costs of the Courts of Justice, monies paid for appeals, summonses, etc.
- (g) Fines.
- (h) Market and pound fees.
- (i) Commissioner's fees for marriages.
- (j) Taxes to be paid by the people.⁸

The mere existence of taxes did not yet assure the state of a carefree existence. The exaggerated individualism so characteristic of a large number of the first settlers in the Transvaal meant that they did not always wish to respect the authority of government and often refused, out of sheer obstinacy, to pay taxes.⁹ Added to this, the fathers of the nation, aware of their own powerlessness, very often acted weakly and cajoled rather than compelled unwilling taxpayers to do their duty.¹⁰ The failure to pay taxes should not, however, always be ascribed to wilfulness. In many cases people were unable to pay as a result of poverty.¹¹

But the result of all this was that it became extremely difficult for the authorities to keep the administration of the country going. As early as 1853 there was a public debt that could not be met from normal sources of revenue, and the Volksraad was obliged to order that erven and farms be sold in order to pay off the debt of the national treasury.¹²

6. V.R.B. 15 June 1852, arts. 66, 67, 69, 72, 74 and 76.

7. Commission V.R.B. 9 August 1853, art. 26.

8. *De Locale Wetten der Z.A. Republiek, 1849–1885*, p. 65: Grondwet [Constitution] van de Zuid-Afrikaansche Republiek, art. 188.

9. Pelzer, A. N.: *Wordingsjare*, p. 56.

10. V.R.B. 20 March 1852, art. 44.

11. V.R.B. 30 November 1853, art. 78.

12. V.R.B. 13 August 1853, art. 59.

And when it proved impossible to increase the national revenue, the Volksraad was compelled to apply economy measures wherever possible. In 1853 the Volksraad was requested by a group of burghers “that Your Honours will reduce the excessive salaries”,¹³ and in reply to this request the Council decided by a majority of votes not to grant a salary to M. W. Pretorius, who had literally worn himself out in the national interest, “because these honourable gentlemen do not know where to find the funds from which such would have to be paid, and also because the General Treasury is already too heavily burdened with debts”.¹⁴

In 1853 the landdrost of Lydenburg had to admit that, through lack of funds, “already many a good, important and desirable undertaking suffers shipwreck and is lost”.¹⁵ Two years later the position was so bad that the state could no longer meet its obligations, with the result that officials had to go without salary and therefore without income.¹⁶ The detrimental effect on the good name and standing of the state did not fail to follow, and in 1858 Pretorius had to complain to the Volksraad that “The Honourable Executive Council has already made every effort to keep the Government of this State on its feet during the past year without revenue of any significance, however oppressive, difficult and heavy it has also been for the officials, since they have since that time received no reward for the work they have done, and were frequently compelled, should they wish to purchase anything on the Government’s account for the use of the State, to lend their own names, since not the least confidence is placed in this Government by the trader”.¹⁷

It was circumstances of this nature that forced the government to consider extraordinary means and methods to rescue the financial situation of the Republic. And yet the remedy that was eventually regarded as a solution did not originate with the government. Early in 1855 a number of inhabitants of Potchefstroom requested the government, in view of the diminution of gold and silver money in the Republic and in the absence of a coinage of its own, “to bring Paper Money into circulation in our Republic under a Government Loan Bank”. As security for the paper money that would thus be brought into circulation, it was further suggested, all available government land, “as well as other unencumbered lands of Land Owners”, should be mortgaged.¹⁸

13. V.R. 327/53: Memorial from Lydenburg, dated 16 September 1853.

14. V.R.B. 20 September 1853, art. 27.

15. E.V.R. 235, pp. 122–7: C. Potgieter on behalf of the Volksraad to C. Brand, dated Lydenburg, 2 February 1855.

16. Cf., *inter alia*, V.R. 393/53, V.R. 407/54 and V.R. 418/55.

17. R.2193/58: M. W. Pretorius to the Volksraad, dated 13 July 1858.

18. V.R. 426/55: Petition of 82 persons to the Volksraad, dated Potchefstroom, 16 March 1855.

The proposal probably caught the Volksraad rather unprepared, and the fathers of the nation therefore answered the memorialists briefly and to the point that the proposed plan was not acceptable, but that if they could devise a better scheme it could be laid before the Volksraad at its next meeting.¹⁹ Although the memorialists were not heard from again, they had nevertheless set in motion an idea that would, in the following year, influence the economic life of the country in a quite remarkable way. And the person on the government side who was evidently most impressed by it was none other than the later State President, M. W. Pretorius.

After apparently having given the matter long thought, M. W. Pretorius in the course of 1857 submitted to the Volksraad a plan “to print paper notes” with government land as security, whereby the government would be enabled to carry out “certain plans which it had in view”.²⁰ The Volksraad accepted the proposal in principle but drew the president’s attention to the fact that, in terms of article 37 of the constitution, three months’ notice had to be given of new legislation. The president reacted swiftly to this hint – in fact a kind of rebuke – and on 2 October had a notice published in the Government Gazette in which he made known to the public his intention of issuing paper money, with government land as security, in order to carry out certain plans of the government.²¹ What the plans were is not mentioned, and the amount for which paper money would be issued is likewise withheld.

