

UTRECHT UNIVERSITY

On the Colonial Roots of South Africa's Divergence

A Comprehensive Analysis of South African
Economic Performance, 1600 - 1961

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Introduction

South Africa has always been a special case in Africa's history. It was one of the first regions on the continent to be colonised by the Europeans in the seventeenth century, and was the only settler colony in Africa. In the present South Africa still remains somewhat of an outsider amongst its neighbours. The country diverged from the rest of its neighbours and is often referred to as the best performing African nation in economic terms, a status reflected by its incorporation in the BRICS, albeit probably not least for geo-political reasons. Furthermore, South African politicians also increasingly express an ambition to be an example for its continental brothers to follow.¹ Are the rest of the African nations indeed converging on a South African path to development, or is South Africa totally different from its neighbours as a result of its unique colonial inheritance? South Africa's unique juxtaposition makes the nation a most interesting case for a study on development on the continent that witnessed the birth of the human race.

Inquiries into the matter of African, or more specifically sub-Saharan African, development often try to find out why African states are failing, even though most recently scholars are displaying an aversion to this style of framing.² It is a popular argument that African countries have not yet reached their full potential because of their colonial history. It is suggested that European interference has imbalanced African societies so severely that the continent is still experiencing the negative effects of the colonial episode today.³ This claim is a shaky oversimplification and does not withstand the scrutiny of history, least of all in the South African case, but it does help to explain the developed world's desire to help the sub-Saharan nations to realise sustained growth.

In an attempt to aid Africa, Western scholars and policy makers have theorised what is needed to realise sustained economic growth in a country, so that policy can be structured accordingly. It is a widespread believe that African states are not realising real growth because they lack good governance, i.e. a Western interpretation of what is a good way of governing a country.⁴ The necessity of good governance can be debated, and this thesis will try to illustrate how different

¹ South Africa's continental leadership ambitions are visible for example when we look at their heavy deployment of peace keeping troops in countries such as the Central African Republic, even though South Africa is due to pull back their troops there as a result of the CAR rebellion. See for example: 'Row over South Africa's role in CAR rebellion', In: *BBC News* (April 2nd 2013) <http://www.bbc.co.uk/news/world-africa-22006787>.

² D.E.C. Henley and J.K. Van Dongen, 'Tracking Development in South-East Asia and sub-Saharan Africa: The Primacy of Policy', In: *Development Policy Review* 30:1 (2012), pp. s5 – s25.

³ For a detailed account of this debate see S. Ellis, *Seasons of Rain: Africa in the World* (Leiden 2012), pp. 14 - 16.

⁴ For example see P. Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What can be Done about It* (Oxford 2007), especially pp. 3 – 17.

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types of governance affect economic development in a country. South Africa, with its long history as both a colony, and an independent nation, provides a perfect case to study the issues stated above.

This thesis will look at the history of South Africa from 1600 until 1961, in an attempt to shed some light on the relation between governance and economic development. The central question of this paper therefore is: what influence has colonial rule had on the economic development of South Africa, in the period 1600 – 1961, and what implications does this have for the validity of the concept of good governance? The region considered in this thesis will vary as for parts of this period the current boundaries of South Africa hold little relevance for the reality of the region in say 1660, shortly after the Dutch had arrived. Therefore a regional approach will be applied for the period of the Dutch Cape Colony, focusing only on the Cape region. The same goes for the British Cape Colony. A national approach will be applied from the unification in the early twentieth century onwards.

Additionally, it is necessary to explain the reasons for choosing this particular time period. Obviously there is a case to be made for selecting this particular term. Starting in the seventeenth century, this essay will capture the situation in pre-colonial South Africa. It will continue by looking at both the Dutch and the British Cape Colony, concluding with the first spell of South African independence. Only if we understand how pre-colonial and post-colonial rule affected economic performance in South Africa, can we truly evaluate the effects of colonial rule on economic development in Africa's most southern nation.

Furthermore, it is important to define what is meant by the term economic development. During this essay economic development will be considered as a structural rise in the GDP per capita, in other words, a rise in labour productivity. A strong second indicator of economic development are transaction costs, a determinant of various factors such as property rights and physical security.⁵ Transaction costs are a good reflection of the health of a country's economy.⁶ The costs involved when a transaction between two, or more, agents occurs are made visible via interest rates. The theory of the indicators of development stated above will be considered in more detail in chapter two. A third factor which will be treated when analysing economic development is the division of income in South Africa, a nation which has seen episodes of great inequality throughout its history, climaxing in the Apartheid. The data necessary to reconstruct these indicators of development, will

⁵ See for example: L. Brunt, 'Property rights and economic growth: evidence from a natural experiment' Discussion paper *Norwegian School of Economics* (Bergen 2011).

