

Savings and economic growth: a historical analysis of the savings behaviour and economic performance in the Colony of Natal, 1856 - 1909

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The economic history of Natal is unique in the history of the British colonies, which united to form the union of South Africa in 1910. Natal was a Voortrekker Republic, *Republiek Natalia*, established in 1838, but conquered by British Colonial forces in 1842 to establish the Natal Colony. Three factors had a profound impact on the economy of Natal. The first was the transition from a Voortrekker Republic to a British Colony. The second was the destructive hostilities with the Zulu Kingdom. The third was the importation of Indian indentured labour in 1865.

The British was reluctant to colonise Natal. Brookes and Webb noted: "Natal...was hardly a welcome addition to the British Empire. It was with great reluctance and only after much hesitation that the decision was taken in December 1942, to annex." (Brookes & Webb,1967:42). The commercial potential of Natal transpired much later. The Governor of the Cape Colony, Sir George Napier, who was sent by the British Colonial Office to annex Natal wrote: "I have never for a moment viewed it as a lucrative possession, nor have I been unmindful of the expense of its settlement as a colony" (Brookes& Webb, 1967:45). In the period under review Natal was a British Colony until the Union of South Africa was formed. Natal was the only British Colony to hold a referendum to test the opinion of the white male electorate about the formation of the Union of South Africa. Only a minority of the electorate (43,7%) voted in favour of unification(Guest&Sellers,1994:2).

The Natal Colony was also characterised by being home to the Zulu Kingdom with whom the British Colonial Government was in constant tension. Finally in 1879 the independence of the Zulu Kingdom was destroyed in the Anglo-Zulu War and Zululand was incorporated into

the Natal Colony (Guy,1982:167-172). Since the 1880s the British Colonial government managed a fertile agricultural colony and developed the port of Natal (later called the Port of Durban) as the route to economic development of the colony.

The economy of Natal was largely an extension of the Cape Colony economy, since Cape merchants entered the Natal market, purchased land and traded their goods in Natal. Natal was also an extension of the trade in the interior, or the so-called "Overberg" area of the Orange Free State and the ZAR, since the port of Natal was the most direct route for exports and imports. This implied that cyclical movements in the interior soon impacted on trade and commercial activities in Natal. The wool crisis of the 1860s affected the Natal economy adversely, but so did the collapse of cotton speculation in India and Egypt in the 1870s. When the British economy recovered, so did the Natal economy. When economic conditions in the interior slumped or recovered, the Natal economy followed suit, but with a lag. The influx of imperial forces in 1877 when Lord Carnarvon annexed the ZAR, and during the Anglo-Zulu war of 1879 and again during the Anglo-Boer War of 1899-1902, resulted in an escalation of British capital inflows and trade with Natal. The port of Natal (Durban) was the port of preference and thus trade with the colony increased substantially. The revenue from customs duties and tariffs comprised the largest source of revenue for the small British colony.

Despite the development of the sugar industry and small scale agricultural activities, by 1910 Natal had made considerable progress in terms of economic development and diversification, but it remained a mixed economy, with a market economy for the European dominated section of the economy and a traditional economy under control of the traditional Zulu chiefs – working a functionaries of the Natal Colonial Government.

Primarily Agriculture.

The Natal economy was primarily an agricultural economy. It was the rich agricultural land which attracted the interest of the Voortrekker immigrants into the area in 1836. The economy of Natal was rural, traditional and the limited commercial activities were conducted primarily by businessmen from the Cape Colony. From the early 1820s Cape Town merchants, such as Henry Nourse, financed and developed the lucrative connection with the port of Natal (later known as Durban). The commodities traded with the Zulu

nation included ivory, and natural products (Webb,1992:21). After the British annexation in 1842 a steady flow of Cape merchants acquired land in the colony and emerged as land speculators. By 1847 thirteen mercantile companies controlled 62 farms on approximately 232 000 acres of agricultural land. These land merchants extended their capital resources in land purchases, which in effect resulted in the emigration of small European cultivators (Slater,1975:259). The financial investment of landowners led to the formation of joint stock companies to exploit the natural environment. The agricultural potential of Natal soon gave rise to trial production of cotton. The Lancashire cotton manufacturers were looking for a colonial source of the raw material and Cape businessmen went to Natal to investigate the possibility to farm commercially with cotton. The Natal Joint Stock Company was formed with a capital of £ 20 000 and the Natal Cotton Company with a capital of £1 5000 in 1847 to exploit the potential cotton growing opportunities. In Natal competition developed between land speculators and those landowners who wanted to make more extensive use by cultivating the land.