When the advertisement in the Government Gazette elicited no unfavourable comment, Pretorius returned to the matter in 1858 and, in a letter to the Volksraad, referred to the approval the Volksraad had given in September 1857 for paper money to be printed in order to carry out certain plans. In his letter he revealed what the plan at the time had been, namely “the taking into its own hands, by this Government, of the smelting of lead and the selling of munitions of war”.²² With a view to needs of this kind and the necessity of paying off pressing state debts, he asked the Volksraad whether it would not be more useful to sell “Mattjowie Stad” and the surrounding town lands than to let them lie useless and yielding no interest. He also emphasised that his proposal was intended as a measure to raise the standing of the state in the eyes of the traders, since among them no respect for the state existed. The Volksraad unanimously approved the president’s proposal and decided that a start could indeed be made with the printing of the paper money, but that it might not be brought into circulation before the September session of the Council, “in order to lay the specimens of the paper notes before it for approval”.²³ For some obscure reason the president did not make use of this authority, and no printed notes appeared in 1858.

19. V.R.B. 14 June 1855, Art. 106.

20. V.R.B. 9 September 1857, Art. 5.

21. *Staats Courant*, 2 October 1857.

22. R.2193/58: State President and Executive Council to Volksraad, dated 13 July 1858.

23. V.R.B. 13 July 1858, art. 12.

Evidently unexpected difficulties were encountered with the printing of the notes, so that recourse was taken to the much easier, but at the same time much more dangerous, practice of “Goed Voors” [“good-fors”]. In reality the “goed voors” were acknowledgements of debt issued on behalf of the state by almost every official to persons in payment for some or other service rendered by such a person.²⁴ How many “goed voors” were issued in 1858 and thereafter is quite impossible to establish. Evidently this form of paper money, which may be regarded as the logical forerunner of the later so-called “mandates”, was used on a very limited scale.

The use of “goed voors” was no solution to the financial dilemma with which the state was faced. In a certain sense it aggravated the existing problem, because landdrosts and other office-bearers issued “goed voors” on their own initiative, so that before long nobody knew any longer what the state’s obligation in this respect was. The unfavourable effect of this practice became apparent as early as 1860, when the Executive Council complained to the Volksraad that it was not in a position “to furnish Your Honours with a statement of the many debts, or to say what the revenues are, or to know where the monies received have gone”. To set the matter right before it was too late, the Executive Council suggested that a commission of three members be appointed, whose task would include establishing “which are all the debts of the State”.²⁵ The Volksraad accepted the suggestion²⁶ and appointed a commission consisting of Messrs J. P. Marais, F. G. Wolmarans and J. H. R. Lemmer.

The commission’s investigation brought to light that the country’s finances were in a precarious state, which had to be ascribed mainly to maladministration and incompetent officials. Their report also showed that during the preceding number of years a considerable number of acknowledgements of debt and “goed voors” had been issued.²⁷ It was moreover one of the commission’s recommendations that the “goed voors” should not be paid out before a closer investigation into their legality had been instituted. In spite of this lamentable situation, the acting State President nevertheless found it possible to paint a rosy picture for the members of the Council when he opened the September session of the Volksraad,²⁸ basing his optimism particularly on the progress the wool industry had made during the preceding few years. But in spite of this optimism, when the acting president on the same day, for the first time in the history of the Republic, laid a budget before the Volksraad, it provided for a deficit of Rds. 11,768-5-2.

24. For an example of a “goed voor”, cf. R2065/58.

25. U.R. 1 A, U.R.B. 30 March 1860, art. 3.

26. V.R.B. 7 April 1860, art. 33.

27. R.3697/60.

28. V.A. 467/60: Acting President J. H. Grobler, dated 10 September 1860.

What makes the matter all the more melancholy is that the budget of September 1858 [sic] ushered in a period of unrest and political instability which brought the faltering economy to the brink of complete collapse. The civil disturbances of the years 1861–1864 caused all normal revenue, meagre as it was, to dry up almost entirely, while the obligations of the state did not diminish.²⁹ With hardly any cash at its disposal, the state was forced to resort to a form of acknowledgement of debt that was officially known as a “mandate of payment” [*mandaat van betaling*] but in popular parlance was soon simply called mandates. Officials and other persons who were to receive monetary compensation for some or other service were offered the mandates with the promise that they could be redeemed when the state had sufficient cash at its disposal. For that reason the mandates were not issued in fixed denominations; instead their size varied according to the case – from Rds. 1 to as much as Rds. 500 or more.³⁰

Mandates were first issued during the Schoeman regime, and were issued on the authority of the president and signed by him. What gave rise to an awkward position for the future was that no register of the issued mandates was kept from the start. Only from December 1863 was a mandate book kept for this purpose and all new issues recorded in it. The mandates issued on Schoeman’s authority from 12 April 1861 to 8 April 1862 were for the most part paid out shortly after their issue, but when mandates were also issued by the Van Rensburg regime from May 1863, the state had virtually no funds at its disposal. Consequently these mandates were still in circulation in 1864, when order was restored in the Republic, while nobody could determine precisely the extent of this floating state debt.³¹ To remove this uncertainty, the Volksraad decided at its ordinary annual session in September 1864 that all mandates issued before 5 December 1863 whose existence was not made known to the government before 1 September 1865 would be regarded as lapsed.³² Unfortunately, conditions in the country made it impossible for this decision to reach all interested parties in time, and the government therefore, in fairness towards such persons, had repeatedly to postpone the date of declaration.³³

