Slavery, Banks and the Ambivalent Legacies of Compensation in South Africa, Mauritius and the Caribbean

AARON GRAHAM

(University of Oxford)

The British Empire formally emancipated its slaves in the Caribbean on 1 August 1834, then in South Africa on 1 December 1834 and in Mauritius on 1 February 1835. This arose largely in response to humanitarian pressures. Groups such as the Anti-Slavery Society sought to end not only the brutal system of enslaved labour but also to address the systematic marginalisation of people of colour from colonial society, and to reform standards of social and moral conduct among both black and white populations. With the benefit of tuition by humanitarian agents, former slaves would take their place within a new society of free labourers, negotiating with planters and farmers for the terms on which their labour would be sold, and working more productively because they were now to be driven by their own desire for consumption rather than by the lash. The intention was therefore not to destroy the plantation sectors of these colonies, but rather to rebalance them away from slavery towards a more efficient and humane system of free labour, but one ultimately still marked by social and economic hierarchies. The grant of £20 million to slaveowners in compensation was intended to aid this process, by enabling planters to clear their debts and retool their plantations to meet the new conditions of free labour. This article examines one aspect of the system, the £1.5 million of this compensation which found its way into the banks founded in these territories between 1835 and 1840, and how it helped the process of transition in South Africa in particular. In the sugar colonies of the Caribbean and Mauritius, the money supported a new system of indentured plantation labour; in South Africa, it was channelled into banks that supported the existing agriculture of the western Cape, and the expansion of settler capitalism in the eastern Cape. This enabled planters and farmers to ride out emancipation with far fewer changes to the wider societies and economies of the former slave colonies than humanitarians and abolitionists had hoped.

Keywords: slavery; banking; finance; South Africa; Mauritius; Caribbean

Context

The British movement for abolition in the late eighteenth century was by no means monolithic, but rather a fragmentary grouping of different interest groups held together by a shared interest in the condition of free and enslaved people of colour, as much recent work has emphasised.[1] The ideologies of the Radical Enlightenment, which looked towards an egalitarian, secular future and were embodied by English radicals such as Thomas Clarkson, rubbed shoulders with conservative ideologies derived from Christian evangelicism, which saw slavery fundamentally as a moral problem which prevented people of colour from realising their religious potential. Such ideologies were radical insofar as they saw people of colour as not only capable but also deserving of moral improvement, but were conservative in other respects. Reformers such as William Wilberforce framed this process of religious renewal within a traditional framework of economic and social hierarchy marked by paternalism, on the part of elites, and obligation and deference, on the part of subalterns. This tension was marked in the movement during the 1820s by a divergence over whether slavery should be ended immediately or preceded by a process of amelioration that would acclimatise slaves to their position, duties and responsibilities within this society. Even once abolitionists lost patience and pushed for immediate emancipation, the campaign was marked by internal debates within the movement about how far the planters should be allowed compensation for their slaves, to enable them to make the transition into free labour. When emancipation came in 1834, it was accompanied by a system of 'apprenticeship' for freed men and women which amounted in practice to enforced indentured labour on the part of the former slaves for their masters, which was intended to operate for six years but was eventually cut back to four.[2]

The same ambivalence – former slaves were to have their freedom, but also to learn their place within the social and economic hierarchy – was manifest in the measures undertaken in the wake of emancipation. On the one hand, humanitarians fought hard in the 1820s for the abolition of slavery and comparable manifestations of it, such as the 'Caledon Code' of 1808 in the Cape Colony, which reduced the native Khoesan in effect to involuntarily-indentured labourers.[3] They also pushed against

---

[1] C.L Brown, *Moral Capital: Foundations of British Abolitionism* (Chapel Hill, NC, University of North Carolina Press, 2006); R. Huzzey, *Freedom Burning: Anti-Slavery and Empire in Victorian Britain* (Ithaca, NY, Cornell University Press, 2012).

[2] W.A. Green, *British Slave Emancipation: The Sugar Colonies and the Great Experiment, 1830-1865* (Oxford, Oxford University Press, 1976), pp. 129-61.

[3] W. Dooling, *Slavery, Emancipation, and Colonial Rule in South Africa* (Scottsville, University of KwaZulu-Natal Press, 2007) pp. 112-81 ; E. Elbourne, *Blood Ground: Colonialism, Missions, and the Contest for Christianity in the Cape Colony and Britain, 1799-1853* (Montreal, McGill-Queen's University Press, 2002) pp. 197-258; T. Keegan,

laws which discriminated legally, culturally, socially and economically against free people of colour and which reduced their capacity to act as free agents. They defeated efforts by farmers to bring in severe laws against vagrancy and squatting intended to leave former slaves with no option but to remain on their estates and provide cheap labour. However, strict Master and Servant Acts deliberately disadvantaged labourers in making contracts with farmers.[4] As colonies such as Mauritius, British Guiana and Trinidad began to import large numbers of indentured workers from British India to act as cheap labour, often in appalling conditions, humanitarians likewise lobbied the British government to put safeguards in place to prevent abuses.[5] Such measures were of varied success, but they demonstrate the determination of humanitarians to make good their promises of freedom. On the other hand, humanitarian groups also had clear ideas about how former slaves were to make use of their freedom. Religious groups were to provide moral education and social control, including through the formation of communities such as the 'free villages' of Jamaica or the missionary townships in the Cape.[6] Most fundamentally, former slaves were not to be allowed to retreat or regress into primitive peasantry, but were to remain part of an advanced and profitable plantation economy built on free trade and free labour.

In this context, the grant of £20 million to slaveholders by the British state in 1834 was intended to serve two purposes. It compensated slaveowners for expropriating their property, thereby recognising and reifying the importance of property within British political culture. It also had a constructive purpose. Slaveowners were to use the funds to clear and repay mortgages or loans secured against this human capital, or to invest it in new measures that would adapt

Colonial South Africa and the Origins of the Racial Order (London, Leicester University Press, 1996) pp. 53-6, 96-107.

