

# **From a night-watchman to a developmental state? An investigation of the revenue and expenditure patterns of the British Cape Colony, 1820-1910.**

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## **Abstract**

Until recent times, little research has been carried out to systematically understand the nature of economic growth and development in the 19<sup>th</sup> century colonies of what is now South Africa. This paper contributes to this end through an investigation of revenue and expenditure patterns of the Cape Colony which was the foremost settler colony of the African continent. Other British and French African colonies from the late 19<sup>th</sup> century have been investigated on the fiscal history front (Frankema & van Waijenburg 2014; Frankema 2011; Gardner 2013; Gardner 2012). This paper provides complimentary insights on the nature of Cape Colony's public finances by systematically reconstituting state revenues and expenditures using a compiled data set for the Cape Colony, 1820-1910. This is a colony and historical period which has received scant attention in recent colonial fiscal history literature. The prominence of customs revenue throughout the period and railway receipts from late 1880s is established. The positive implications of self-governance (1854) and responsible government (1872) on public borrowing were established. This however led to the spiralling of accumulated public debt which rose beyond 230% of GDP in 1885 and the debt remained unsolved up to 1910 (above 240 % of GDP) when the Union of South Africa was formed. Up to the diamond discovery period in 1867, the Cape's revenue and expenditure portrays a positive picture with more surpluses than deficits. The diamond discovery proved to be a major incentive for public borrowing which was mainly earmarked for railway construction. Expenditure priorities, from the 1870s reveal a huge drive towards public works and infrastructure, a feature which makes the Cape close to a 'developmental state'. This is contrary to the period before 1870 when the state's attributes were closer to a night-watchman state due to emphasis on colonial administration, security, peace and order.

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