Merchants from the Eastern Cape also sent men to Natal – George Christopher Cato went to Natal in 1837 with a consignment of trade goods on request of the Port Elizabeth merchant J O Smith. Merchants soon developed a distinct Natal character. The Port of Natal developed as the port of preference for the export of wool and ivory from the Orange River Sovereignty and Transvaal. By 1858 this so-called “Overberg” trade was valued at £60 000 (Mann,1859:176; Muller,1979:66). Competition developed between Pietermaritzburg, the capital town, and Durban, the port town. Pietermaritzburg was the town where the garrison was stationed, thus benefitting from military and civil expenditure, while also gaining from the trade with the surrounding agricultural community. Traders established stores and a vibrant commercial community took shape by the 1850s as goods for export through the port passed through the town (Holden,1855:242-244). The British authority employed active emigration schemes between 1849 and 1851 to encourage British settlement in the colony. The Natal Land and Colonisation Company collaborated with the Natal colonial government to bring settlers to Natal, but the results were mixed, primarily because of a lack of infrastructure, such as irrigation channels, railway branches and boreholes (Christopher,1971:566-568; Wickins,1983:8). Between 1857 and 1860 less than 300 immigrants entered Natal, but acquired 1 360 000 acres of land. This illustrates the massive

concentration of land by speculators (Muller,1979:62). Several problems such as the small size of land allocated for such immigrants, competition with established African producers, the limited size of a lucrative market and administrative difficulties to survey the farms placed limitations on the number of settlers to Natal. By 1852 the European population of the Natal Colony was 7 629 people.

The economic development of the Natal Colony suffered from a lack of capital since the mid-1850s. Economic development of the colony was stimulated by the immigration of European settlers, but they brought capital to the Colony in the form of drafts on British banks. These drafts were generally cashed by the traders, who then used those drafts to settle their debts in Britain or Cape Town. Natal soon had a shortage of coin. The colony experienced a growing balance of trade crisis in 1852. This trade deficit remained unresolved for the entire decade. Imports declined from £125 462 in 1851 to £ 103 701 in 1852, but exports only brought in £ 17 425 in 1851 and £20 164 in 1852. The failure of the immigration schemes resulted in the 'cut off' of invisible capital imports to the Colony. More and more imports had to be paid for in cash, which was in short supply. Liquidity problems arose by 1852, when the Colony went into an economic recession (Webb, 1992:22). The recession affected Natal less severely than the Cape Colony and the Boer Republics, since Schumann noted that "...Natal revenue shows a sharp unbroken increase from 1857 to 1861 and a moderate reaction in 1862." Revenue rose again after 1864, but relapsed again in 1865, as this was a time of rising world price level as a result of the gold discoveries in California and Australia (Schumann,1938:75-76).

When the wool crisis of the 1860s wreaked havoc amongst the Cape local banks, the imperial banks established themselves in the Cape Colony – first the London and South Africa Bank and then the Standard Bank. The 1860/61 drought in the Eastern Cape and the wool crisis did not affect the Natal economy too severely. The Natal economy was experiencing rapid growth in imports (from £402 689 in 1861 to £591 686 in 1864, after which decline set in. Exports also rose from £119 207 in 1861 to £220 267 in 1864. Wool trade was disrupted, but land speculation raised land prices to unrealistic high levels. At the beginning of the 1860s the sugar industry was informed about the assurance of indentured Indian labour supplies, thus creating a sense of optimism amongst sugar farmers. A sense of

optimism existed at the beginning of the 1860s. The NGR was formed, harbour improvements planned and the Natal Land and Colonisation Company established.

The settlers experimented with a variety of crops. They were not content to perpetuate the semi-nomadic and hunting life of the Boers and the indigenous Zulu population. The British settlers experimented with new crops such as tobacco, cotton, and coffee, and wheat, arrowroot, even indigo and flax. Much later cultivation of tea was also undertaken. In the northern parts of the Colony maize was planted successfully, various kind of fruit and sugar was experimented with for the first time in 1849. The first wattle plantations were planted experimentally in 1864, but soon this proved to be an industry well suited for the Colony. Yellowwood, was also planted. Cattle, sheep and pig farming prospered from the beginning (Muller,1979:61; Brookes & Webb,1967:66; Wickins,1983:57).