Up to this stage the fathers of the nation apparently did not yet feel great concern about the mandates. In fact, whenever financial demands were made on it, the government still carelessly issued new mandates. Yet at the session of 1864 something happened that at least made the Volksraad suspect that the issue of mandates was not a sound financial principle. In the customary manner, the opening address of the State President was referred to a committee to report on it.³⁴

29. R.3992 and R.3993/60.

30. V.R. 619/64 – In this case the value of the mandate was Rds. 362-4-1.

31. Arndt, E. H. D.: *Banking and Currency Development in South Africa (1652–1927)*, p. 96. Cf. also Wessels, S. J.: *Hendrik van der Linden – sy rol in die Transvaalse Geskiedenis (1851–1880)* – unpublished M.A. dissertation, p. 52.

32. V.R.B. 27 September 1864, art. 99.

33. V.R.B. 12 September 1865, art. 29.

34. V.R.B. 13 September 1864, art. 9.

Without any instruction to this effect, but prompted by a remark by the president on the public debt, the commission recommended that “a regulation be made concerning the force and issue, security, and the obligatory and non-obligatory acceptance of mandates”.³⁵

Following this recommendation, the Volksraad, when the commission’s report came before it, decided to ask the State Attorney for an opinion as to whether private persons were obliged to accept mandates from one another in payment of debts. On this point the State Attorney had no doubt. In his judgement no person could be obliged to accept a mandate, but the government could. For the payment of fines, debts, taxes or whatever it might be, the government was obliged to accept mandates as legal tender. In consequence of this advice, the Volksraad decided that the government was obliged to accept mandates in respect of any transaction.³⁶ With this decision, which was meant to bring greater clarity about the authority of mandates, the great weakness of the artificial means of payment was at the same time laid bare.

The government’s failure to adhere faithfully to this decision carried the approaching mandate crisis a step further when one J. H. Visagie was fined Rds. 375 in a lawsuit with the State. When he wished to pay the fine in mandates, the landdrost of Pretoria refused to accept them, whereupon his agent, the well-known B. G. A. D. Arnoldi, decided to summon the government. In the proceedings that followed, Arnoldi addressed the simple request to the government “to find a means of being able to pay out again as money what is received as money”.³⁷ The crisis that had thus unexpectedly descended upon the government brought the Executive Council to the realisation that means had to be devised “to make the Mandates current”, and it undertook to submit a proposal to this effect to the Volksraad.³⁸

The intention of the Executive Council must thereafter have become known in wider circles, because in the course of the following few weeks good advice rained down on it, as it were, from almost every quarter. From Potchefstroom a number of traders recommended to the government that it sell government land at regular intervals and redeem mandates with the proceeds.³⁹ What was proposed here, however, was already government policy,⁴⁰ although not applied on a large scale. From another quarter an interested burgher warned precisely against the sale of land, because the government would thereby let its most important asset slip out of its hands. According to this adviser the government should “make paper money”

35. V.R. 610/64: Report of Commission, dated Pretoria, 27 September 1864.

36. V.R.B. 3 October 1864, art. 171.

37. R.346/65: B. G. A. D. Arnoldi to U.R., dated Pretoria, 23 March 1865.

38. U.R.B. 3 April 1865, art. 102.

39. R.471/65: Letter from Potchefstroom, dated 19 April 1865.

40. R.1192/64: Landdrost N. Smit to U.R., dated Utrecht, 20 December 1864.

with government land as security.⁴¹ The desirability of paper money was apparently being fairly widely discussed by this time, for from Potchefstroom another group of traders, “without giving any definite opinion on the plan of Government Banknotes”, earnestly recommended postponing “such a dangerous matter” for at least twelve months, “when the experience of the Free State will be a good example to us”.⁴² For the rest, the group were strong advocates of the idea that sufficient land be sold to redeem all the mandates.

A person who displayed more than ordinary interest in financial matters was one D. F. J. Steyn, an inhabitant of Potchefstroom. When the mandate question was at the height of discussion, he came forward with a quite original, though not easily practicable, plan. His proposal was that the government should make a careful valuation of all state property and thereafter conclude an agreement with some foreign bank to establish a branch of that bank in the Republic. From the bank the government should then buy as many shares as a quarter of the surveyed state property represented, and borrow as much money as there was public debt, on mortgage of one-third of the inspected farms.⁴³

The idea of a bank of its own also took hold of another group of burghers. Only a day after Steyn had made himself heard, thirteen memorialists from “Schoonspruyd” on 25 May 1865, equally naïvely, gave the Volksraad the hint “that the government must establish a bank without delay instead of Paper money”. The government land already surveyed should be put up as security for the bank, and thereafter the number of farms should be doubled annually “until we are in a position to establish a bank of hard coin”.⁴⁴ Yet another variation on the divergent kinds of advice with which the government was served came from Pretoria, when seven businessmen suggested the plan of entering into correspondence with “some foreign capitalists” and borrowing from them a sufficient amount for the government to carry on its task of governing free of care.⁴⁵

After the Executive Council had on 3 April 1865 held out the prospect of a scheme to make the mandates “current”, it did not let the grass grow under its feet. Very possibly the spontaneous reaction of a large number of burghers who suggested plans for dealing with the mandates helped the government to see the light. Be that as it may, in view of the pressing conditions in the country, President Pretorius

41. R.564/65: J. H. Visser to U.R., dated Schoonspruit, 12 May 1865. This was not, however, the first time that the possibility of paper money had been brought to the government’s attention. Approximately a year earlier four persons had already done so. Cf. R.278/64: F. Furstenberg and three others to U.R., dated Potchefstroom, 16 May 1864.

