

Company Colonies, Property Rights, and the Extent of Settlement: A Case Study of Dutch South Africa, 1652-1795

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Abstract

In 1652, the Dutch East India Company (VOC) established a company colony at the Cape of Good Hope to serve as a refreshment station for VOC ships sailing between Europe and Asia. This paper analyzes how the Company's policies on settlement of frontier lands and property rights established in those lands evolved between 1652 and 1795. We first explain why the VOC initially maintained rigid controls on frontier settlement for the Colony's first 50 years and then focus on why and how the new system of land claims and land tenure at the frontier—the "loan farm" system—evolved between 1700 and 1714. Our analysis begins by identifying the economic, demographic, social, and political factors that facilitated the development of and the transition to the loan farm system. Second, we consider why the VOC choose to establish a system of land claims and tenure with features almost approximating private property; why it choose to establish a limited Smithian-style government in frontier regions; and why there was conflict over these choices between VOC directors, colonial governors, and free settlers. Third, we show how new pressure from indigenous peoples living at the frontier of graziers' lands induced changes in the loan farm system. We conclude with an evaluation of the loan-farm system and find that it was roughly consistent with efficient settlement and use of the relatively low-value frontier lands.

In 1652 Jan van Riebeck and 80 employees of the Dutch East India Company (VOC) arrived at the Cape of Good Hope to establish an outpost that would supply VOC ships traveling between the Netherlands and Asia with provisions and a rest station. Over the next 143 years, the Cape Colony would expand far beyond the original Cape Town settlement due to the autonomous activities of free burghers and the Company's increased demand for provisions. Unlike many other European colonies, the Cape Colony was a creature of the VOC rather than of the Dutch government. The VOC, a joint-stockholding corporation, controlled all three branches of government at the Cape; had tight controls over the religious establishment; was a monopsony buyer of the colonists' produce; and attempted, often unsuccessfully, to control expansion at the frontier (Thompson, 2000; Ross, 1985, 1993; Gulke, 1984; Gulke and Shell, 1983; de Kock 1924). The VOC charged the Cape Colony governors with the objective of running the Colony to enhance the VOC's interests or, in more modern parlance, to contribute to the maximization of VOC profit.

Our paper focuses on explaining the origins of private property rights in this company colony from 1652 to 1713 and on understanding how, within this institutional framework, the VOC subsequently made choices with regards to provision of public goods and the limits of settlement at the Cape Colony's frontier. Given the corporate nature of the Cape Colony, we argue that its early history may be best understood within a framework that assumes that the VOC's agents—the Governor and the several branches of government—acted to maximize VOC profits rather than the welfare of the Colony's free population or the colonial interests of the Netherlands government.

Section I examines the initial European settlement of southern Africa. We focus on explaining why the VOC combined a system of land grants for agriculture with restrictive land settlement policies. Section II analyses the development of the loan farm system between 1700

and 1714 and discusses why the VOC allowed the Colony's settlement boundaries to expand in an elastic manner through the mid-1770s, thereby enabling it to incorporate millions of hectares of land surrounding the Cape. Section III focuses on explaining why VOC settlement policies became more restrictive from the late 1770s through the collapse of the VOC in 1793. Section IV concludes with the implications of our research for understanding frontier settlement and provides an agenda for future research.

I. Early European Settlement of Southern Africa

It is believed that the first European to round the African continent was the Portuguese navigator Bartholomeu Diaz in 1488. A few years later Vasco da Gama passed the Cape of Good Hope and was most likely the first European to see the eastern coast of southern Africa, what is now KwaZulu-Natal. In the ensuing 100 years many Europeans made use of the Mediterranean climate of what is now Cape Town to resupply and recuperate. In 1652, the Dutch East India Company first occupied the territory surrounding Table Bay—Cape Town—with what was to become the first permanent European settlement in southern Africa (see Figure 1). The VOC sent three ships, under the command of Jan van Riebeeck who acted as the first Governor of the Cape Colony. The purpose of the settlement was strictly to help facilitate the lucrative trade between Holland and Java. The VOC had, at first, no intention of colonizing southern Africa. However, around the turn of the eighteenth century, the provisioning station had turned into a small settlement, and the settlement would subsequently turn into a colony over the course of the eighteenth century. The colony's population grew steadily from both immigration (free and slave) and natural increase, yet only amounted to xx,000 people in 1793 (Figure 2).¹ From 1685 the VOC provided free passage to immigrants from Europe. Only a few settlers arrived by this route, and the VOC ended this option in 1707. One particularly important

group of immigrants, 156 French Huguenot refugees, arrived in 1688 and 1689 and increased the free burgher population by 25 percent. Many of these French settlers moved into the new areas of the interior and established vineyards that still exist to this day in the Stellenbosch area.

Fertile lands with adequate water became harder to find as settlement expanded beyond Stellenbosch in the late seventeenth century, and new settlers as well as the descendants of free burghers moved to more distant grasslands to raise sheep and cattle.

With the rise of England as the leading trade and maritime power from the late seventeenth century, the VOC's Asian trade became less profitable.² The additional costs and disruptions to trade occasioned by the Dutch-Anglo War of 1780-1784 and the French Revolution sharply reduced VOC trade and profits. In 1794 the VOC declared bankruptcy. After the French attack on Holland in August 1794 and the subsequent Dutch surrender in January 1795, British forces attacked the Cape on August 7, 1795, forcing a Dutch surrender on September 16, 1795. After a brief return to Dutch rule during 1803-1806, the British retook the Colony in 1806 and remained the colonial power in the Cape until the independent nation of the Union of South Africa was created from the Cape, Natal, Transvaal, and Orange River colonies in 1910.

During the first five years of the Cape Colony, the VOC ran a company farm to produce provisions for its visiting ships and the VOC employees. With the failure of this model in 1657, the VOC released nine employees from their contracts, gave them free burgher status, and granted a plot of 28 acres to each farmer.³ The VOC provided farmers with implements and

¹ The population includes slaves, company employees (but not company dependents), free whites, and free blacks.

² See de Vries and van der Woud (1997): xx-cc for a discussion of the VOC's decline in the eighteenth century.

³ The VOC's experience parallels that of many other seventeenth and eighteenth century European trading companies including the Virginia Company, the Hudson's Bay Company, and the Royal Africa Company just to name a few. Ann Carlos, along with colleagues, has done extensive work on how some of these companies dealt with the inherent principal-agent problems in running such long distance companies, as well as how these companies

seeds at cost as well as credit. The land grants provided for the settlers to turn over ten percent of their harvested grain to the government and obligated them to sell the remainder (minus personal consumption) to the VOC at low fixed prices, based on those in Europe (Guelke, 1988, 70). Neither fairs nor established crossroads for exchange of goods existed to compete with the VOC contracts (Duly 1968, 5-6). The VOC prohibited the burghers from migrating beyond official colony boundaries and from trading with the predominant native people, the Khoikhoi. Farmers and graziers living near or beyond the official boundaries frequently traded with the Khoikhoi, generally exchanging European manufactured goods (guns, trinkets, knives, etc) for cattle.