The most important agricultural crop cultivated in Natal was sugar. The first experiments with sugar imported from Mauritius in the late 1840s proved successful. The first cane sugar tops were brought to Natal from Mauritius in 1847. From that island also came Adolphe de Terras and E F Rathbone, who planted the first five acres of sugar just north of Durban, using the labour of four Indians from Mauritius. Rathbone gave some of his cane to Morewood to plant on his estate near Verulam, where he built the first sugar mill in the Colony. In March 1850 twenty-five Mauritians landed in Durban hoping to cultivate sugar in the coastlands and capture the transit trade with the interior. The sugar industry started under conditions of unusual price strength and stability – but this did not continue for long (Richardson,1982:518). By the late 1850s several sugar mills were operational and sugar and molasses were distributed throughout the Colony as well as into the interior. It was clear that the immediate potential for profit from agricultural pursuits lay in sugar production.

The Zulu people of Natal were reluctant to engage in wage labour in the sugar cane fields. In 1860 the Indian Act, No 33 of 1860 was passed in the Natal Colony authorising the importation of indentured Indian labour for the sugar industry. [Apart from indentured Indian labour, use was also made of unskilled African labour and skilled European labour, primarily from Mauritius (Richardson,1982:521)].

The first group of labourers arrived in November 1860, totalling approximately 6000. By 1911 the total number of Indian people who came as indentured labour was 152 184. In

1911 the recruitment of indentured labour from India was terminated at the request of the Government of India. By 1911 the Indian population in Natal exceeded the number of Europeans in the Colony. The Indian population consisted not only of former indentured labourers who decided to remain in Natal after the lapse of their contracts, but also of independent Indian businessmen who immigrated to the Colony to engage in trading activities, especially after it became known that the mineral discoveries in the interior would open up growing consumer markets. Sugar production expanded systematically. Depending on economic circumstances Indians formerly engaged in indentured labour re-entered indentured contracts. At the height of the post-war depression in 1905 the number of Indians returning to indentured labour in the sugar industry started a steady increase. By 1910 33% of them former indentured labourers had re-entered contract labour and by 1913 this stood at 66% (Swan,1985:19-25; Swan,1991:117-119). Since the late 1890s the number of trading licences issued to Indian traders rose rapidly – in 1895 a total of 393 trading licences were issued, steadily rising to 1225 in 1904, totalling 11 765 by the end of 1908 (Swan,1985:276-278).

By 1855–59 total sugar production in Natal was 496 tons, but by 1860-64 total production had risen almost tenfold to 4018 tons. By 1904-09 total sugar production stood at 40 604 tons (North-Coombes,1991:20). Between 1857 – 1861 exports of sugar and molasses to the value of £64 866 was generated by the new sugar industry. By 1862-69 sugar and molasses exports rose to £284 663 and by 1871 it stood at £599 898. The industry was handicapped by insufficient capital as well as a shortage of labour (Richardson,1982:522-523;North-Coombes, 1991:19-23; Brookes & Webb,1967:81).

Very little government assistance was given to the establishment of a sugar industry in Natal. Capital scarcity hampered the development of the sugar industry. The industry suffered from depressed sugar prices during the long sugar depression of the late nineteenth century. Prices obtained on raw sea-borne exports fell steeply from 25.17 shillings per short ton in 1859 to 17.6 shillings in 1867, and again during the 1870s and 1880s to 10.18 shillings in 1888. By the end of the nineteenth century sugar price had not recovered to the levels of 1859. These conditions forced the sugar industry to rationalise operations – consolidate milling activities. The sugar mills represented the beginning of industrial activity in the Natal Colony, but did not make a major contribution to colonial

revenue. The number of sugar mills in 1878 was 74, but was reduced to 28 in 1908. The positive outcome was an increase in output per mill, from 31 tons in 1858 to 1280 tons by 1908. (Richardson,1982:525-526) The undercapitalisation of the sugar industry resulted in technological backwardness, when comparing the technological advances on sugar production in Mauritius, but local developments secured improved markets. The formation of the South African Customs Union in 1903 assisted the Natal sugar industry by improving the growth and integration of the internal market as well as limiting foreign imports by the introduction of a duty of £3.3 shillings on imported sugar. At ruling prices that protection amounted to 20% *ad valorem*, which was three times the general tariff level (North-Coombes, 1991:22-23). South Africa remained a net importer of sugar until 1939 (Dickenson,1989:22).