42. E.V.R. 108, p. 87: Minutes of a meeting of traders at Potchefstroom, dated 18 May 1865.

43. E.V.R. 108, p. 90: D. F. J. Steyn to Volksraad, dated Potchefstroom, 24 May 1865. A little later he made a similar, equally impracticable proposal. Cf. E.V.R. 109, pp. 548–554: Letter of 22 February 1866.

44. E.V.R. 108, p. 61: Thirteen burghers from “Schoonspruyd den 25 My 1865”.

45. E.V.R. 108, pp. 36 and 39: Resolutions of a meeting, dated Pretoria, 3 June 1865.

convened an extraordinary session of the Volksraad for 1 June 1865 and in his opening address laid emphasis on the untenable position created for the country's officials in that their salaries were paid out in mandates which nobody accepted as legal tender. He saw the solution to the problem in the state's wealth in land, and therefore proposed "to provide banknotes for a certain sum under guarantee of a number of Government farms".⁴⁶

The Volksraad did not receive the president's proposal unfavourably, but nevertheless displayed a measure of caution and therefore decided to appoint a commission of three members which, after careful consideration of the mandate question, would submit a reasoned proposal to the Volksraad.⁴⁷ The commission dealt with its brief with commendable speed and that very afternoon laid a report before the Volksraad, proposing that, since the officials could no longer live on mandates, government notes be issued to an amount equal to the salaries officials received in one year; that the notes be redeemable only after eighteen months; and that for those eighteen months they would earn interest at 6% per annum. Because the annual salaries of officials amounted to Rds. 129,000 a year, they proposed that Rds. 140,000 in paper money be issued in notes of Rds. 10 and Rds. 5, with 105 government farms as security.⁴⁸

The Volksraad identified itself with the proposal and decided to instruct the Executive Council to design a form of note so meticulous that it could not be counterfeited. It was further decided that the notes had to be signed by the State President, the chairman of the Volksraad and the Treasurer.⁴⁹ On the recommendation of the Executive Council it was further decided that the land "situated between Slangapisaberg and Witrieviersmond up to Comatie" be put up as guarantee for the paper money. The Volksraad also made the further demand that a deed guaranteeing the land be drawn up, to be signed by all the members of the Volksraad and the Executive Council.⁵⁰ This was complied with on 13 June 1865.⁵¹ By 3 July 1865 the first notes were ready, and 956 notes of Rds. 10 and 1,300 of Rds. 5 were handed over to the Government Secretary.⁵²

46. Extraordinary session of the Volksraad, 1 June 1865, art. 8. When Pretorius referred to the circumstances of officials, he was probably aware of the decision of his good friend, Executive Council member M. J. Viljoen, who resigned as such on 8 June 1865. He writes to the Volksraad that his sick wife has in recent years fallen prey to poverty and want: "for a long time I have been unable to redeem any mandate and am thus now not only in poverty, but also in debt". (E.V.R. 108, pp. 47-48).

47. V.R.B. 9 June 1865, art. 31.

48. V.R.B. 9 June 1865, art. 32. Cf. also Wessels, S. J.: *Hendrik van der Linden*, p. 53.

49. V.R.B. 12 June 1865, arts. 41 and 54.

50. U.R.B. 12 June 1865, art. 23 and V.R.B. 12 June 1865, art. 44.

51. R.689/65: Signed deed of surety. Cf. also E.V.R. 108, p. 12; S.S. Vol. 73, p. 161 and *Staats Courant*, 20 June 1865.

52. U.R.B. 3 July 1865, art. 1(a).

On the face of it there was progress, especially as the government notes were apparently received favourably by the traders. Henry Austin, one of the oldest traders in Pretoria, reacted promptly and in an advertisement in the Government Gazette informed all “his Friends and Patrons” that he was prepared to accept the notes “as hard coin in payment, especially in settlement of old debts”.⁵³ His example was followed shortly afterwards by his competitor, J. H. M. Struben.⁵⁴ In reality it was mere lip service. Other persons reacted differently. Dr Arnoldi, who also used the Government Gazette as an advertising medium, for example made it known that “no Mandates or Government Notes will be accepted for Medical, Surgical or Obstetric services, or for the supply of Medicines”. All his accounts had to be paid in “(English Money), gold or silver”.⁵⁵ Because paper money was absolutely worthless outside the borders of the Transvaal, the traders doubled the prices of their goods, and barter gradually began once again to take the place of money transactions. The only advantage of the notes was that “a good circulating medium would replace the non-circulating mandaten”.⁵⁶