In the 1660s and 1670s, wheat farmers devoted more time and resources to extensive livestock grazing on lands beyond their 28-acre plots and to other non-farm activities such as cutting firewood for ships, hunting game, and fishing; others abandoned their farms to work in Cape Town as artisans, traders, and innkeepers. Grain was imported regularly during the 17th century. The Second Khoikhoi-Dutch War (1673-1677) limited the expansion of settlement beyond the Cape Flats, and agriculture did not revive until a new Governor, Simon van der Stel, arrived with instructions to make the Colony more self-sufficient in grain. Van der Stel's land policy allowed burghers to acquire freehold claims to whatever land in the newly opened district of Stellenbosch they could cultivate within three years. Final claims of 80 to 160 acres were typical, and the government closed Stellenbosch to further land claims in 1687 despite the availability of large tracts of government land. Leonard Guelke (1988, 73) argued that the closures were due to lobbying by settlers who used the remaining land to graze sheep and cattle.

devised optimal remuneration schemes to ameliorate the effects of the principal-agent problem. She argued that certain companies were better able to manage their employees, and hence their business, which helps to explain why certain companies, such as the Hudson's Bay Company, thrived while others were far less financially successful. See Carlos (1991 and 1992) and Carlos and Nicholas (1990 and 1996).

This pattern of limited grants of available lands was continued in other districts newly opened for settlement.⁴ The amount of land allocated under this system was ultimately quite small. When the Herren XVII ordered the Cape government in 1717 to stop granting land in freehold for agriculture, just 400 farms comprising only 75 square miles of land had acquired freehold land grants. The amount of land in use for grazing around 1700 was, as we noted above, much larger, as farmers used unallocated government lands and lands beyond the official boundaries for this purpose.

Throughout the period of VOC control, the VOC continued to require vintners, farmers, and graziers to sell their wine, harvested grain, and livestock to the Company at relatively low fixed prices when the final consumers were Cape Colony residents or visiting ships. While there were occasionally free auctions, opportunities for export, and adjustments of the fixed prices, the trade in these commodities was closely controlled by the VOC until near the end of its rule. Restrictions on trading with foreign ships were slightly relaxed only in 1784 and in 1792 after complaints from farmers, but Beyers (1930, 108-110) reported that the liberalized restrictions did little to improve the marketing environment faced by free burghers farmers.⁵

II. Concentration and Dispersion of Settlement in the Eighteenth Century

Over the course of the eighteenth century, more Dutch and foreign ships stopped at the

⁴ These areas included Drakenstein, Paarl, Franschhoek, Tijgerberg, Wagenmakers Valley, the Land of Wavern, and the Paardeberg. In the Upper Berg River, unrestricted land grants were replaced by standardized rectangular grants of 125 acres. The standardized grants were most likely a reaction to the criticisms of VOC Commissioner Hendrik Adriaan van Reede who argued that the initial land claimants had taken all the sites with good access to water. He believed that a more directed system of land claims would have allowed more farmers access to water and would have facilitated expansion of the Colony's agriculture.

⁵ In 1779 disaffected free burghers petitioned the Netherlands government, complaining that the VOC was obtaining supplies from favored farmers to supply foreign ships and that they were being disadvantaged. The Netherlands government responded in 1784 by loosening restrictions on trade with foreign ships, allowing individual farmers to supply foreign ships after the Company's needs had been met.

Cape Colony, and in addition, the free white population expanded, increasing from 1,245 in 1700 to roughly 15,000 in 1775 (Ross, p. 127). Grain farming was limited to a relatively small area of the Cape Colony. Generally, as settlers moved further and further from Cape Town, the land and microclimates became less suitable to wheat and maize farming. It also meant that expansion would come by movement to lower quality lands, more suitable for stock grazing.

With the resulting increase in demand for agricultural products, the VOC faced the dilemma of how much land to release to settlers for grazing and agriculture. As we noted above, between 1657 and 1703, the VOC allowed only small increases in the boundaries of settlement. VOC efforts to control expansion at the frontier in order to maximize its profits were resisted by many of the free burghers, much as they were in such British colonies as New South Wales in the 1830s (Dye and La Croix, 2000). The incentives of individual settlers and the VOC concerning the geographic extent of settlement differed for a wide variety of reasons.

First, the VOC wanted to maintain control over the settlers' location to facilitate rent extraction from them via numerous economic margins. The VOC's costs of collecting in-kind rents (wine, sheep, and cattle) and transporting the goods to Cape Town increased with the settler's distance from Cape Town. The cost to the government of measuring output to be taxed increased in distant, lightly populated areas, as officials were less likely to know the area or to be tipped off about cheating activity by disaffected neighbors. VOC costs of monitoring illegal trades between settlers and the Khoikhoi also increased when settlers were dispersed over a larger area, as there was a longer frontier to monitor, and many illegal transactions were conducted on the other side of the settlement limits.

Second, the VOC produced some public goods for the settlers, such as protective services and the provision of a rudimentary legal framework. Concentration of settlement had the potential to reduce both free-riding behavior by settlers and VOC costs of providing public

goods.⁶ Simon van der Stel, the Governor of the Cape Colony from 1679 to 1699, focused on the public goods rationale for concentration. He argued that settlement at the Cape should be geographically constrained in order to reduce the cost to the VOC of defending against foreign incursions. A concentrated populace of at least 2,000 people would be capable of “defending against all landings, hostile attacks, and suchlike, from European rulers, in such a way that the people here should have no fear of enemy assault, or attack from some European sovereign or potentate.”⁷ To defend against such attacks, the Dutch constructed fortifications, artillery batteries, and magazines and stationed a large garrison of troops at the Cape. In spite of the investment in defenses, there were two British attacks on the Cape: one in 1781—thwarted by the French navy which had received intelligence about the plan—and a second in 1795 that succeeded in taking the Cape without a major fight (Potgieter 2003).

Governor van der Stel was also concerned that settlement by stock farmers beyond the Cape’s limits of settlement would be accompanied by Khoikhoi attacks on the settlers. His concerns were based on the effective resistance that the Khoikhoi had provided in two earlier wars over settlement, the first fought in 1659 and the second from 1673 to 1677. While both wars led to large percentage reductions in both the Khoikhoi population and their stock of cattle—due to battle casualties, starvation, and disease, in the 1680s and 1690s the Khoikhoi were still sufficiently well organized to provide substantial resistance to deep incursions by the Cape colonists into the interior.