[4] E. Elbourne, 'Freedom at Issue: Vagrancy Legislation and the Meaning of Freedom in Britain and the Cape Colony, 1799 to 1842', *Slavery & Abolition* 15, no. 2 (1994), pp. 114-150 ; Keegan, *Colonial South Africa*, pp. 107-58, 347-52 ; P. Scully, *Liberating the Family?: Gender and British Slave Emancipation in the Rural Western Cape, South Africa, 1823-1853* (Portsmouth, NH, Heinemann, 1997), pp. 19-59 ; R.L. Watson, *Slave Emancipation and Racial Attitudes in Nineteenth-Century South Africa* (Cambridge, Cambridge University Press, 2012), pp. 11-60.

[5] D. Northrup, *Indentured Labor in the Age of Imperialism, 1834-1922* (Cambridge, Cambridge University Press, 1995).

[6] Elbourne, *Blood Ground*, pp. 259-74; C. Hall, *Civilising Subjects: Metropole and Colony in the English Imagination, 1830-1867* (Chicago, IL, University of Chicago Press, 2002), pp. 115-39.

plantations to the demands of this new world of free labour.[7] Work by the *Legacies of British Slave-Owning* project suggests that these hopes were partially fulfilled. Some planters invested in buying new machinery or in importing indentured labourers, especially in Mauritius, British Guiana and Trinidad. This, increased productivity and pushed down prices to a level at which their sugar could compete with slave-grown sugar from Brazil and Cuba.[8] Some money went to pay off planters' debts to merchants in Britain, leaving them with room to borrow even more in order to make the necessary improvements to their estates. In Cape Town, the introduction of about £1.5 million of compensation money triggered a speculative boom in urban real estate which then burst spectacularly in 1834-5 in the wake of the Sixth Frontier War. Certain amounts also probably went into new joint-stock ventures intended to provide the infrastructure for economic growth. For example, the Cape of Good Hope Steam Navigation Company was set up in 1836 with a capital of £20,000 and the Commercial Wharf Company in 1838 with a capital of £20,000, and several smaller trust companies such as the Board of Executors in 1838, with a capital of £10,000.[9] At least three insurance companies were established in Cape Town in 1837 and 1838 with a combined capitalisation of £135,000, and there was an ambitious but unsuccessful plan in Jamaica to establish The Jamaica Fire, Life and Marine Insurance Company in 1840 with a capital of £500,000.[10]

The largest and most prominent companies created in response to emancipation and the payment of compensation, however, were the banks. These were all joint-stock

---

[7] N. Draper, *The Price of Emancipation: Slave-ownership, Compensation and British Society at the End of Slavery* (Cambridge, Cambridge University Press, 2010), pp. 75-113.

[8] K.M. Butler, *The Economics of Emancipation: Jamaica & Barbados, 1823-1843* (Chapel Hill, NC, University of North Carolina Press, 1995); Green, *British Slave Emancipation*, pp. 180-228; C. Hall, N. Draper, K. McClelland et. al., *Legacies of British Slave-holdership: Colonial Slavery and the Formation of Victorian Britain* (Cambridge, Cambridge University Press, 2014); D. Hall, *Free Jamaica 1838-1865: An Economic History* (New Haven, CT, Yale University Press, 1959), pp. 40-80

[9] M. George, 'John Bardwell Ebden: His Business and Political Career at the Cape, 1806-1849', (MA thesis, University of Cape Town, 1980); J. Meltzer, 'The Growth of Cape Town Commerce and the Role of John Fairbairn's *Advertiser* (1835-1859)', (MA thesis, University of Cape Town, 1989).

[10] M. Keneley, and G. Verhoef, 'Establishing Insurance Markets in Settler Economies: A Comparison of Australian and South Africa Insurance Markets, 1820-1910', *African Historical Review* 47, no. 1 (2015), pp. 76-105. These were the Cape of Good Hope Fire Assurance Company (1837: £20,000), the Cape of Good Hope Marine Assurance Company (1838: £75,000) and De Protecteur Fire and Life Assurance Company (1838: £40,000). C.V. Callender, 'The development of capital market institutions of Jamaica', *Social and Economic Studies*, 14 (1965), pp. 11-13.

corporations, distinguished from individual bankers or banking partnerships by their corporate powers and by the fact that they raised money by selling their shares to investors on British and colonial markets.[11] Several 'colonial' banks already existed, such as the Bank of Montreal in Lower Canada and the Bank of New South Wales in New South Wales, and the Bank of Mauritius had been founded in 1828.[12] The Cape also had a government bank providing a range of financial services, though, as noted below, this was seen by many as inadequate.[13] Large parts of the Caribbean and the Cape lacked corporate banks however, and the 1830s saw a number of colonial banking projects, as well the creation of several multinational or 'imperial' banks headquartered in London but operating overseas. In Britain, the Colonial Bank was founded in 1836 with a capital of £2 million to provide banking services to the Caribbean, then the West India Bank in 1840 with a capital of $2 million or £433,333.[14] A group of investors attempted to establish a Bank of South Africa in London, with a capital of £200,000, but this was defeated by the Colonial Office and colonial opposition, as described below.

Even more numerous were the colonial banks. The Bank of Jamaica was set up in 1836 with a capital of £200,000, and the British Guiana Bank in 1837 with a capital of £300,000, then the Planters' Bank in Jamaica in 1840 with a capital of £300,000.[15] The Mauritius Commercial Bank was founded in 1838 with a capital of £100,000.[16] The Cape of Good Hope Bank was established in Cape Town in 1837 with a capital of £75,000, and the South African Bank the following year with a capital of £100,000, while settlers in Grahamstown created the Eastern Province Bank