That the issue of paper money had contributed nothing whatsoever to improving the country’s financial position soon dawned on the interested public and set pens to paper. The government was served with advice by various persons and bodies, and although in some cases they wrote without insight, these letter-writers, as often before, suggested plans that were followed up by the government and laid down in legislation. Early in 1866 a group of memorialists from Potchefstroom suggested that all the gold and silver received over a period of 10 years from the sale of government land be kept until “when it is sufficient”, in order then to be melted down and struck “into our own Coin with our coat of arms on it”.⁵⁷ Although this proposal was somewhat impracticable, the letter-writers showed a better grasp of the essential problem of the young Republic with another proposal, namely that in the meantime enough paper money be issued to cover all the debts of the state.

A further group of thirty-eight memorialists, likewise from Potchefstroom, supported the last idea but went on to propose that a bank be established in the Republic under responsible management, and that notes be printed on proper bank paper. They also touched on a contentious matter when they proposed that the notes be issued at a compulsory rate and that traders who refused to respect that rate be deprived of their licences.⁵⁸ W. G. Zinn, also an inhabitant of Potchefstroom, associated himself with this line of thought and, in a letter written with insight, argued that the

53. *Staats Courant*, 18 July 1865.

54. *Staats Courant*, 15 August 1865.

55. Cf. *Staats Courant* of 16 January and 10 July 1866.

56. Arndt, E. H. D.: *Banking and Currency Development*, pp. 99 and 103.

57. E.V.R. 110, p. 279: Letter from Potchefstroom, dated 19 January 1866.

58. E.V.R. 109, pp. 489–492. Letter from Potchefstroom, dated 30 January 1866.

notes had in fact been issued in 1865 at a compulsory rate,⁵⁹ but that nobody respected the decision. To crown it all, Zinn cites examples of a postmaster who had refused to accept notes in payment for postage stamps and had insisted on hard coin. Equally laconically, he adds that the minister of religion follows the same example and also insists on hard cash for marriage and baptismal fees.⁶⁰

This proposal, which apparently soon became public, drew an equally swift reaction from a group of traders from Potchefstroom, the economic artery of the Republic in those days. In their letter the problem is approached from the businessman's point of view, and it is emphasised "that it would be impolitic as well as unjust to make the Government Notes a legal or compulsory tender for debts". In support of their argument it is pointed out that contracts had been entered into, or money lent, on the express condition that the agreement be met in hard coin. If the notes were declared legal tender in the case of old debts as well, debtors would be favoured at the expense of creditors. The Republic's economic dependence on the outside world is also strongly underlined. To raise the notes to legal tender would serve only until existing stocks were exhausted, for how would new stock then be ordered from abroad, where the notes were neither recognised nor accepted? A shopkeeper could surely not be expected to accept notes for debts owed to him if his creditors abroad would not accept them from him in exchange.⁶¹

This spontaneous exchange of ideas indicated that the adjourned⁶² session of the Volksraad set for February 1866 would be an important occasion. The troublesome financial position of the country in fact left the government no other choice. Something would have to be done, drastically and urgently. In the Executive Council, where M. W. Pretorius was still the leading personality, matters were also given serious thought and, as it should after all be, the official lead came from there when, amid all the letter-writing, it was decided to propose to the Volksraad that as many government notes be manufactured as would be needed to settle all government debts.⁶³

In his customary address to the Volksraad⁶⁴ the State President brought the state's burden of debt very seriously to the attention of the Volksraad and expressed the hope "that you will devise

59. Zinn's assertion was entirely in accordance with the Volksraad's decision that the notes were to be accepted "by everyone as legal tender". Cf. V.R.B. 9 June 1865, art. 32.

60. E.V.R. 110, pp. 269–275. W. G. Zinn to U.R., dated Potchefstroom, 12 February 1866.

61. E.V.R. 109(b), pp. 509–514: Memorial of 14 traders, dated Potchefstroom, 27 February 1866.

62. The Volksraad, which met on 11 September 1865, had as a result of the Basotho question to adjourn after two days until 19 February 1866.

63. V.R.B. 15 February 1866, art. 19.

64. *Staats Courant*, 13 March 1866. Cf. also S.A. *Argiefstukke, Transvaal No. 5, Volksraadsnotule, Deel V, 1864–1866*, p. 452.

means that may serve to clear the debt out of the way”.⁶⁵ The uncertainty about the public debt had already become an urgent question during the Volksraad session of June 1865, when it was decided to appoint a commission to try to determine accurately, with the aid of the Mandate Book and other information, how large the public debt actually was. Because the commission was expected to have its report ready for the September session of the Volksraad, it was decided not to issue any new mandates after 1 September 1865, and to notify mandate holders that from the same date no more mandates would be paid out. The expectation was that everyone still in possession of any of these acknowledgements of debt would declare them to the government before that date, and that the size of the public debt could in this way be established.⁶⁶ Because unrest arising from the Basotho question seriously disturbed the normal course of affairs, the decision could not be carried out, and the date for the declaration of mandates had to be postponed repeatedly.⁶⁷