Fourth, the VOC may have been more concerned about the safety of VOC officials at the

⁶ La Croix (2000) argues that settlers at distant frontiers expect that a colonial government will eventually provide them with the usual package of public goods provided to citizens—roads, schools, law and order, weights and measures, and churches, a package that the profit-maximizing VOC may have deemed unnecessary to keep trekboers on their loan farms as well as somewhat expensive. To forestall such future demands, the best policy would have been devoting current resources to limiting the expansion of settlement boundaries.

⁷ Instructions from Simon van der Stel to Willem Adriaan van der Stel, 30 March 1699, *Collectanea*, p. 13.

Cape than settlers at the frontier. Given that most VOC officials lived in and owned property and homes in Cape Town, the VOC administration in Cape Town had incentives—unless explicitly curbed by policies set by central VOC authorities in Batavia and Amsterdam—to favor additional expenditures on defense of Cape Town against external attacks and bombardments. Such expenditures would come at the expense of other public goods, such as provision of law and order at the frontier and the defense of frontier farmers from Khoikhoi attacks.⁸

Fifth, concerns about security at the Cape may also have been coupled with concerns about the wealth of VOC officials. News of insecure property rights at the frontier would raise questions about the VOC's ability to protect settlers and their property throughout the Colony. Such "contagion" could have made property rights in land in the core Cape Colony less secure and, therefore, less valuable to their holders—oftentimes VOC officials.

Finally, expansion of the Colony clearly meant more competition for the farming and grazing operations owned by VOC officials. We review this in more depth below.

In 1692, the Cape Colony government, concerned about settler's use of lands beyond the boundaries of settlement to graze cattle, issued an ordinance proclaiming that:

All free peoples outside the boundary posts, or borders of the Cape territory, and that of Stellenbosch, together with those settled at Drakenstein, or settled round about there with their livestock, should break up their camps as quickly as possible within the next six months, and by this date have settled themselves within the proper limits with good and chattels, on pain of corporal punishment as deserters and vagrants, and their houses, herds, and cattle pens subject to confiscation at their own expense.⁹

The Cape Colony's injunctions against settlement "outside the boundary posts" would be repeated in official policy pronouncements through the end of the seventeenth century. Pitted

⁸ This argument assumes that settlers on the frontier would be a net drain on company resources, at least during the initial phases of their use of frontier lands.

against the government's policies was the increasing demand for livestock products from visiting ships and from the growing Cape Colony population as well as the desire of free settlers to expand their activities outside the boundaries on lands no longer used frequently by the dwindling Khoikhoi. As grazing became more important to the Colony from the 1680s, it would not be surprising to observe a change in government regulations to facilitate its expansion. In the next section, we show how a government scandal provided the shock which opened the door to a rapid yet somewhat Hayekian evolution of land rights at the start of the eighteenth century.

A. Loan Farms and Land Claims

Prior to 1692, farmers were allowed to use undistributed company lands to graze their stock and were expected to return with their flocks to their home each night. As the livestock industry expanded and farmers demanded additional land to graze their stock, a regulation was enacted in 1692 that allowed farmers to graze their cattle on more distant lands provided that they "received the prior written consent of the Honorable Lord Governor and that it shall be properly registered with the colonial secretary."¹⁰ The permits had the effect of allowing farmers to disperse further from the Colony with their flocks. As distance increased and return to the home farm became infeasible, the grazing licenses became associated with extended settlement on these lands.

Registration of grazing licenses was first observed in 1703. Early records show that their duration was variable, ranging from three months to a year (van der Merwe, 1995, 54).¹¹ These licenses did not grant precise locations for grazing to individual farmers. Instead, they contained "only a vague indication of a locality" (van der Merwe, 1995, 55) and assigned the same location

⁹ C2271, Original Ordinance Book, 19 October 1691.

¹⁰ C 2271, Original Ordinance Book, 19 October 1691 [date signed], 22 January 1692, p. 104.

to multiple farmers. By 1706, farming and grazing had begun to separate, with some individuals receiving grazing licenses who were not farmers and did not possess freehold land. The government began to renew licenses for individual graziers who would move their livestock from one grazing post—often an area with water—to another within their assigned territories. Within just a few years, some farmers began to occupy these livestock posts for longer periods and make permanent improvements. Between 1706 and 1708, the licenses began to specify an exclusive location for the individual licensee.

Two factors lay behind this change from common rights to private rights. First, as graziers began to settle farther from Cape Town, sources of water became more scarce and water correspondingly more valuable. Establishment of private property rights provided the owner with incentives to ensure that the water resource was managed efficiently and that water was allocated to graziers who valued the water the most. Second, graziers began to realize that there was an alternative to competition with other farmers for limited common resources: occupy your own lands at the frontier and obtain exclusive rights—perhaps for a limited period—by default. Using lands beyond the borders often meant that graziers incurred higher transportation costs to bring livestock to market and faced possible penalties from the VOC. These additional costs could be borne due to the benefits—additional water and forage—reaped from avoiding competition from the herds of other graziers in the shared (“common”) grazing areas.

In 1714 the VOC government established provisions for establishing tenure in frontier pastoral land. Settlers could claim “loan farms” (*leningplaats*) of up to 6,000 acres; the loan farms could be bought, sold, and inherited—with inheritances being indivisible.¹² Under the

¹¹ Van der Merwe (p. 54) noted that two licenses were of undetermined duration.

¹² The loan farms could not actually be sold—only the tangible assets attached to the farms.

law, they could not be rented to others, a provision sometimes violated. Loan farm leases allowed settlers to cultivate wheat, a feature rarely granted before 1714. Settlers hired indigenous labor as shepherds and cattle herders, and imported slaves from Indonesia, Sri Lanka, East Africa, and Madagascar. Slaves worked in service, trades, and agriculture.

Why did the VOC undertake the transition to the new form of property rights and land claims? While we have made the case that the new institutions would fit the changed circumstances better than the existing institutions, it is also important to ask how the VOC gained from the new arrangements. We focus on two possible reasons: 1) the institutions for claiming and using land beyond the boundaries allowed the government to provide rents to free settlers and to defuse the outrage among Colony farmers concerning the misuse of Colony resources to benefit VOC officials; and 2) the new land claim institutions allowed the VOC to generate new revenues via quitrents and registration fees during a period in which visits of Dutch and foreign ships to the Colony was in decline and additional revenues were needed to bolster the Colony's finances.

When Simon van der Stel stepped down as Governor in 1699, his place was taken by his son, Wilhelm Van der Stel, who moved more aggressively to use his position to bolster land ownership by leading the Governor and leading VOC officials. By 1705 a third of the farming area in the Colony was controlled by just 20 VOC officials (Giliomee 2003). Governor van der Stel's farm, Vergelegen, was ten times larger than the typical farm and had been developed using company employees and slaves. It supplied all the wine needed by the holder of the wine monopoly—a franchise auctioned to the highest bidder by the VOC and 20 percent of the total grain output.