---

[11] A.S.J. Baster, *The Imperial Banks* (London, P.S. King, 1929), pp. 49-120; G. Jones, *British Multinational Banking, 1830-1990* (Oxford, Oxford University Press, 1993), pp. 13-62; Callender, 'Capital market institutions' pp. 5-11; For an overview, see P.J. Hudson, 'On the history and historiography of banking in the Caribbean', *Small Axe*, 18 (2014), pp. 22-37.
[12] Baster, *Imperial Banks*, pp. 1-19; R.M. Breckenridge, *The Canadian Banking System, 1817-1890* (New York, NY, published for the American Economic Association by Macmillan, 1895); S.J. Butlin, *Foundations of the Australian Monetary System, 1788-1851* (Carlton, Victoria; University of Melbourne Press, 1953), pp. 110-224.
[13] E.H.D. Arndt, *Banking and Currency Development in South Africa: 1652-1927* (Cape Town, Juta & Co., 1928), pp. 165-219.
[14] Baster, *Imperial Banks*, pp. 67-77; *A Banking Centenary: Barclays Bank (Dominion, Colonial and Overseas), 1836-1936* (London, Barclays Bank D.C.O, 1938).
[15] P. Hudson, 'On the History and Historiography of Banking in the Caribbean', *Small Axe*, 18, no. 1 (2014), pp. 22-37; K.Monteith, 'Regulation of the Commercial Banking Sector in the British West Indies, 1837-1961', *Journal of Caribbean History* 37, no. 2 (2003), pp. 204-232.
[16] M. Lagesse, *150 Années De Jeunesse: A History of the Mauritius Commercial Bank* (Port Louis, Mauritius, Editions Caravelle, 1988), pp. 3-55; Baster, *Imperial Banks*, pp. 29-31.

the same year with a capital of £40,000.[17] The banks created in the aftermath of emancipation were therefore among the largest and most important economic institutions to emerge from this process. In some respects this rise in imperial and colonial bank formation was no more than an echo of developments in Britain and the United States, and a faint one at that. A relaxation of banking laws in Britain in 1825 saw 17 new joint-stock banks chartered between 1826 and 1830. Between 1831 and 1840, the total was 138, including 62 alone in 1836 at the peak of a stock market boom.[18] The imperial banks in particular were therefore part of a wider boom in banking incorporations.

There were strong reasons, however, for speculators and projectors in the post-slavery world to look to banks to help solve some of the economic problems created by emancipation. As will be seen below, planters were convinced that additional finance was needed to enable them to invest in new machinery or contracts for indentured labour. It was felt that new banks – either imperial or colonial – would be able to provide the long-term finance they needed, either directly in the form of mortgages or indirectly, as several were banned from lending on landed securities, by discounting long-dated bills of exchange, bonds or promissory notes. Some of the other institutions noted above, such as the insurance and trust companies, also sought to invest their funds in the local economy, though this aspect of their operation remains to be studied. Banks also promised the short-term credit that would enable planters to manage their cash flow, especially in the new conditions of wage labour which would require them to have more cash on hand. Finally, the shift to wage labour threatened to disrupt economies which for a long period had little reason for small coins, but now required large amounts for the payment of daily or weekly wages. Banks were seen as vital parties for the management of the money supply, through the circulation of bank notes that would release coin for the use of labourers. They were therefore intended largely for the benefit of the planters and farmers

---

[17] Arndt, *Banking and Currency*, pp. 220-39; A. Webb, 'Early Capitalism in the Cape: The Eastern Province Bank, 1839-73', in S. Jones (ed.), *Banking and Business in South Africa*, (London, Palgrave Macmillan, 1988) pp. 47-68; Keegan, *Colonial South Africa*, pp. 163-6.

[18] This count is based on the totals presented in S.E. Thomas, *The Rise and Growth of Joint Stock Banking* (London, Sir I. Pitman & Sons, 1934); H. Bodenhorn, *A History of Banking in Antebellum America: Financial Markets and Economic Development in an Era of Nation-Building* (Cambridge, Cambridge University Press, 2000); B. Hammond, *Banks and Politics in America from the Revolution to the Civil War* (Princeton, NJ, Princeton University Press, 1957).

seeking to adapt to post-slavery conditions. The needs of the newly-freed workers, as well as newly-imported indentured labourers, would be met instead with the creation of savings banks in many of the colonies.[19]

Unfortunately, virtually no records have survived to show how these banks invested their funds and the routes by which their funds entered the rural economy, but the connections between banking, compensation and emancipation can be seen by tracking their shareholders. As Mark Freeman, Robin Pearson and James Taylor have recently shown, the early nineteenth century British commercial and financial world was marked by the expectation that shareholders would be actively engaged in the governance, if not necessarily the day-to-day management, of the corporation, and form in effect a 'shareholder democracy' that would set its long-term goals.[20] This was not always met in practice – Naomi Lamoreaux has argued that in New England in this period, banks often served as vehicles for 'insider lending' for the benefit of their directors – but in larger banks the wishes of the shareholders could be very important in setting its overall policy.[21] Fortunately the shareholder lists of many of the banks in the Caribbean, Mauritius and the Cape survive for this period, and can be matched up with the lists of slaveowners receiving compensation by the *Legacies of British Slaveowning Project* database at University College London, which contains the records of all recipients and other data.[22] Such an exercise obviously has its own limitations. Beyond the problems of matching up common names, especially for imperial banks outside specific colonies, the exercise cannot demonstrate that the money from slavery compensation was invested in banking shares; it can merely suggest the number of shareholders who, in the immediate aftermath of the end of slavery, may have had a large and relatively liquid amount of cash which they could potentially have invested. The exercise also cannot recover the processes through which shareholders put pressure on directors to adopt certain policies, for which it is

[19] Arndt, *Banking and Currency*, pp. 486-92; Richard B. Allen, 'Capital, illegal slaves, indentured labourers and the creation of a sugar plantation economy in Mauritius, 1810-60', *Journal of Imperial and Commonwealth History*, 36 (2008), p. 160; Hudson, 'History and historiography', pp. 29-30.
[20] M. Freeman, R. Pearson and J. Taylor, *Shareholder Democracies?: Corporate Governance in Britain and Ireland before 1850* (Chicago, University of Chicago Press, 2012); J. Taylor, *Creating Capitalism: Joint-Stock Enterprise in British Politics and Culture 1800-1870* (London, Royal Historical Society, 2006).
[21] Naomi Lamoreaux, *Insider Lending: Banks, Personal Connections, and Economic Development in Industrial New England* (Cambridge, Cambridge University Press, 1994).
[22] This is accessible at https://www.ucl.ac.uk/lbs/.

necessary to use public materials, such as the reports of the directors to general meetings of shareholders or promotional material, and private records such as the minute- and letter-books of the banks, which have often not survived. The following sections outline the differing profiles of shareholders in the respective banks, then link this to their post-slavery policies in Jamaica and the Cape, and conclude by considering the impact that this had upon their subsequent development.