When the commission finally did report in February 1866, they were still in the dark about the public debt arising from mandates issued before 5 December 1863. As regards the period thereafter, however, they were in a position to report “that the debit side of the Mandate Book amounts to Rds. 258,277.6.1 and the Credit side to Rds. 111,374.7.4”. There was thus an adverse balance of Rds. 146,902.6.3, which, however, had to a large extent arisen “from the disturbances that have taken place”. According to the commission’s calculation, a debt of Rds. 83,327.1.5 had to be ascribed to the civil strife. In addition, they could also show that some of the mandates in the possession of landdrosts had already been partly redeemed, so that the public debt would in reality be smaller than Rds. 146,902.6.3.⁶⁸

In this connection the State President pointed out in his address that the greater part of the national debt consisted of mandates which, since the issue of government notes, had become entirely worthless, and that their holders “are subject to very great losses”. To deal with this problem, he suggested “that the Mandates be replaced by Government Notes”.⁶⁹ In the same breath he emphasised that difficulties also existed with regard to the government notes, and that the traders would not accept them “as ready money”. For that reason, he recommended, means had to be devised, “however strict they may be, to make such Notes current and acceptable”.⁷⁰

Because the State President’s proposals were decidedly far-reaching in nature, the Volksraad did not react to them immediately but first referred them to the Budget Commission to consider them calmly and

65. Cf. Address, art. 4.

66. V.R.B. 8 June 1865, art. 30 and V.R.B. 9 June 1865, art. 32.

67. V.R.B. 12 September 1865, art. 29 and *Staats Courant*, 17 October 1865.

68. E.V.R. 108, pp. 62–68: Report of the commission, dated 17 February 1866, and V.R.B. 9 March 1866, art. 314(d).

69. Cf. Address, arts. 5 and 6.

70. Cf. Address, art. 7.

make specific recommendations. In this way it came up for discussion again only more than a month later, when a series of very important decisions in connection with it were taken. The president's suggestion was accepted, and it was decided to replace all mandates with government notes and for this purpose to print new notes to an amount not exceeding £12,000.⁷¹ Evidently this amount was decided upon because the Budget Commission had estimated the outstanding amount in mandates at Rds. 130,000.⁷² Because "neither in the Colony of the Cape of Good Hope nor in the Colony of Natal is our monetary system in use among the traders", the Budget Commission recommended that the new notes be issued in English currency in denominations of 2/6, 5/- and £1; that proper note paper be used; and that the £1 notes be printed and signed, but that for the smaller denominations only stamps be used.⁷³ In the end all the notes were printed in the same way and signed by the State President and the senior member of the Executive Council.⁷⁴ The notes were manufactured locally, and 5,000 notes of £1, 1,200 of 5/- and 3,200 of 2/6 were printed.⁷⁵

Finally, there still remained the State President's suggestion to make the notes "current and acceptable". Without hesitation the Volksraad decided that both the existing and the new notes would be "legal Tender" – the notes already in circulation from the adoption of the resolution, and the new notes from the day of issue.⁷⁶

The Volksraad had barely taken the decision when complaints began to stream in that it was not being respected. None other than the Postmaster-General reacted negatively and instructed his subordinates not to accept notes in payment of postage.⁷⁷ Strong action was, however, taken against this line of conduct, and it was made known by public notice that, since post offices "are offices of the state", postmasters were obliged to accept notes.⁷⁸

From Potchefstroom complaints came in even sooner against the shopkeepers, who refused to respect the Volksraad's decision. The group of thirteen persons who lodged the objection with the government informed the Volksraad that they would ask the government to compel shopkeepers to accept the notes as legal tender.⁷⁹ Before the next ordinary session of the Volksraad, other groups also brought

71. V.R.B. 4 April 1866, arts. 646, 652 and 657.

72. *Staats Courant*, 14 August 1866 – Report of Budget Commission. From 2 November 1866 the country's books were also kept in sterling. Cf. E.V.R. 109, pp. 383–413.

73. *Idem*. Cf. also V.R.B. 2 November 1866, art. 641.

74. V.R.B. 6 April 1866, arts. 671 and 672.

75. S.S. 2701, Brievenboek, 1861, No. 1519: Government Secretary Hendrik van der Linden to J. P. Borrius, dated Pretoria, 9 May 1866. By 31 July 1866 notes to the value of Rds. 91,608.2.4 had been printed – cf. R.1098/66.

76. V.R.B. 4 April 1866, arts. 665 and 666 and V.R.B. 7 April 1866, art. 719.

77. R.539/66: Postmaster B. G. A. Arnoldi to Pres. and U.R., dated Pretoria, 30 May 1866. R.679/66: Field Cornet Furtenberg to U.R., dated Pretoria, 10 July 1866.