In 1704, a petition containing the names of many of the Colony's leading farmers was sent to the Governor; it alleged that Governor van der Stel had abused his position by acquiring

these lands—an arrangement seemingly forbidden by his VOC employment contract—and by his sales of wine and grain to exclusive merchants licensed by the VOC. Two of the leading petitioners were imprisoned, and the Governor took steps to suppress their complaint. The complaint was, however, smuggled on a VOC shipbound for Amsterdam and was eventually heard by the *Herren XVII*—who ruled in their favor in 1706, ordering the recall of Governor van der Stel and the release of the prisoners.

His three short-lived successors—Acting Governor Johannes Cornelis D’Ablaing (1707-1708), Governor Louis van Assenburg (1708-1711), and Acting Governor Willem Helot (1711-1714)—all faced a serious problem: How could confidence in the VOC authorities among the Colony’s farmers be restored after the abuse by Governor van der Stel of his position? Either the VOC could pay some form of compensation to the aggrieved petitioners or it could redress their fundamental grievances. By moving from a system of land sales to a system of land claims, the VOC was able to accomplish both objectives. By allowing free settlers to stake a claim to valuable lands beyond the boundaries, the VOC was providing the settlers with economic rents that would hopefully soften memories of the abuses by Governor van der Stel. And by allowing the settlers to expand their land holdings, it also allowed them to be able to meet future increases in demand from new settlers and visiting ships.

The first decade of the eighteenth century was a turbulent period for Holland. The War of the Spanish Succession (1701-1713) contained extensive fighting in the Low Countries. France invaded in 1701 and was not driven out until the battles of Ramillies in 1706 and Oudenaarde in 1708. The conflict with France disrupted VOC shipping along the French coast and placed new fiscal burdens on the VOC. The war against France and Spain meant more VOC ships lost at sea, an increase in VOC defensive measures to protect its ships from attack, and a fall in demand for VOC spices coming from the East Indies. The VOC’s increased expenditures

placed fiscal pressure on its outposts, such as the Cape Colony refreshment station, to reduce their fiscal deficits. The connection between the VOC's need for more revenue during the War and its gradual opening of newly vacant lands to leasing could have been motivated by the VOC's pressing needs for more revenue. The stream of revenue from the quit rents on the new loan farms, although not always collected on time or from all leases, was the type of new revenue that could help to close this gap.¹³ It is also notable that the new institutions of land claims and the resulting new revenue stream came on line during a time (1708-1714) of volatility and stagnation in the arrival of Dutch ships and foreign ships to the Colony. This would also mean a time of volatility and stagnation for government revenues which stemmed primarily from the sale of monopoly rights to supply the ships (Kauffman and La Croix, 2004). [Add table and discussion on VOC finances.]

B. Settler Dispersion

Hand-in-hand with the change in land rights came a rapid expansion of European settlement, with settlers moving up to 400 miles from previous Cape Town boundaries. Why did the VOC change its rather harsh attitudes toward settler dispersion at the turn of the century? The main reason was the declining threat of attacks from the Khoikhoi. They had used these lands for grazing their own cattle and had vigorously resisted previous attempts by the European immigrants to expand settlement. Conflicts occurred in 1659 and then abated until 1673 when a four-year conflict began. Tens of thousands of Khoikhoi would die or be imprisoned, and thousands of their sheep and cattle were confiscated. By 1677, Khoikhoi resistance to settler incursions had virtually collapsed due to a massive decline in their numbers and the

¹³ La Croix and Roumasset (1990) argued that the growing fiscal demands of the Hawaii government were one of several reasons leading to privatization of land in Hawaii in the late 1840s.

decentralized features of their society.¹⁴ Many would be incorporated into the households of settlers. Khoikhoi numbers were further diminished by the 1713 smallpox epidemic. Immediately after the epidemic, livestock diseases decimated their herds, and many took their cattle to the north and the east (Mentzel, Vol. X, p. 37). The Stellenbosch landdrost reported to the governor that the Khoikhoi threat had evaporated, so much so that the posting of soldiers at the frontier was unnecessary.¹⁵ By 1727, it was reported that there were no Khoikhoi settlements within 250-300 miles of the Cape.¹⁶

How would a profit-maximizing company react to these changes? It would want to put in place a system in which valuable lands scattered over a wide expanse of low value lands could be put into production quickly. Such rapid deployment could be delayed if the entire area needed to be surveyed prior to use. The combination of relatively low value lands and high costs of surveying may have led to the dispersed system of claims. It facilitated fast development of the overall lands and gave settlers incentives to develop the most valuable lands first.

A second factor was the interaction between the increased external threats faced by the Colony between 1700 and 1714 and the unexpected appearance of unoccupied lands surrounding the Colony. The increased threat mandated increased concentration of settlers so that sufficient numbers could be mustered to defend against an attack on Cape Town. On the other hand, if the unoccupied lands were left unsettled, then England or France could have claimed and settled these lands. [Add quote from Valentyn.]

A third factor underlying the change in policy may have been an increasing realization by

¹⁴ Careful estimates of the Khoikhoi population for this period have not been conducted.

¹⁵ 1/STB 20/1, Letters Disp., 3 August 1717, as cited in van der Merwe (1995, 113-114).

¹⁶ See C 1469, Letters Disp., Cape Government to Lords XVII, 25 February 1726, new page 246. Khoikhoi lived among the white settlers, working as domestic servants and shepherds.

many free burghers that lands at the frontier of settlement were more valuable than previously thought. In the early eighteenth century, groups of hunters frequently traveled beyond the limits of settlement in search of hippopotamus, eland, and, occasionally, elephants. Concomitantly, many surely noticed “unoccupied” lands with enough water to support grazing. When the Heren XVII, the VOC’s governing board, prohibited further grants of land in freehold for cultivation in 1717, free burghers had incentives to use their information about frontier lands to start new loan farms (Guelke, 1989, 77-79).

A fourth factor was the unwinding of the subsidized farm investments of Governor Wilhelm Van der Stel. Ban on further land grants in 1714. Governor van der Stel had also reserved large quantities of government land for his own flocks. Government has interest in substantial supply of meat, given its quasi- monopsony position.