Shareholders

As noted above, the banks founded in these colonies after the end of slavery were among the largest concentrations of capital that had ever been established there. They were extensively promoted, sometimes with lists of shareholders published in newspapers to create confidence and encourage other subscriptions. In other cases they were submitted to colonial and imperial governments in order to provide assurances about the wealth and respectability of the shareholders. Unfortunately the share registers of the Colonial Bank, the leading imperial bank for the British Caribbean, have not survived, and there is no sign that lists of shareholders were ever printed.[23] It has likewise been impossible to recover the shareholders of the Eastern Province Bank in the Cape, though there were several comments made in newspapers and official correspondence that they included the leading figures in the eastern districts of the colony. For the eight remaining banks, including the failed Bank of South Africa, lists are available with the names of the 2,050 shareholders who subscribed nearly £1.8 million in nominal capital to the banks.[24] At least 951 of these shareholders were slaveowners, who received £2.6 million in compensation for the 11,896 slaves they had owned. However, as Table 1 shows, there were also substantial variations between these banks, reflecting firstly, a split between the sugar colonies and the Cape; secondly, between the imperial and colonial banks; and thirdly, between the more commercial banks on the one hand, and the more agricultural banks on the other.

[23] The records of the Colonial Bank are now in the Barclays Group Archives in Manchester, UK. Repeated searches have failed to find any shareholder registers or lists for this period.
[24] For sources, see the Appendix.

Table 1: Shareholders and Slaveowners in Post-Emancipation Banks

Bank	Nominal Capital	Number of Shareholders	Number of Slaveowners	Percentage of Shareholders	Number of Slaves Owned	Compensation Received	Slaves per Slaveowner	Compensation per slaveowner
Bank of Jamaica	£200,000	200	124	62.0%	22,392	£434,654	181	£3,505
British Guiana Bank	£300,000	261	156	59.8%	14,251	£742,439	91	£4,759
Mauritius Commercial Bank	£100,000	198	95	48.0%	3,831	£126,146	40	£1,328
Cape of Good Hope Bank	£75,000	144	63	43.8%	867	£30,781	14	£489
Planters' Bank, Jamaica	£300,000	122	83	68.0%	12,349	£234,141	149	£2,821
South African Bank	£100,000	218	127	58.3%	5,705	£200,839	45	£1,581
West India Bank	£433,333	603	280	46.4%	26,102	£617,054	93	£2,204
Bank of South Africa	£250,000	304	23	7.6%	9,671	£202,549	420	£8,806
Total	**£1,758,333**	**2,050**	**951**	**46.4%**	**95,168**	**£2,588,603**	**100**	**£2,722**
Average	**£219,792**	**249**	**133**	**53.2%**	**12,214**	**£340,865**	**92**	**£2,571**
Av. Cape banks	£141,667	222	71	32.0%	5,414	£144,723	76	£2,038
Av. Caribbean banks	£266,667	277	148	53.3%	15,785	£430,887	107	£2,919
Av. Imperial banks	£341,667	454	152	33.4%	17,887	£409,802	118	£2,705
Av. Colonial banks	£179,167	191	108	56.7%	9,899	£294,833	92	£2,730
Av. Commercial banks	£156,250	212	76	36.1%	9,190	£198,533	121	£2,604
Av. Planter banks	£283,333	301	162	53.7%	14,602	£448,618	90	£2,778

The difference between the Cape and the sugar colonies is evident even from the nominal capitals of the respective banks. Banks in and for the Cape had an average nominal capital of £140,000, versus £266,666 in the Caribbean and Mauritius. In the Cape, where slavery had been widespread but small-scale, some 32 per cent of shareholders were former slaveowners. In the sugar colonies, by contrast where large-scale plantation slavery had predominated, the total was 53 per cent.[25] These slaveowners also tended to be wealthier; the average total they had received in compensation after 1834 was £2,919 compared with £2,038 in the Cape. Banks in the Caribbean and Mauritius were therefore larger than those in the Cape, and more comprehensively dominated by former slaveowners, who had nearly half as much more compensation to invest than their counterparts in the Cape. This distinction undoubtedly reflected the nature of their respective economies. In the Cape, slavery was restricted to the western Cape, where the Dutch or Afrikaner population dominated the production of wheat and wine; the British settled in the eastern Cape after 1820 were not allowed to own slaves. These farms and vineyards were substantial economic enterprises but typically required only a small to middling contingent of slaves.[26] In that respect the western Cape resembled the wheat and tobacco regions of the Southern United States in the eighteenth century. Former slaveowners therefore tended to receive much smaller amounts of compensation than those of the Caribbean and Mauritius, which had been defined by production upon an industrial scale since the early eighteenth century.[27] Although coffee plantations could be operated with a small workforce, sugar plantations were industrial enterprises that benefitted from economies of scale, and many of the larger ones might have 200 to 300 slaves and sometimes more on satellite plantations and pens which provided livestock and provisions for the operation of the main pen. Banks in sugar colonies were thus larger, and more dominated by former slaveowners.

Secondly, there were important differences between the commercial and agricultural or 'planter' banks. The first were banks modelled more directly on British norms, as financial institutions primarily serving the needs of merchants and retailers requiring short-term credit or liquidity. In England there were repeated

[25] Keegan, *Colonial South Africa*, pp. 107-13; C.G.W. Schumann, *Structural Changes and Business Cycles in South Africa, 1806-1936* (London, P.S. King & Son, 1938).
[26] Dooling, *Slavery, Emancipation*, pp. 17-82.
[27] This is based on a comparison with the profile of West India slaveholders in Draper, *Price of Emancipation*, pp. 138-65.