78. Government Notice No. 59, *Staats Courant*, 10 July 1866.

79. R.401/66: Memorial to Volksraad, dated Potchefstroom, 7 April 1866.

the unwillingness of the commercial world to accept the notes to the attention of the government. From Makwassie a number of persons, in view of this practice, asked that unwilling traders be punished with a fine for a first offence and be deprived of their licence for a further offence.⁸⁰

On the strength of these and similar requests, the Volksraad decided to act firmly and, before the issue of new licences, to have traders sign the following undertaking: "This licence is granted to the undersigned on condition that he shall at all times, and in every case where he, under this licence, offers goods for sale or sells the same, be obliged to accept the Government notes, now declared legal tender, for such goods, at full value and at prices equal to those of hard coin, without exception. In case of non-compliance with the sense and meaning of this undertaking, he shall be liable, on the first such offence, to a fine of . . . ; on the second offence, this licence shall be regarded as lapsed and wholly void".⁸¹ With regard to existing licence holders, the Council decided that if proof were furnished that they refused to regard paper money as of equal value with gold and silver, they would "be declared to have forfeited their licence".⁸²

From the side of the traders there was a sharp reaction to the Volksraad's decision, and not without reason. One H. J. Ueckermann, a trader in Heidelberg, regarded the decision as an infringement "of the Freedom and free trade of this Republic".⁸³ Like him, a group of 16 traders from Potchefstroom emphasised the disadvantages of the measure for businessmen, but nevertheless indicated their willingness to cooperate with the government in this matter, provided that the government undertook not to issue more than £12,000 worth of notes. They further asked that traders resident in the Republic be protected against competitors from Natal and the Cape Colony.⁸⁴

The traders' request that no more than £12,000 in new notes be printed soon proved to be a pious wish. Barely two months later the State President instructed the printer Borrius "to print a further £1,000 in Notes above the £12,000 on my responsibility".⁸⁵ After this it became clear that there was no stopping the issue of notes. Without consulting the Volksraad, the Executive Council early in 1867, on the proposal of the State President, decided to bring a further £8,000 worth of notes into circulation in order thereby to withdraw mandates from circulation.⁸⁶ Owing to a shortage of paper,

80. E.V.R. 109, pp. 646–649: Undated memorial from Makwassie.

81. V.R.B. 28 September 1866, art. 256.

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

83. R.1013/66: H. J. Ueckermann to Pretorius, dated Heidelberg, 3 October 1866.

84. R.1049/66: Memorial of 16 traders, dated Potchefstroom, 12 October 1866.

85. S.S. 2702, Brievenboek Pres. 1866, No. 462: M. W. Pretorius to J. P. Borrius, dated Potchefstroom, 10 December 1866.

86. U.R.B. 25 January 1867, art. 38.

however, the decision could not be given immediate effect.⁸⁷

But even then the matter did not end. Although a large number of mandates had been exchanged on various occasions in the preceding months,⁸⁸ there were still many in circulation, and at his wits' end the State President convened an extraordinary session of the Volksraad for 15 May 1867. In his address to the Volksraad the president informed the members that the notes already issued "were far from sufficient to redeem the Mandates, still less to pay other existing debts". He therefore recommended that at least enough notes be printed "to be able to destroy" all the mandates still in circulation. By such an action, he added, the national debt would not be increased, "but instead of the debt then consisting of non-current Mandates, the debt will then consist of well-circulating Notes, for the convenience of every Burgher". Without the support of the Volksraad in this regard, he declared, he did not know "in what way to keep the government of the country in any way in honour and in proper order".⁸⁹

The State President's recommendations were referred to a commission,⁹⁰ which three days later laid the minutes of its proceedings before the Volksraad.⁹¹ From these it appears that after investigation the commission had come to the conclusion that 538 mandates to a combined value of £9,510.16.1 were still in circulation. Interest had to be paid on the mandates, which considerably increased the national debt. In addition, 82 mandates for an unknown amount had been issued during the civil disturbances, of which only five had been redeemed by the government. On the strength of these findings the commission recommended that a further £20,000 in government notes be printed, of which the amount of £12,000 was to be applied exclusively to the payment of mandates and acknowledgements of debt. It was again recommended that a date be fixed after which mandates and acknowledgements of debt would no longer be paid out. The Volksraad accepted the recommendation and decided to instruct the State President to have three hundred farms registered as security for these notes.⁹² In further implementation of the commission's recommendations, it was brought to public notice on 12 June 1867 that a return of all mandates had to be furnished to the government within three months, after which they were to be exchanged for government notes.⁹³

The budget commission for the financial year 1867/68, however, came forward with an even gloomier picture. In their report they frankly admitted that they could not say with certainty what exactly the national debt was, but "according to verbal statements, estimates and information" they were of the opinion that on 1 August 1867 it amounted to no less

87. R.288/67: H. van der Linden to M. W. Pretorius, dated Pretoria, 22 March 1867.

88. R.1098/66: This shows that in the ten months between 1 October 1865 and 1 August 1866 mandates to the amount of Rds. 36,875.0.2 were exchanged.