III. The Loan Farm System and the Extent of Settlement, 1713-1795

Once the VOC realized that it had to provide few defensive services—or, for that matter, few other public goods—to the distant settlers, it adopted a three-pronged policy.¹⁷ First, the VOC would not enforce settlement boundaries. If it did not have to provide distant settlers with protection services (as there were few threats from native peoples at the frontier), then distant settlement would help to increase the supply of cattle and reduce VOC procurement prices for meat. Second, the VOC would not allow settlers to barter with native peoples for cattle or other goods. This allowed the VOC to be the exclusive buyer of meat from native peoples, an oft-violated monopsony arrangement that nonetheless reduced their overall cost of procuring meat. The VOC’s monopsony in Cape Town was protected throughout the eighteenth century by virtue

¹⁷ An example of the defensive public goods provided by the VOC included bounties on lions and elephants. This served to reduce the collective threat to the society from attack by wild animals.

of the lack of inland markets or commercial centers developed in outlying regions.¹⁸ Cape Town was the only real market for agricultural products (Van der Merwe, p. 157). Yet, as the eighteenth century progressed, itinerant traders became more frequent and began to fill gaps in tradable goods. (p. 160). Third, the VOC required registration of loan farms. This contributed to increased VOC tax revenue, as loan farmers paid an annual quit rent to the government.

The loan farm system, in conjunction with elastic adjustments in the official limits to settlement, produced a settler population that often produced strong judgments from VOC officials visiting the Colony and from foreign visitors.¹⁹ One such reaction to the VOC's liberal policy of granting loan farms came in 1743 with the visit of Baron van Imhoff, a VOC commissioner, to the Cape. He denounced the extent of settler dispersion, arguing that it was leading to moral degeneration. Van Imhoff's comments could be interpreted as a commentary on deteriorating norms of public order in the Cape Colony and a warning that long-run VOC expenses in maintaining law and order could increase substantially with the scale of settlement. Whatever the reason, a subdrostdy [a sub-district] was established in 1743, upgraded to a drostdy [district] in 1745, and officially named Swell-en-Damme [soon to become Swellendam] in 1748. The eastern boundary of its outlying districts was fixed at the Brak River. Again, farmers were ordered to abandon farms beyond this boundary. Van der Merwe (1995, 109) observed that VOC officials gave up on trying to force abandonment due to high enforcement costs. It was becoming increasingly costly for officials to locate the constantly wandering graziers to tell them to leave. As a result, cattle herders continued to extend areas of settlement through the late 1760s.

¹⁸The petition of 1784—made by burgher wheat farmers near Cape Town--claimed that limited marketing opportunities and an uncertain market for agricultural products stimulated migration into the interior (Van der Merwe, p. 195).

J.W. Cloppenberg, a deputy governor, toured outlying districts in 1768 and observed that the far-flung distribution of homesteads had potential for “so many evil consequences.”²⁰ He was concerned that the settlers did not belong to the Dutch Reformed Church, that they were “troublesome ..., good-for-nothing and dangerous to society.”²¹ After his trip, the Cape government again set a fixed eastern border to the Colony and attempted to enforce it for several years. The fixing of the eastern border was, however, more likely the result of barter trade in cattle carried on between the settlers, the Xhosa, and other local people. The VOC concluded that it had lost quit rent income from these illicit farms and that the barter trade in cattle had raised their cattle procurement costs. Evidence for this view comes from the observation that the only district (Swellendam) in which a boundary (the Gamtoos River) was fixed was the only one in which there was a substantial illegal cattle trade (Van der Merwe, p. 118). Further evidence on this point comes from the discovery by the Council of Policy that an illegal cattle trade was also occurring between settlers in the Stellenbosch district and the Xhosa people. The Council quickly moved (16 June 1774) to prohibit settlement beyond Brouintjieshoogte in order to limit this trade.

Settlement in the North and Northwest was stopped in the 1770s by a dearth of arable land and by the Bushmen, who had even driven settlers in the Sneeu Berg off their farms.²² [Add more about VOC resistance to additional settlement in face of Bushmen attacks.]

Lack of new lands in the North channeled migration to the East, where conflict with the Xhosa threatened. To forestall this, Governor van Plettenberg negotiated treaties with Xhosa

¹⁹ Cites

²⁰ As quoted in Van der Merwe, p. 111.

²¹ As quoted in Van der Merwe, p. 112.

²² Lack of water in the Northwest region stalled settlement. Bushmen resistance (robberies, murders, burning

chiefs to recognize the Fish River as the Colony's boundary. Recent contributions to the historical literature have pondered whether such treaties could have reasonably been expected to bind most Xhona groups. What was to stop a particular chief from representing himself to the Dutch Governor as the paramount chief, when, in fact, there was no paramount chief. Some scholars have recently argued that there was no paramount chief and that the Dutch Governor misperceived the extent of the authority of the Xhosa chiefs who signed the boundary agreements. Without a paramount chief capable of entering into treaties, it is unsurprising that some Xhosa groups would enter the Zurveld to continue their traditional use of the land to graze cattle.

Another possibility is that the Xhosa chiefs entered the Zurveld due to the weak commitment of the central government to actively resist the Xhosa at the frontier. From 1780, the VOC government in Cape Town became more concerned about defending the Colony from external attack. At the same time, there was declining resource availability, as VOC was declining.

The treaties were also not well observed by settlers in the region. Some wanted the government to actively extend the limits of settlement, and they used their presence to stimulate such involvement. Others used the prohibition on settlement beyond the Fish River as a device to hide illegal transactions with the Xhosa.

Establishment of the Graaff Reinet district in 1786 recognized the existing settlement over this vast Northeast territory. The resulting bureaucratic infrastructure, including the establishment of a drostdy, would ostensibly enable better collection of quit rents and reduce the potential for other European powers to gain a foothold by competing for this group of relatively

homes) was also important until after 1800.

poor dispersed settlers, many of whom were not Dutch.²³ Being provided with few public goods by the distant Cape Town authorities, other powers might, with relatively little effort enticed them to change allegiance with the provision of more secure property rights and more substantial public goods.

Frontier contact with the Xhosa led to two “wars,” the first 1779-1781 and the second 1786-1789. The Dutch government responded by establishing a new drostdy in Camdeboo and by reiterating prohibitions on trade with the Xhosa and settlement beyond the Fish River. Throughout 1789, there were negotiations between the VOC and the Xhosa, but the Xhosa refused to renounce claims to the Zuurveld, an area west of the Fish River. The VOC was unwilling to commit large numbers of soldiers to the region, and tensions persisted. In the 1790s tensions would rise as the Xhosa began to steal livestock from graziers located in the Zuurveld.

The succession of Graaf-Reinet in 1793 reveals that the Dutch goals to limit government expenditures at the frontier, to allow frontier colonists to have reach sufficient welfare levels to rebuff foreign offers to succeed, and to defend the Colony were mutually inconsistent.