The sugar industry did though not play a crucial role in the economy of the Natal Colony. It was not as dominant as sugar was in the economy of Mauritius. The Immigration Trust Board established in 1874 to deal with the funding of immigration, spent approximately £6 000 per annum from borrowed public funds on Indian immigration until the end of indenture in 1911. Government loans raised to finance Indian immigration stood at £212 000 by 1910, which was a fraction of accumulated public debt of £ 22 140 100 000 by the end of the century. Much larger debt was accumulated as a result of the construction of the railways. The contribution of the sugar industry to colonial revenue was also not significant, since revenue from import duties, primarily the transit trade, railway earnings and port and harbour duties yielded between 66% and 81% of total government revenue per annum between 1892 and 1910 (Guest & Sellers,1994:5; North-Coombes,1991:38-42).

General agricultural activities were of a chequered nature. The large Zulu population engaged in subsistence farming, as well as the supply of surplus products for urban food consumption and exports. A growing Indian farming community produced fresh fruit and vegetables to the growing urban community as a means of sustaining themselves. Cotton farming had failed to live up to the expectation of substantial supplies to the Lancashire Cotton Industry. Hope were high for a cotton industry when American supplies of cotton dropped dramatically during the civil war of the 1860s, but that price hike was short lived. Cotton speculation collapsed in Natal even before the ascendancy of the sugar industry (Webb,1992:24). Cotton plantations in Natal only became relatively viable shortly before

the First World War (Wickins,1983:69). Coffee production was small and primarily for local consumption. By 1908 coffee production was only 4,7% of total industrial crops and tea 7,6% (Ballard,1986:427). Tea production reached a record high production level in 1903 when 2 681 000 lbs. were produced. By the turn of the century these so-called 'exotic crops' were still cultivated, but maize and sorghum made up more than 90% of the total gross value of crops planted in Natal (Ballard,1986:425). Sheep farming was successful and the export of wool through Durban harbour by 1887 constituted the largest export item – valued at £ 600 171. The wool originated both from sheep farming in the OFS and the growing sheep farming in the Natal Midlands and Northern Natal. Natural disasters and diseases towards the end of the nineteenth century resulted in heavy livestock losses and crop failures. Locusts swarms cut sugar production heavily in 1894 and 1895, rinderpest ravaged cattle stock in 1897 and a severe drought in 1896 affected agriculture negatively. Total cattle stock declined by 8% between 1889 and 1891 (Campbell,1990:105;Ballard,1986:428).

Farming activities fed only marginally into primary product processing, but nevertheless justified the organisation of a "Manufacturers' Association" (NMA) in October 1905. This association later became known as the Natal Chamber of Industries. The NMA represented commercial activities in the following areas: engineering, baking, printing, coffee roasting, paints and colours, mineral water, trunks and boxes manufacturing, bricks and tiles, tent and sack-making, tea merchants, "kaffir pots", stoves and castings, preserves and candied fruit, soap and candles, matches, furniture, sugar refining, explosives and chemicals, gates and wire, boots and leggings, biscuits, wagon and carriage building, organ building, saddler and harness, vinegar manufacturing, druggists and joinery (Brookes% Webb, 1967:162,213).

Farmers also planted wattle plantations to extract tannin from the bark for the treatment of hides. Experimentation plantations in both silver and black were cultivated. The black wattle proved superior as a tannin producer. In 1884 the first bark was sold to a tannery in Pietermaritzburg. Shipments of the black wattle bark were exported to the Colonial and Indian Exhibitions in London since 1886. By 1907 wattle bark exceeding a value of £130 000 was exported and by 1910 this had risen to £213 000. Wattle production remained relatively small – it was only 4% of total industrial crop production by 1908 (Ballard,1986:427;Brookes

& Webb, 1967:251). These activities displayed the characteristics of a small self-sufficient colonial economy, able to sustain an ordinary settler community.

Mining and Railways.

The mineral discoveries in the interior placed Natal on high demand for exit and entrance routes for the trading of goods. Coal was discovered in the northern parts of Natal in 1840, but the first coal mine was only opened in 1864 by a Scotsman, Peter Smith. The town that developed around the mine was Dundee since 1862. Serious mining of coal only started in 1888. The tonnage coal mined was 21 862 tons in 1889 (the first year in which coal mined was recorded) and 107 555 in 1890 (Webb,1983:168). The commercial development of the coal mining industry depended on the extension of railways.