regulatory efforts to try to ensure that these banks restricted themselves to the discounting of short-term commercial paper such as bills of exchange or promissory notes, often with 90 days or less before they expired.[28] They might also hold other liquid paper such as public or commercial bonds and annuities, and bullion, and were permitted to issue their own bank notes provided these were convertible back into specie on demand. On the other hand, they were by no means to engage in trade directly, to lend any money on the security of mortgages on land, nor to hold either land or commodities except in order to sell them in case of default by borrowers. Lending money on land or for other long-term purposes such as commercial or industrial ventures was seen as more appropriately the province of individual capitalists, since it was in essence a speculation, and failure risked leaving banks with masses of mortgaged land which could not be resold, leading to insolvency and failure. In practice, this division was largely arbitrary. As numerous commentators pointed out, in colonial economies where land was often the leading asset, banks had no option but to lend money to landowners and take mortgages in return, either directly or as bonds that were in turn secured upon mortgages on land. Indeed, several colonial banks were created in the 1830s specifically and explicitly to lend money on land, including the Planters' Bank in Jamaica, the British Guiana Bank and the South African Bank, while the West India Bank was chartered in Britain under strict regulations banning such practices but nevertheless engaged in them extensively. By contrast, the Bank of Jamaica, the Mauritius Commercial Bank, the Cape of Good Hope Bank and the putative Bank of South Africa were all intended as commercial banks.[29]

This distinction between commercial and agricultural banks was mirrored by the profile of the shareholders. Commercial banks had a smaller capital on average than planter banks, about £155,000 compared to £283,333. They also had a small proportion of former slaveowners, about 36 per cent of shareholders compared with 54 per cent in the planter banks. Although the average compensation payments they received were the same, about £2,700, the average value of those slaves was £22 in commercial banks and £31 in planter banks, suggesting that the slaveowners investing in planter banks were generally planters and estate owners who had received higher

---

[28] E. Victor Morgan, *The Theory and Practice of Central Banking, 1797-1913* (Cambridge, Cambridge University Press, 1943), pp. 100-64.
[29] This is based on a study of their charters of incorporation or deeds of settlement.

sums in compensation for their larger numbers of 'praedial' or field workers compared to the 'non-praedial' slaves who were valued at a lower rate by the Commissioners of Compensation.[30] For instance, the South African Bank was a planter bank, in which 58 per cent of shareholders were former slaveowners, representing a total of over £200,000 in compensation or £1,581 per person. By contrast, the Cape of Good Hope Bank was founded largely for and by the British mercantile community of Cape Town. Only 44 per cent of shareholders were former slaveowners, and they had received on average only £489 per person.

Finally, there were also contrasts between the imperial and colonial banks, with the former having lower capitalisations and higher levels of slaveholding than the latter, on top of the existing differences between commercial and planter banks. For example, the Bank of South Africa was incorporated by a syndicate of London investors who had already set up the Bank of British North America, the Bank of Australasia and the Ionian Bank, and therefore saw the Cape largely as a commercial opportunity.[31] Only eight per cent of shareholders were former slaveowners, though because they included a number of substantial British investors the average amount of compensation they had received was £8,806. By contrast, 47 per cent of shareholders in the West India Bank, formed in Britain in 1840 but largely by planters in Barbados for the benefit of other planters, were former slaveowners, though the compensation each had received on average was much less. Within colonies a similar pattern can be seen, with planter banks in sugar colonies outstripping those in the Cape, and the same for commercial banks. For example, although the South African Bank was substantial relative to its commercial rival, it was overshadowed by the Planters' Bank in Jamaica, where 68 per cent of shareholders were former slaveowners. The nominal capital of the latter was also three times the size, and those slaveowners had received £2,821 on average, twice as much. The Mauritius Commercial Bank, like the Cape of Good Hope Bank, dealt mainly with merchants, but it was still the case that 48 per cent of its shareholders were former slaveowners, and they had received on average £1,328 in compensation, nearly three times that of its Cape counterpart.[32] The difference with the Bank of Jamaica was even more acute.

---

[30] Draper, *Price of Emancipation*, pp. 166-231.
[31] Arndt, *Banking and Currency*, pp. 220-4; Baster, *Imperial Banks*, pp. 120-2; Butlin, *Foundations*, pp. 259-64; P.L. Cottrell, *The Ionian Bank: An Imperial Institution, 1839-1864* (Athens, Alpha Bank, 2007), pp. 57-154.
[32] Lagesse, *150 annees de jeunesse*, pp. 3-55.

Analysing the lists of shareholders of imperial and colonial banks therefore suggests a number of conclusions. Firstly, incorporation was closely tied with emancipation and compensation. Nearly half the shareholders had received compensation, to a level sufficient on average to cover the nominal capital of the new banks. Secondly, the money was evidently not being invested blindly, since there were clear patterns in the levels of investment which suggest strategising on the part of investors. Thirdly, the banks in sugar colonies tended to be larger and to have more former slaveowners than those elsewhere. Fourthly, imperial banks were larger than colonial banks but had fewer former slaveowners. Fifthly, commercial banks were generally smaller and had fewer former slaveowners than agricultural or planter banks. Sixthly, the banks founded in and for the former sugar colonies in the Caribbean and Mauritius tended to be larger than those founded in and for the Cape. The rest of this article will suggest how this affected the policies that the banks adopted. The predominance of former slaveowners, many of them planters and farmers, meant that banks in sugar colonies were more likely to adopt fiscal and monetary policies calculated for their interests compared with the Cape, and the same was true of the colonial versus the imperial banks, and the agricultural versus the commercial banks. The following section shows how this then played out in Jamaica and the Cape.

Jamaica and the Cape of Good Hope

To some degree, both Jamaica and the Cape of Good Hope faced similar problems in the aftermath of slavery. As was noted above, the shift to free labour made it necessary both to expand the amount of credit available for planters and farmers to retool and to increase the money supply, particularly small change, in order to facilitate weekly wage payments and the corresponding retail trade among the free population. This was especially strongly felt in Jamaica, where plantations were a much larger part of the economy.[33] It was estimated in June 1838, for example, that there were some 150,000 labourers in the island who would require at least £100,000 per week in coins and cash for wages, but that the total money supply in coins and

[33] Butler, *Economics of Emancipation* ; Gisela Eisner, *Jamaica, 1830-1930: A Study in Economic Growth* (Manchester, Manchester University Press, 1961), pp. 163-98; Green, *British Slave Emancipation*, pp. 180-4; Hall, *Free Jamaica*, pp. 40-80, 121-55; Callender, 'Capital market institutions' pp. 1-24. For somewhat different capital market institutions in Mauritius, see Allen, 'Capital' pp. 156-62.

paper money was only about £300,000. Since the 1820s the assembly of Jamaica had adopted various measures to address this, including importing silver and copper coins from Britain for circulation and the emission of a government paper currency called the 'Island Cheques', which provided over £400,000 by 1834. There was nevertheless a widespread expectation that the banks of the island would use their capital, both from shareholders and depositors, to circulate notes that could replace the coins in day-to-day circulation. It was even envisioned that banks would issue paper not only on the basis of their holdings of bullion or specie but also assets such as land or the Island Cheques, in order to provide credit that could revive that island's economy.