IV. Conclusions, Implications, and Extensions

This paper identifies an interesting case study of the establishment of property rights in vast tracts of grazing lands. The property rights established by the loan farm system protected settler rights to exclusively graze cattle and sheep on their lands; to have exclusive rights to water on their lands; to make improvements; to sell the land and improvements; and to will the land to heirs. Settlers did not have the rights, however, to subdivide their farms; to sublet the farms to third parties; or to use the land for purposes other than grazing. We argue that the limited grazing rights were highly efficient. They economized on scarce surveying resources and

²³ See Heese (1971). He finds that in 1807 Dutch were 36.8 percent of settlers, Germans 35 percent, French 14.6 percent, non-white 7.2 percent, and indeterminable 6.4 percent.

allowed relatively abundant low-quality lands with few alternative uses to be quickly brought into production. While the system encouraged the “wasteful” use of the low-value grasslands, it also recognized that there was more than a 100-year supply of such land at the frontier and that it did not pay to allocate resources to carefully survey and use low-quality lands. With its ability to place farmers on new lands of equal size, the loan farm system created a community of farmers that would have pleased Thomas Jefferson for its egalitarian features and would have irritated him immensely for its absence of educational facilities for virtually all settlers outside Cape Town as well as its lack of democratic governance institutions. The equal allocation of land resources may have contributed to the peaceful allocation of land among white farmers and the paucity of disputes over land boundaries and land use.

Our paper has uncovered numerous issues for future research. As this is one of the first quantitative studies of southern African history in general, and of the use and dispersion of land under the Dutch in particular, there are a number of important extensions to understanding the economic history of this period. First, it is worth considering whether these early VOC land policies laid the groundwork for the segregationist policies that came later in the nineteenth and twentieth centuries. We note how uncomfortable the settlers in the Zuurveld became with the Xhosa living among them, with the major worry being future immigration by this numerically dominant group. Settler lobbying of the VOC to expel the Xhosa from the Zuurveld and to establish the Fish River as a boundary line could have been a precursor of future segregationist policies. Second, we have not considered how closely prices of wheat, beef, and mutton varied with world market prices. This is partly because our price series for each of these commodities is flawed in the second half of the eighteenth century. We know, however, that the VOC exported wheat to Batavia and that it had the option to purchase wheat in other markets, particularly in the later part of the century. Uncovering these relationships is important, as it

would enable us to test more explicitly many of the implications of the monopsony land tenure theory discussed in Section II. In addition, these commodity prices would help to understand the extent to which this colony was truly integrated into the world market. Third, we would like to examine how the egalitarian nature of the distribution of loan farms among farmers affected future political and economic developments in the colony. It is rare for such an equal distribution of land rights to be in place after one hundred years of land settlement. Why was there so little consolidation of loan farms? Was farm size, by chance or by design, somehow set at a level that exhausted economies of scale? How did the egalitarian nature of the wealth distribution affect relationships between the farmers or relationships between the farmers and the VOC governing council in Cape Town? And ultimately it must reflect on why one of the most equal settler economies (the Cape Colony) ultimately developed into one of the most unequal economies of the late twentieth century (the Republic of South Africa). Finally, we note that the settlement of the new lands proceeded without violence or major disputes among the white settlers. This may be due to the relatively low value of the land, to the large amounts of land over which rights were left undefined, or to the availability of “free” frontier land.

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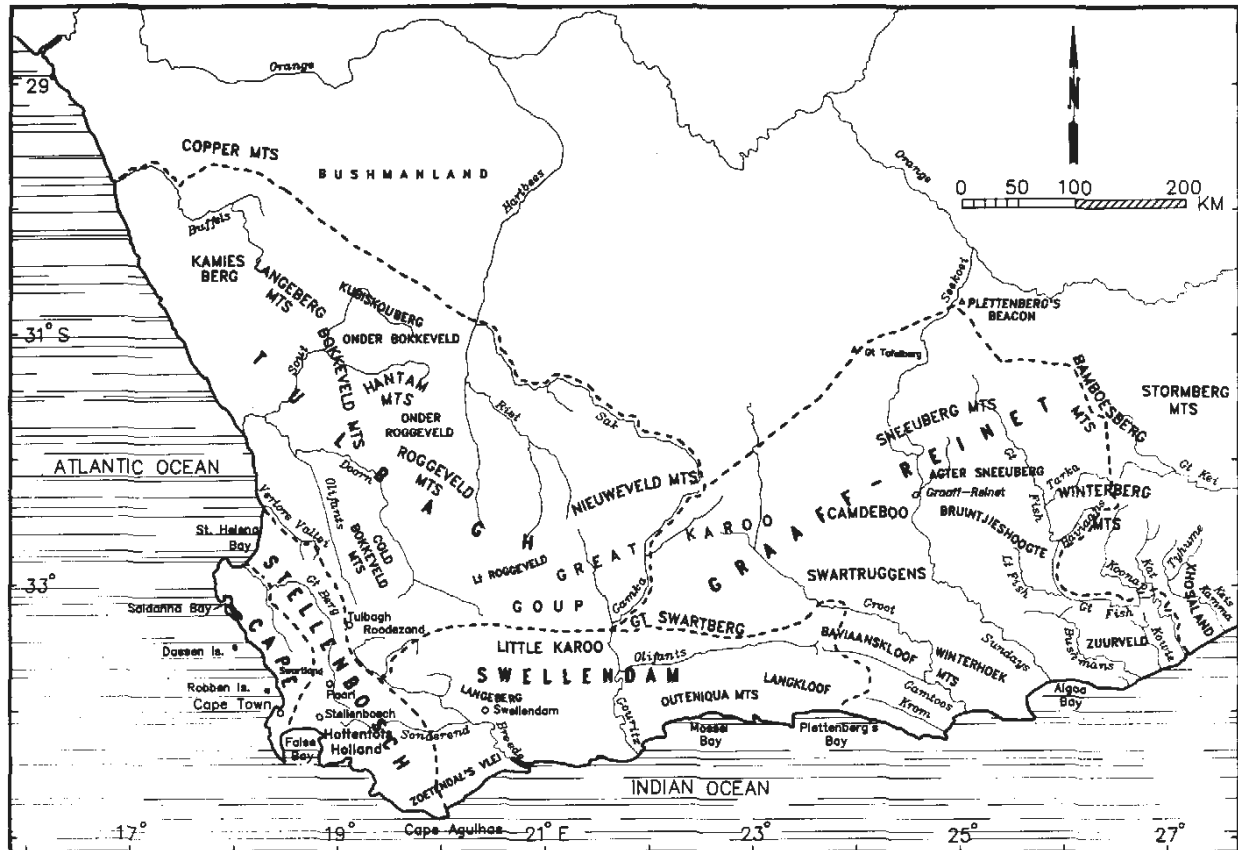
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Table 1: Distribution of Loan Farms in the Cape Colony, 1814

Number of Farms Held by Each Farmer	Number of Farmers	Number of Farms Held by Each Farmer	Number of Farmers
1	1,602	7	2
2	5	8	1
3	99	9	2
4	31	11	2
5	16	13	1
6	3		