In 1856 the Colony of Natal was granted representative government. The Colonial Legislature then formulated new tariff policy with two aims: to earn improved revenue from trade through the Durban harbour and to stimulate the “Overberg” trade. In 1867 the tariff policy was amended to allow for lower tariffs than the tariffs charged by the Cape Colony in an attempt to enhance the colony’s ability to compete for inland trade (Muller, 1979:66). The success of this new tariff policy was apparent by 1887: the total value of imports in 1887 was £ 2 211 920 and of exports £1 056 959. The massive improvement in trade diversion through the Durban harbour can be seen when comparing the corresponding figures for 1856 (the year of the Charter of Natal – representative government) - £102 512 imports and £56 863 exports. More than 90% of imports came from the UK and 80% of exports were directed to the UK market. The largest export commodity was wool, followed by sugar and hides (Brookes & Webb,1967:162).

The tariff policy was responsible for the increased harbour traffic. Queen Victoria’s son, Prince Alfred visited the Colony in 1860 and was able to ride the first railway built in Natal – from the Point at the harbour to the centre of the town Durban. In 1867 a four mile line was extended to Umgeni. The Natal Government Railways (NGR) was established in 1877 and bought the two existing short railway lines from their private owners. The NGR commenced with a systematic construction programme to build a 3 feet 6 inch gauge railway line to Pietermaritzburg. The discovery of diamonds and later gold on the Witwatersrand, added further impetus to the development of the harbour and railways. The

economy of Natal really got off the ground after the construction of the railways connecting Durban with the interior. The Natal railways' vulnerability to collusive behaviour of the Cape Colony and the Boer Republics, was grimly illustrated towards the late 1880s. The adverse effects of the 1880s depression were compounded by the signing of a customs convention in May 1889 between the Cape Colony and the Orange Free State in terms whereof trade from Natal was excluded from the OFS. A tariff war erupted when Natal subsequently reduced her tariffs, but the Colony had no choice, given the heavy reliance on tariff income and the sensitive stage of the costly railway development programme. The main railway line from Durban reached Pietermaritzburg in 1880, Ladysmith in 1885, the Natal coalfields in 1890, Charlestown at the Transvaal border in 1891. The Natal line reached Johannesburg in 1895. The railway line further up the north coast remained dormant for a very long time. The line only reached Verulam (10km north of Durban) and was extended to Tongaat in 1897 and Tugela in 1899 (Heydenrych & Du Plooy,1994:51).

By 1904 Natal railways consisted of 744,25 open miles, compared to 104,25 in 1884. Railway revenue showed a profit for the first time in 1904 (Brookes & Webb, 1967:78-79,122-123 255). After the establishment of the South African Customs Union in 1903, of which Natal was a member, the traffic through the Durban harbour increased significantly. Port of Natal improvement as a result of the conquest of the bar in 1904 and subsequent regular dredging of the entrance channel and the harbour in general since 1904, led to the *Armada Castle*, first of all mail steamers, to cross *The Bar*, into the harbour (Lumby & McLean,1994:25). By 1910 Durban harbour was the premier port of South Africa. A total of 1 589 ships entered the port in 1910 and the average value of goods imported through Durban rose from £102 512 in 1856 to £1 056 959 in 1887 and £11 354 719 in 1910 (Brookes & Webb, 1967:252).

Financial services.

The Colony of Natal suffered from a persistent shortage of coin. The economy suffered an economic recession generated partially by the deflationary effect of the scarcity of coin, as well as the failure of the immigration schemes. Settlers failing to start a viable agricultural enterprise, left for Australia and took their coin with. Various alternative coin supplies, such as gold, British Treasury drafts issued by the forces in the colony on the military chest, were

used to settle remittances beyond Natal. The trade pattern of commercial activities in Natal was a classical triangular one: merchants and traders bartered imported British and European manufactured goods for local cattle. These were fattened, shipped to Mauritius or the Cape Colony, where they were sold for cash, bills on the Cape or London markets, or sugar. These were used to settle debt or purchase fresh supplies. In an attempt to solve the coin shortage, merchants sought a place to discount their bills. Discounting bills outside the Colony was too expensive. Unfamiliarity with conditions in the Colony increased the risk attached to discounting Natal bills. The demand for a local discounting institution brought the *Natal Fire Assurance & Trust Company*, established in 1849 to engage in such discounting activities. This would offer good employment of surplus funds of the company. The familiarity with local business conditions and merchants in person, reduced the risks of discounting bills. The first financial services institution in Natal was therefore this insurance company. The possibility to issue its own notes for circulation was considered in 1851, but never happened. The *Star Life Insurance Company* of London (est. 1843) opened its first South African office in Cape Town, but also had a branch in Durban. By the end of the nineteenth century, these were the only insurance companies doing insurance business in Natal (Macintyre,1898:5,93).