Farmers and merchants in the Cape faced similar pressures, but also a unique set of circumstances. The latter in particular were firmly convinced that banks would help to revive the lacklustre trade of the colony, arising in particular from the decline of the wine trade in the 1820s, and to enable settlers in the eastern Cape to exploit new opportunities for cultivation of wool for export back to Britain.[34] However, the existence of a government bank that was already offering generous loans to farmers meant that many Afrikaners, particularly those outside Cape Town, were at best ambivalent about the need for a joint-stock bank, even with powers of note issue.[35] Moreover, although the Cape had possessed a government paper currency since the 1800s, its legacy was very different from Jamaica, where the assembly had been able to circulate £400,000 in Island Cheques largely at face value, even though in practice it was not possible to exchange them for gold or silver. By contrast, in the Cape the imperial government had over-issued the paper currency to such an extent that the exchange rate had fallen from 4s per rixdollar to 1s 6d per rixdollar by 1825, at which rate it was formalised by an order of the British privy council.[36] Merchants who had made contracts with overseas suppliers on the basis of the former value found that their rixdollars bought less than half what it had before, and therefore strongly argued that banks created in the Cape should be required to back every note they issued with specie. This 'hard' or 'strict' monetary policy matched the prevailing Ricardian bullionist monetary orthodoxy in Britain in the 1830s, which supported the bimetallic standard and then evolved after 1870 into the gold standard, and contrasted with the

[34] Keegan, *Colonial South Africa*, pp. 61-74, 128-65; Schumann, *Structural Changes*.
[35] Arndt, *Banking and Currency,* p. 238.
[36] Arndt, *Banking and Currency*, pp. 23-66; George, 'John Bardwell Ebden'.

‘soft’ or ‘loose’ monetary policy urged in Jamaica, which echoed the prevailing sentiment in the United States that private banks should be able to issue notes on all their assets rather than merely their holdings of specie, to boost the credit they could offer for borrowers to use for economic development.[37]

[37] F.W. Fetter, *Development of British Monetary Orthodoxy, 1797-1875* (Fairfield, NJ, A.M. Kelley, 1965), pp. 144-97; L.W. Mints, *A History of Banking Theory in Great Britain and the United States* (Chicago, IL, University of Chicago Press, 1945), pp. 61-177; Morgan, *Theory and Practice,* pp. 49-164.

Table 2: Banking Policy in Jamaica and the Cape

Name	Bank of Jamaica	Planters' Bank	South African Bank	Cape of Good Hope Bank
Location	Jamaica	Jamaica	Western Cape	Cape Town
Slaveowners (per cent)	62.0	68.0	58.3	43.8
Nominal Capital (£ sterling)	£200,000	£300,000	£100,000	£75,000
Paid up Capital (£ sterling)	£100,000	£90,400	£40,000	£60,000
Ratio to Nominal Capital (per cent)	50.0	30.1	40.0	80.0
Capital Policy	Strict	Loose	Loose	Strict
Compensation per Head	£3,505	£2,821	£1,581	£489
Note Issues (£ sterling)	£100,000	£70,000	£15,000	£16,000
Ratio to Paid Up Capital (per cent)	100.0	77.4	37.5	26.6
Monetary Policy	Loose	Loose	Strict	Strict

Shareholders in Jamaica and the Cape of Good Hope therefore had differing views about the exact policies that their banks should adopt in the wake of emancipation, and their power within the new colonial banks meant that they were in a position to influence banking policy. This can be seen in the divergent attitudes to the paid-up capital and note issue shown in Table 2. On the one hand, commercial banks such as the Bank of Jamaica and the Cape of Good Bank generally had a high level of their capital paid up, between 50 and 80 per cent. This may have reflected first-mover advantage, since both were founded before their respective counterparts, but it also possibly reflected their commercial function, which placed high demands on the liquidity and raised the possibility of insolvency. A high paid-up capital provided a large capital buffer enabling them to ride out unexpected calls, and avoid a bank 'run'. Planter banks such as the Planters' Bank and the South African Bank by contrast had much lower or 'looser' levels of paid-up capital, which may reflect their later foundation, the lesser access of planters to liquid capital compared to merchants, and also the feeling that their primary role was to make long-term loans on mortgages which would not impose the same liquidity challenges. On the other hand, however, the Cape banks exercised a much 'stricter' or 'harder' policy when it came to note issues. Whereas in Jamaica the average circulation varied between 77.4 and 100 per cent of the total paid-up capital, leaving the Bank of Jamaica with no reserves to cover its other obligations, in the Cape it was much lower, between 26.6 and 37.5 per cent. This 'strict' monetary policy ensured that the banks would always have enough cash on hand to meet demands, and prevented over-issue and inflation, but meant that the economic effect of this credit-creation was accordingly more circumscribed in the Cape compared with Jamaica.

This can be seen in contemporary responses to the banks in both places. In Jamaica, the Colonial Bank was required by its charter to follow a 'strict' monetary policy and therefore began to refuse loans in May 1839 during an economic downturn. This met with anger from the *Jamaica Despatch*, a newspaper representing the interests and opinions of the planters. 'The Colonial Bank promised to be of essential use to the planting interests', its editorial wrote, 'but this withdrawal of accommodation and assistance does not certainly prove [its] sincerity'.[38] The issue was addressed by the foundation of the Planters' Bank only a few weeks later. 'We congratulate the country on the prospects of a local institution of this kind', commented the *Jamaica Despatch* after the initial meeting of subscribers in May. Further, it wrote that the bank would be surely 'supported by the inhabitants interested in the prosperity of agriculture, and designed to aid and relieve those who are labouring under difficulties peculiar to the Jamaica planter at the present time, and which the unfortunate sufferers could neither have controlled nor foreseen'.[39] The bank accordingly expanded its note issues and credit rapidly, as noted above, going into operation with less than third of its nominal capital paid up and operating a loose monetary policy, which provided essential support for the planting interest.