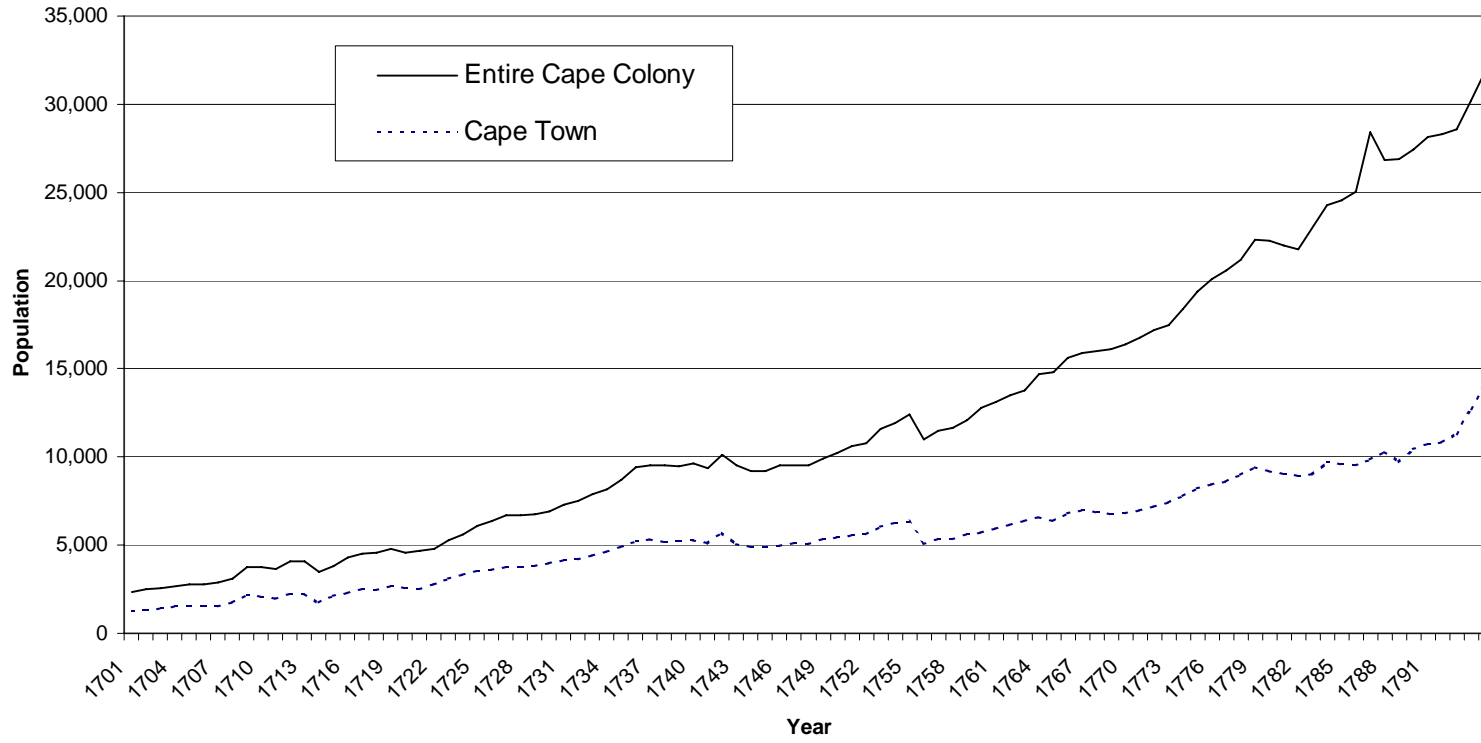
Source: Duly (1968), p. 16. Taken from Charles D'Escury, "Sketch on Land Tenure in Colony, Of the Progressive State of the Measure for Converting and Improving the Land Tenure in This Colony, corrected to 6 Sept. 1821," C.O. 154 (Cape).

Figure 1: The Dutch Cape Colony 1795



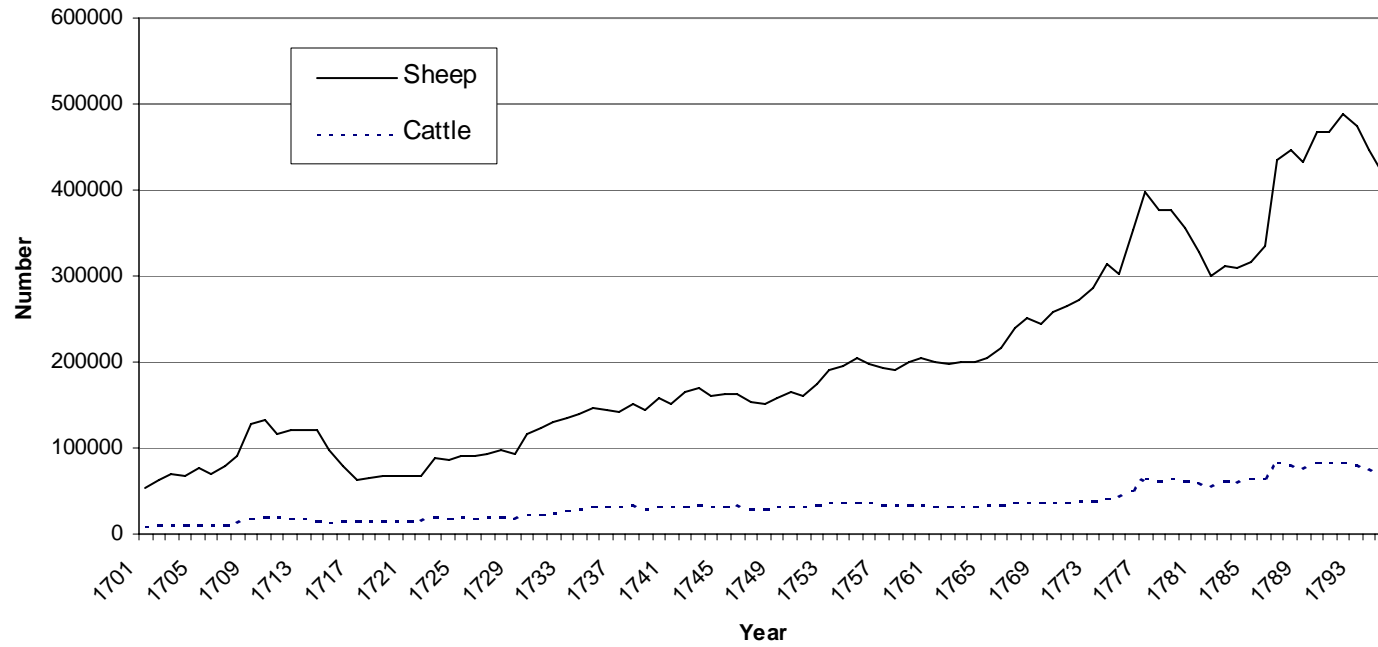
Source: Van der Merwe (1995), p. 132.