89. Address of the State President, art. 3 in *Staats Courant*, 15 May 1867.

90. V.R.B. 21 May 1867, art. 35.

91. V.R.B. 24 May 1867, art. 42.

92. V.R.B. 24 May 1867, arts. 44 and 45.

93. Government Notice No. 63, *Staats Courant*, 12 June 1867.

than £30,000. To wipe out the debt, in their opinion, paper money had to be issued immediately. But their story did not end there. In drawing up a budget the commission took the view that, in the interest of the state, certain indispensable expenses had to be incurred. This, however, would give rise to a deficit of £15,000 for the current year, and rather than apply economy measures, they suggested that the deficit of £15,000 be added to the estimated public debt of £30,000 and that paper money be issued for this too.⁹⁴

It must have been clear to everyone that somewhere a screw was loose, yet the fathers of the nation carried on undisturbed as if nothing were amiss, until some three months later the bomb suddenly burst over their heads with unexpected force, and the loudest bang happened to go off in the Volksraad itself. Towards the end of October 1867 a letter from the Treasurer-General brought to light the alarming fact that the national treasury was utterly empty. As if it were the most commonplace occurrence, he informed the Volksraad “that I am not in a position to make further payments to Your Honour or to any head official, since I am no longer provided with Government Notes”.⁹⁵

The commission for financial affairs was thereupon set to work with all possible speed to prepare an overview of the country’s financial condition up to date and lay it before the Volksraad. This was done, and from it the alarming fact came to light that, despite repeated requests, the Treasurer-General (Hendrik van der Linden) had never furnished the security prescribed by law for the proper exercise of his office; and that when the commission asked him for his books, it turned out that he “possessed no such books and had never kept a Cash Book or Day Book”. Everything was so confused and disorderly that no account could be rendered of anything. The first £12,000 worth of notes had been paid out by the Treasurer-General without any indication of “the day or date on which his payments took place”. For the money that had been paid out, receipts could not always be produced, and those that were available were so incomplete that it could not be established for what purpose the money had been paid. The Treasurer-General’s personal and official expenditure could not always be distinguished, and willy-nilly the commission had to conclude that in the past financial year “between 30 and 40 thousand pounds sterling had for a large part been spent by the Treasurer in an improper and irresponsible manner”.⁹⁶

Understandably the details caused such a stir that the State President had no choice but to suspend Van der Linden immediately. Legal proceedings were thereafter instituted against the unfortunate man, and after a lengthy trial he was on 12 August 1868

94. E.V.R. 110, pp. 485–486.

95. V.R.B. 26 October 1867, art. 115.

96. V.R.B. 29 October 1867, art. 118.

found guilty of “theft from the state” and sentenced to ten years’ “imprisonment with hard labour in irons”.⁹⁷ A sad fate awaited Van der Linden, but after representations had been made to the government by friends and relatives his lot was gradually mitigated: first “by the removal of the irons”; then he was no longer put to work in the street like a convict but was employed in an office to do necessary clerical work for the government; until finally, after about seven months, he was set entirely free.⁹⁸

With the conviction of Van der Linden the matter did not end. For a long time people kept probing into the affair, and in the process a whole number of further irregularities came to light. In the end the State President himself ran into trouble and brought the wrath of the Volksraad down upon himself. Although Pretorius undertook nothing illegal, he was often inclined to confront the Volksraad with a fait accompli by high-handed action, at which the Volksraad in time displayed a degree of irritation. At the end of November 1867 such a high-handed action on the President’s part came to light when he decided on his own initiative to pay landdrost Moll of Pretoria a higher salary. Only after payment of the increased salary had begun was the matter submitted for approval to the Volksraad, which not only refused to comply with the request but also decided that the money paid to Moll above his approved scale “shall be paid back by the President”.⁹⁹

It further came to light that on various occasions more paper money had been issued than the Volksraad had authorised. The responsibility for this action, which was regarded as extremely arbitrary, was eventually brought home to the State President, whereupon the Volksraad decided to refer the matter to the State Attorney.¹⁰⁰ The State Attorney’s carefully considered opinion was that the Volksraad had already found the president guilty, and that nothing remained for the court but to charge Pretorius with counterfeiting money and to punish him accordingly. He did not wish to go to extremes, however, and therefore in his advice also took into account the possibility that an ordinary offence had been committed and that the matter therefore ought to be investigated further.¹⁰¹

Pretorius, who had always had the interests of the state very scrupulously at heart, took the Volksraad’s conduct so much to heart that he resigned as State President. The Volksraad refused to accept the resignation and immediately adopted a friendlier attitude. With the State Attorney’s advice before it, it was decided to refer the matter to the

97. Wessels, S. J.: *Hendrik van der Linden*, pp. 61–65.

98. Cf. U.R.B. 21 August 1868, art. 1; U.R.B. 14 December 1868, art. 46; U.R.B. 14 December 1868, art. 46 and U.R.B. 8 May 1869, art. 2.

99. V.R.B. 27 November 1867, art. 206.

100. V.R.B. 27 November 1867, art. 208.

101. E.V.R. 100, p. 471: State Attorney Fred Kleyn to Volksraad, dated Pretoria, 30 November 1867.

State President with the request “to learn from His Honour what grounds there could have been for taking such steps”. In Pretorius’s absence, M. J. Viljoen, a member of the Executive Council, laid before the Volksraad a written statement setting out the grounds on which it had been necessary to issue more paper money than the Council had authorised. The Volksraad half-heartedly accepted the statement and let the matter rest.¹⁰²

What was done could not be undone, and no immediate change could be brought about in the unfavourable financial situation. The shocks the Volksraad had suffered through Van der Linden’s poor administration had, however, put it on its guard, with the result that serious efforts were made to avoid a repetition in the future.

Prof. A. N. Pelzer.

102. V.R.B. 6 December 1867, art. 243.