However, this left the Planters' Bank exposed to external events such as the economic shock caused by the equalisation of sugar tariffs in Britain in 1846.[40] Jamaican sugar was now competing – unsuccessfully – with cheaper slave-grown sugar from Brazil and Cuba, and the plantation economy soon collapsed, dragging down the value of the mortgages on which the Planters' Bank had secured its credit.

---

[38] *Jamaica Despatch*, No. 1965, 16 May 1839, 'Multum in Parvo'.
[39] *Jamaica Despatch*, No. 1974, 29 May 1839, 'Editorial'.
[40] Eisner, *Jamaica*, pp. 198-200, 236-88; Green, *British Slave Emancipation*, pp. 183, 234-5; Hall, *Free Jamaica*, pp. 81-120.

The *Morning Journal*, a liberal, anti-planter newspaper, commended the Bank of Jamaica in September 1848 for paying attention to its financial position rather than over-extending itself to assist the planters. 'The Directors had put on the screw as far back as 1844, and … [have been] regularly giving it an extra turn', it wrote, reducing their note issues to £34,000 or only a third of the paid-up capital.[41] By contrast, the Planters' Bank had increased its issues 'in their desire to help forward the agricultural interest', and sustained such losses that it was made bankrupt the following year. As noted above, slaveowners were most prominent in colonial agricultural banks in sugar colonies such as Jamaica, of which the Planters' Bank was the most prominent example; it therefore adopted policies which served their interests rather than its own, and was brought down with them as a result in 1849.

Much the same process played itself out in the Cape, but on a smaller scale. Neither the Cape of Good Hope Bank nor the South African Bank issued notes to the same extent as in Jamaica; indeed, the latter initially refused to issue any notes at all while a government paper currency remained.[42] It was only established in 1838 once it had become clear that the Cape of Good Hope Bank had fatally weakened the government bank, and that the colonial government as a result would begin to retire the paper currency and call in its loans. It was not only far more under the influence of former slaveowners than the Cape of Good Hope Bank – 58 per cent of shareholders, compared with 44 per cent – but largely Dutch or Afrikaner in its origins. It therefore catered for farmers and rentiers in the Western Cape as an agricultural bank; advertisements in Cape Town's newspapers stressed that it was composed of and adapted for the 'monied interest' of the colony, and offered as a particular selling point its early office hours, by which it 'render[s] itself useful to the agriculturists frequenting the town market in the morning'.[43] Consequently when it did come to issue notes these reached, on average, about 38 per cent of its paid-up capital, in order to provide the greatest benefit to farmers. By contrast, the Cape of Good Hope Bank advertised itself as a 'commercial and agricultural' bank, and boasted that its shareholders or proprietary were 'the principal mercantile establishments in Cape Town, and many of the chief agriculturists of the Colony'. It was founded mainly by British merchants and by an anglicised Dutch commercial

[41] *Morning Journal*, xi, 522, 8 September 1848, 'Editorial'.
[42] Arndt, *Banking and Currency*, pp. 60-6, 238.
[43] See the advertisements in *De Zuid-Afrikaan* from 1838 onwards.

class in Cape Town, which had suffered most from the inflation of the 1810s and 1820s and faced a higher risk of insolvency from volatile commercial demands. Consequently it adopted a stricter note policy than its rival, equivalent to 27 per cent of its paid-up capital. Within the economic and cultural limitations they faced, banks in the Cape therefore followed much the same policy as those in Jamaica, using the capital provided by compensation in the wake of emancipation to help fund the process of economic adaption.

The importance of shareholders in determining the policies to be followed by the banks in the Cape and Jamaica can be seen by extending the analysis further to encompass the Eastern Province Bank, as shown in Table 3. As noted above, this region was in the process of being opened for settlement in the 1830s, largely by British immigrants, and in a series of wars that conquered and stole Xhosa land and reduced the native peoples to a state of indentured servitude.[44] The primary industry was rearing sheep, producing wool for export back to Britain and the woollen industry in Yorkshire. The centre of settlement was in Grahamstown, where the community was already pressing for political autonomy and even outright separation from Cape Town and the western Cape in order to free up taxes for infrastructure projects. A bank was seen as an urgent necessity, and leaders in Grahamstown had already lobbied hard before 1835 for a branch of the government bank to be established there. When this was rejected, they opened talks in London with the promoters of the Bank of Australasia to set up the Bank of South Africa.[45] Such a bank, they told the Colonial Office, 'will not only be the means of entirely removing the inabilities under which the colonists at present labour but ... will tend in a considerable degree to improve the resources and to develop the capabilities of this widely extended colony'.[46] When this too failed, and the Cape of Good Hope Bank established a branch there on what were felt to be extortionate terms, the Eastern Province Bank was chartered in 1838, in a large part with local capital. To meet the needs of local settlers, it adopted a very loose monetary policy, circulating an average of £30,000 in notes on a paid-up capital of only £26,000, a ratio of 113 per cent. With this money

---

[44] Keegan, *Colonial South Africa*, pp. 128-65; B.A. Le Cordeur, *The Politics of Eastern Cape Separatism 1820-1854* (Cape Town, Oxford University Press, 1981).
[45] Arndt, *Banking and Currency*, pp. 220-4; Butlin, *Foundations*, pp. 259-62; Webb, 'Early capitalism', pp. 48-53; Le Cordeur, *Politics*, pp. 54-8.
[46] The National Archives of the United Kingdom, (hereafter TNA), T1/3477 (Treasury Papers), undated but circa 1835, 'The memorial of Thomas Phillips'.

to hand, the bank made at least £170,000 in short-term loans in its first year. 'With united influence and energy', the bank told its shareholders in 1840, for example, 'the bank must become useful, as well to the residents at Grahamstown and our rapidly thriving agriculturists as prosperous itself'.[47] Indeed, the chief complaint against the bank was not that it was too generous with credit, but that it was not generous enough to meet the needs of an expanding frontier, and further banks were founded in the 1840s to meet this need with further note emissions.[48]

[47] 'Directors' Report, 1840', in *South Africa Commercial Advertiser*, xvi, 1320, 5 February 1840

[48] Arndt, *Banking and Currency*, pp. 239-52; Webb, 'Early capitalism', pp. 48-63 ; A. Mabin, 'Concentration and Dispersion in the Banking System of the Cape Colony, 1837-1900', *South African Geographical Journal*, 67, no. 2 (1985), pp. 141-59.