When Morewood established that sugar can be cultivated profitably in Natal, plans were made to establish a local bank. On 10 April 1854 the Natal Bank was formed, with nominal capital of £20 000 in £1 shares. The Natal Bank was established in Pietermaritzburg and operated from the premises of the Natal Fire Assurance and Trust Company in Burgher Street, but moved to Church Street within a month (Webb,1992:26-27). The Natal Bank soon opened a branch in Durban. The early 1860s witnessed the formation of three new local banks in Natal, displaying the division in the business community of Pietermaritzburg and those of Durban. The former were interested in stronger commercial links with the interior, while the Durban business community was closer aligned to the land speculators (Webb,1992:46). In this period of optimism and new banks, the trading houses of Algoa Bay challenged Natal's trade, since they enjoyed more regular exchange on their transport links with the interior Republics. A new bank, the Commercial and Agricultural Bank of Natal (C&A Bank) was established in Durban in 1860 with a capital of £25 000. The reason was clear: "...to supply the long-felt want of an Institution, whose head and management shall

be at the Port, and which, drawing a portion of its capital from sources without the Colony, shall afford adequate banking facilities to our increasing commerce.” (Webb, 1992:29) By 1860 Durban was beginning to challenge the economic dominance of Pietermaritzburg successfully. This bank reflected the growing challenge of the Durban business community, with stronger links to the Cape merchants and Britain, to the Pietermaritzburg based Natal Bank. The C&A Bank’s shares were held for 16,82% by Natal citizens, 41,4% by Cape Colonial citizens and 34,25% by British interests. Another new bank was the Colonial Bank of Natal, established by large landowning businessmen, who spread their business interests to sheep farming and land speculation in the Midlands. The Colonial Bank started with a capital of £50 000. By the time of its demise, 45,75% of the Colonial Bank was owned by UK interests, 23,07% by Cape interests and the rest by Natal renters’ capital (Ballard,1986:423;Richardson,1982:519). Yet another new bank, the Durban Bank was formed in 1862 with a capital of £50 000, soon to be increased to £300 000. These local banks were engaged in fierce competition, easy credit extension, interest wars and high dividend payments to shareholders. When the imperial banks entered the colony, the local banks suffered (Schumann,1938:79). In 1862 the LSAB opened a branch in Durban, but the Standard Bank established a competitive branch network since 1863. The Standard Bank moved into the sugar industry and lost substantial amounts of loan funds when the sugar price declined in the late 1860s. The Standard Bank was able to provide credit more cheaply than the local banks and survived on the grounds of its capital base in London. The confidence to customers of the London link, afforded Standard Bank an enormous advantage over the local banks (Webb,1992:62-65).

Natal was negatively affected by the slump in the sugar price, the wool crisis and the subsequent reduction in wool exports through Durban harbour, as well as the wars between the Orange Free State and the Basotho in 1858 and 1865. The last war brought the interior trade almost to a halt. In the depression of the 1860s, the Natal economy suffered from the disruption of trade, and the banks struggled to retrieve debt. The over-supply of capital (credit) in the short-term, which encouraged speculation in the Colony, and the competition between the local banks for customers, contributed to the instability of the local banks (Schumann,1938:81). In February 1867 the C&A Bank went into voluntary liquidation. The Colonial Bank was wound up in 1868 and in 1877 the Durban Bank terminated its business.

The Natal Bank went through very difficult times during the depression – debt in excess of £270 837 were outstanding by 1864. Banks in Natal suffered immensely when British depositors withdrew their funds from Natal banks following the collapse of the speculation on the Indian and Egyptian cotton markets in 1864. The abrupt end to cotton speculation led to a depression in Britain and given the large shareholding of British shareholders in Natal banks, the impact on the local banking scene was massively disruptive. The newspaper, *The Natal Witness* commented: “...we may look on Natal as a colony to let, or for sale” (Quoted in Webb,1992:64). The Natal Bank succeeded in staying in business despite these adverse circumstances. The bank became one of the five largest land owners in Natal as it accepted titles to landed property as security against loans. The Natal Bank was the only local bank to survive the 1860s – it even turned down a take-over offer of the Standard Bank – but in 1914 was taken over by the National Bank (Solomon,1983:145).