Figure 2: Population For Cape Town and Entire Cape Colony



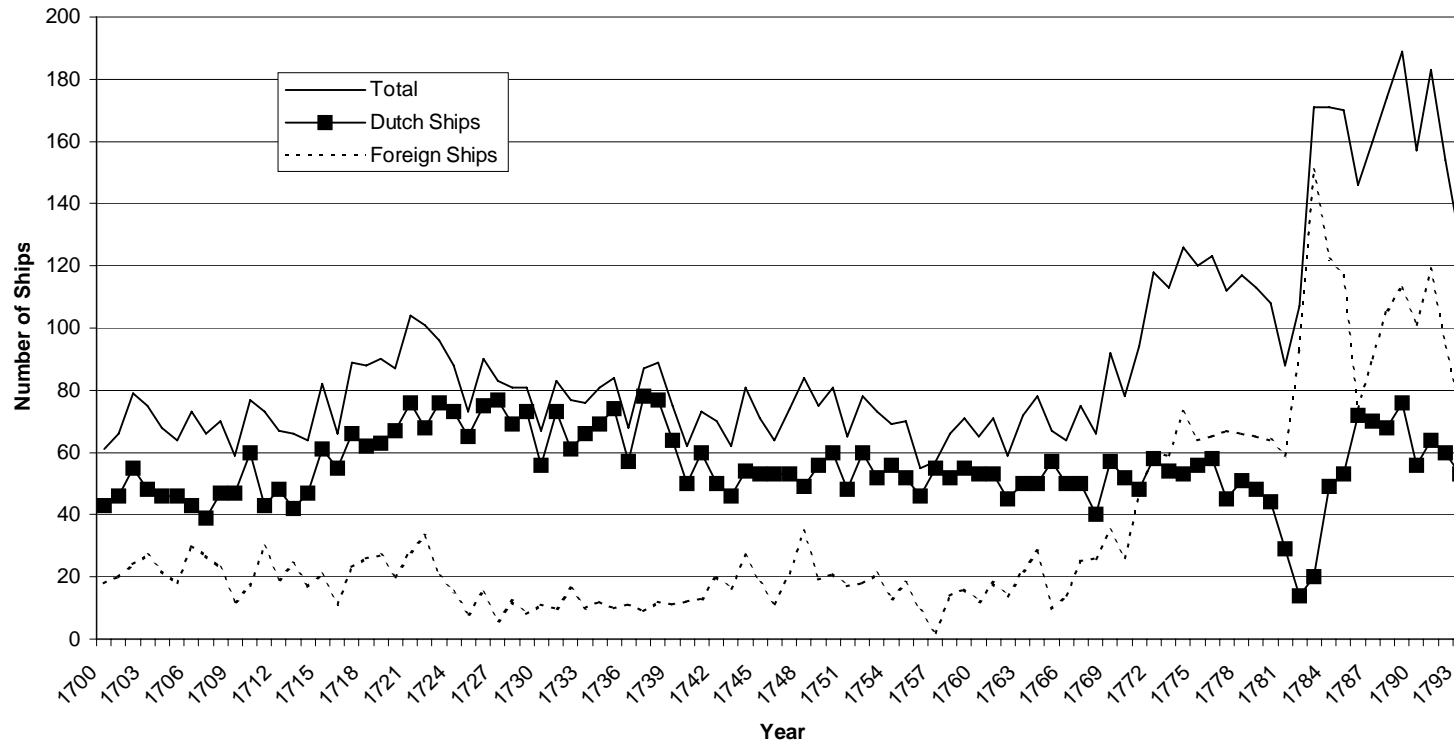
Source: van Duin and Ross (1987), pp. 114-125.

Figure 3: Sheep and Cattle in Cape Colony, 1701-1794



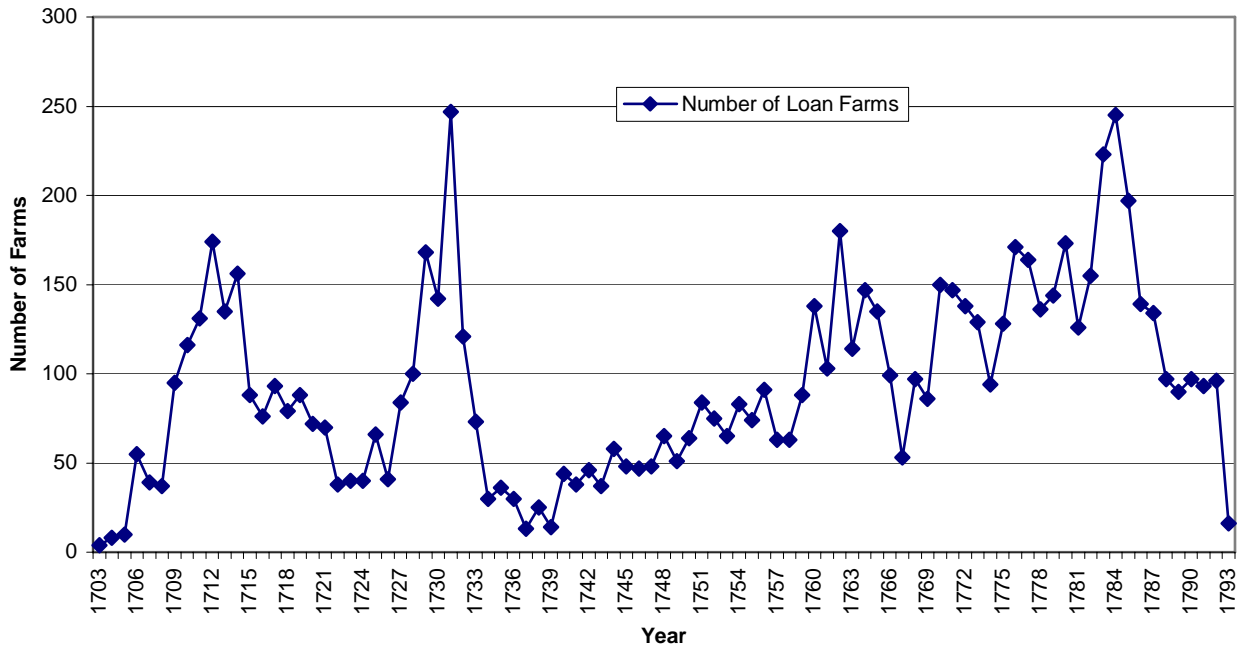
Source: van Duin and Ross (1987), pp. 150-151.

Figure 3: Dutch and Foreign Ship Arrivals in Cape Town



Source: Beyers (1929), pp. 237-239.

Figure 4: New Loan Farms in Cape Colony



Source: VOC Archives, Amsterdam. Various documents.