Table 3: South African banks

Name	Eastern Province Bank	South Africa Bank	Cape of Good Hope Bank
Location	Eastern Cape	Western Cape	Cape Town
Slaveowners	Unknown	58 pct	44 pct
Nominal Capital	£40,000	£100,000	£75,000
Paid Up Capital	£26,000	£40,000	£60,000
Ratio	66 pct	40 pct	80 pct
Policy	Strict	Loose	Strict
Averages	Unknown	£1,569	£214
Note Issues	£30,000	£15,000	£16,000
Ratio to Paid Up Capital	113 pct	38 pct	27 pct
Policy	Loose	Strict	Strict

Conclusions

Slavery compensation was therefore an important factor in the formation of banks in the West Indies, South Africa and the Mauritius in the 1830s. At least sixty per cent of the capital subscribed came from shareholders who had received compensation from the British government for their slaves, particularly in Jamaica and British Guiana, where slavery dominated the economy to a far greater extent than at the Cape of Good Hope. Banks then used this capital to help planters and farmers to ease the transition away from an economy built on slavery, while ensuring that only the barest minimum of concessions were made to the former slaves. Society and the economy was to go on much as it had before, funded by a wave of cheap credit which enabled planters to pay their labourers without worrying too much about shifting to a more sustainable economy less dependent on staple crops and the unceasing labour of the black population. Conditions in 1846 remained much as they had been twelve years before. Planters in Jamaica and the Cape of Good Hope were particularly desperate for the cheap credit provided by generous note issues, and so the banks they controlled adopted the loosest monetary policies that circumstances allowed, in some cases up to and beyond the limits of financial prudence. In Mauritius, British Guiana and Trinidad the banks operated with greater success, particularly by funding a series of immigrations by indentured labourers from British India. This helped to keep down the cost of producing sugar and left it competitive with foreign imports from Cuba and Brazil.

In that respect, banking was one of the success stories of emancipation. The grants of compensation enabled planters and farmers to adapt to the new conditions of free labour and free society. In concert with other measures, such as a stricter set of labour laws and greater policing powers, this was sufficient to allow some colonies to ride out the changes. The period between 1838 and 1846 was even to some degree an Indian summer for the islands of the British Caribbean, as plentiful cash enabled planters to clear their debts and invest in new cultivation while paying their labourers an adequate wage. For humanitarians and abolitionists, it appeared to prove their long-standing argument that free labour was more efficient and more productive than slave labour. The major economic shocks experienced after 1847 arose largely from external causes, notably the withdrawal of the tariff barriers protecting British sugar producers from cheaper, slave-grown competition, and exposed the tenuous financial supports which had maintained this illusion. As merchant houses and banks across the empire collapsed, including the Planters' Bank in Jamaica in 1847 and the West India Bank and the pre-slavery Bank of Mauritius in 1848, they demonstrated how far this brief moment of prosperity had been sustained not only by the tariff protection but also by the credit supplied by these banks, driven in turn by their shareholders' demands for short- and long-term financial support.

The legacy of the colonial banks after Compensation was therefore ambivalent. By supporting the existing social hierarchy and economic system for the crucial years after 1834 as colonies adapted to free labour, the effect was to further direct these societies and economies along what ultimately proved a *cul-de-sac*. The effect was also to defer for a generation or more many of the social and cultural changes that abolitionists and humanitarian reformers had hoped to see, and to encourage the exploitation and indenturing of as-yet free peoples in the eastern Cape and British India, who were brought to work on sugar plantations in British Guiana, Trinidad and Mauritius, or as stockmen in the eastern Cape. Frustrated at this failure but unclear about its causes, in the 1850s humanitarians began to withdraw from direct intervention, allowing the formation of a *laissez faire* economy and society in many colonies by the 1840s and 1850s which left native peoples with even fewer protections than they had before.[49]

Aaron Graham
Faculty of History, Oxford University, George Street, Oxford OX1 2RL, United Kingdom
aaron.graham@history.ox.ac.uk. Orcid ID: 0000-0003-3846-2326.

[49] Elbourne, *Blood Ground*, pp. 293-310; Hall, *Civilising Subjects*, pp. 338-79; Keegan, *Colonial South Africa*, pp. 280-93; R. Ross, *The Borders of Race in Colonial South Africa: The Kat River Settlement, 1829-1856* (Cape Town, Cambridge University Press, 2014); Watson, *Slave Emancipation*, pp. 265-88.

Table 3: Lists of shareholders in the colonial banks.

Bank of Jamaica	TNA, Colonial Office, CO 140/128 (*Votes of the Honourable House of Assembly of Jamaica*, 1835-6) p. 140
Bank of South Africa	ANZ Group Archives, Melbourne, Australia, A2/1/1, 'Deed of settlement of the Bank of South Africa'
British Guiana Bank	*Guiana Chronicle*, No. 2827, 29 August 1836, in TNA, T1/3474
Cape of Good Hope Bank	University of Witwatersrand, William Cullen Library, Historical Papers, South Africa, MS A1509, Cape of Good Hope Bank Letter-book, 1835-37
Mauritius Commercial Bank	TNA, T1/4595, 'Liste des actionnaires de la Banque Commerciale de Maurice'
Planters' Bank of Jamaica	TNA, CO 137/240 ff. 172-6, 'List of shareholders of the Planters Bank'
South African Bank	National Library of South Africa, Cape Town, South Africa, *Deed of settlement of the South African Bank* (Cape Town, 1838)
West India Bank	TNA, T1/4806 'List of the proprietors of the West India Bank'