The Standard Bank, the Bank of Africa (established in 1879 to take control of the former Oriental Banking Corporation) and the Natal Bank operated in Natal until the formation of the Union in 1910. The imperial banks’ activities in Natal were only a small part of their operations, since the discovery of diamonds directed their attention to the trade and business emerging from the newly found industry. All the banks suffered during the post-diamond crisis depression, but their fortunes reversed after the discovery of gold. Apart from the Natal Bank, no other dedicated bank served the needs of the inhabitants of Natal. The Natal Bank earned itself the trust of the Natal Colonial Government, when Government accounts were transferred from Standard Bank to the Natal Bank – explained by the ‘parochial patriotism of Natalian’s for their own institutions’. A growing impatience with Cape based intrusion of the Standard Bank was felt (Webb,1992:86).

The Natal Bank emerged the strongest bank in the Colony by the end of the century. The table below shows the relative position of the banks doing business in Natal during the last half of the 1890s. The dominance of the Natal Bank is apparent, but it must be kept in mind that the Natal Bank also opened branches in Pretoria (1886), Johannesburg and Kimberley (1887), Smitsdorp (1888), Ermelo and Pietersburg (1892), and Nigel (1896). The Natal Bank held substantial *Nederlandsche Zuid-Afrikaansche Spoorweg Maatschappij* debentures and received deposits from the ZAR President and Executive Council to the value of £20 000 (Webb,1992:97). The deposits and discounts and advances were therefore not only coming

from business in Natal. This reflects the limitations of the Natal economy and the success of enterprises extending activities beyond the borders of the colony.

Table 1. Relative Position of the bank of Natal, 1894-1897. (£)

Bank	1894 (£)	1895 (£)	1896 (£)	1897 (£)
Standard Bank				
-Deposits	624 533	769 960	986 159	903 299
Total Liabilities	657 586	834 195	1 204 513	1 086 513
Disc & Adv.	486 880	388 020	387 988	528 946
Total Assets	778 708	647 270	972 654	855 391
Natal Bank				
Deposits	1 162 580	1 193 904	1 378 283	1 111 796
Total Liabilities	1 186 179	1 228 346	1 417 274	1 160 906
Disc & Adv.	565 562	536 659	1 174 985	995 294
Total Assets	953 103	1 156 276	1 826 950	1 457 747
Bank of Africa				
Deposits	123 150	181 504	267 478	194 326
Total Liabilities	131 233	188 641	298 414	215 315
Disc & Adv.	200 869	177 705	295 234	359 374
Total Assets	268 315	241 518	483 01	483 857
African Banking Corporation				
Deposits	16 090	20 502	86 930	65 382
Total Liabilities	16 103	20 502	90 381	69 737

Disc & Adv.	45 299	109 901	272 065	144 087
Total Assets	66 166	148 498	324 147	211 222
National Bank ZAR				
Deposits			10 917	12 442
Total Liabilities			12 858	13 444
Disc & Adv			157 829	200 513
Total Assets			255 900	216 531

Source: Natal Archives: NCP 7/3/1-4: Blue Books, 1894-1897.

Conclusion.

Natal was a colony suitable to arable farming, but the price of land was set so high by the Natal Government and speculators, that the Natal Land and Colonisation Company estimated that immigrants needed at least £500 to purchase Crown Land. Agriculture therefore developed relatively slowly in Natal. Christopher argues that Natal remained in a state of “...relative rural stagnation from 1850-1880” (Christopher,1971:573). Natal was a colony dependent on trade, with the interior, in the Indian Ocean and with Britain. The colony was most perturbed by the competition with the Cape Colony (Le Cordeur,1966), but was equally dependent on capital investment in the colony from the Cape. Cape merchants and investors contributed significantly to the development of the Natal economy. Downward turns in the business cycles seemed to affect the Natal economy less severely than the Cape Colony (Schumann, 1938:92-93).By the end of the nineteenth century it was obvious that Natal could not survive on its own, but would become part of a larger South African political and economic entity (Etherington,1979). The economic development of Natal always displayed a lag on developments in other parts of the South African colonies or Boer republics. Economic prosperity depended on its links with the other colonies, trade routes and international exchange.

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