⁶ The usefulness of transaction costs as an indicator for economic performance has been theorised extensively. E.g. D.C. North, 'Institutions, Transaction Costs, and Economic Growth', In: *Economic Inquiry* 25:3 (1987), pp. 419 – 428. See also: D. Acemoglu and S. Robinson, 'Unbundling Institutions', In: *Journal of Political Economy* 113:5 (2005), pp. 949 - 995.

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be calculated with evidence supplied by secondary literature. Chapters two, three and four will consider the sources of the data in greater detail.⁷

This thesis will provide the most comprehensive analysis of economic development in South Africa to date, by incorporating several interesting results from recent studies about GDP/c, real wages and income inequality, and by introducing a completely new element to the debate in the form of South African transaction costs and interest rates. Never before have all these factors been analysed in one paper, surprisingly not even in Charles Feinstein's milestone work.

Although this inquiry will be focusing primarily on the subject of South Africa's economic history, this thesis can be placed within a wider academic debate. This thesis links up most closely with two broader discussions. First, there has been, and still is, heated debate over the value of the governance agenda of the West. Advocates of this good governance agenda argue that the Western interpretation of good governance is a necessary pre-condition for economic growth to occur. This idea formed the basis of much of the development aid policy in the nineties and continues to do so today.⁸ The importance of accountability has also been stressed by African scholars Mwangi Kimenyi and John Mukum Mbaku.⁹ Furthermore Dutch historian Jan Luiten van Zanden has postulated the negative effects of dictatorial governance in one of his recent articles, although it does not necessarily follow that he would agree with the notion that good governance is a necessity.¹⁰

However, after two decades of aid focusing on good governance, African countries still remain far from reaching their full potential, and this has generated criticism. In a book published in 2009 famous economist Douglass C. North has argued that good governance is only important after substantial economic transformation has occurred within a society.¹¹ Political economist Dani Rodrik has criticised Western aid policies for putting 'prescription before diagnostics', arguing that Western donors should not be concentrating so much on their own conviction about what is 'good', but rather should look at what is actually needed in a country before applying a fixed set of 'cures'.¹² A statement that is supported by the leader of the African Power and Politics Programme David Booth,

⁷ C.H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination and Development* (Cambridge 2005). J. Fourie, 'The remarkable wealth of the Dutch Cape Colony: measurements from eighteenth-century probate inventories', In: *The Economic History Review* 66:2 (2013), pp. 419 – 448. P. De Zwart, 'Real wages at the Cape of Good Hope: a long-term perspective, 1652-1912', *Working Paper* (2011) Among others.

⁸ See for example the influential report of the World Bank in: World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (Oxford 1993).

⁹ M.S. Kimenyi and J.M. Mbaku (eds.), *Institutions and Collective Choice in Developing Countries* (Aldershot 1999).

¹⁰ J.L. van Zanden, 'The Dictator Effect: How Long Years in Office Affects Economic Development in Africa and the Near East', *CEPR Discussion Papers* (Utrecht 2012).

¹¹ D.C. North, J. Wallis, B.R. Weingast, *Violence and Social Orders: a conceptual framework for interpreting recorded human history* (Cambridge 2009).

¹² D. Rodrik, 'Diagnostics before Prescription', in: *Journal of Economic Perspectives* 24:3 (2010), pp. 33 – 44.

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who holds that sometimes a 'second best approach' should be preferred over the Western notion.¹³ The results of this thesis point out that in the South African case, certain good governance indicators have been more important in realising economic development than others. The relation between good governance and economic development will be more fully explored in chapter two.

Second, the subject of this thesis is closely related to the question whether the colonial burden is in itself an ample explanation for the difficulties many African countries are facing today.¹⁴ More specifically the thesis will argue that South Africa as a settler colony, benefitted, at least economically, from the institutions that were exported to the Cape by its colonial powers.

This thesis will now continue with the second chapter on the theoretical framework on governance and economic development that will be applied during this essay. Chapter three will consist of a short economic history of South Africa from 1600 to 1961, reconstructing interest rates, and the development of the GDP per capita. The distribution of wealth for the period mentioned above will be dealt with in chapter four. Attention will also be given to the different styles of governance affecting the South African society during these centuries in chapter five. Finally concluding the thesis in chapter six with a summary and suggestions for future research.

¹³ D. Booth, *Development as a Collective Action Problem: Addressing the Real Challenges of African Governance* (London 2012), p. 28.

¹⁴ A more detailed description on this discussion can be found in: S.L. Engerman and K.L. Sokoloff, 'Colonisation and Development' In: *Economic History of Developing Regions*, 27:1 (2012), pp: 28-40.

Chapter 2: Theoretical Foundations

Institutions play a vital role in society, and it is rather difficult to talk about institutions, or to apply an institutional approach as is the case in this thesis, without first mentioning the research of the Nobel prize winning American economic professor Douglass C. North. North has provided us with many useful analyses and theoretical concepts that can enhance our understanding of the functions that institutions fulfil in a society, especially in relation to economic development.¹⁵ Building on the works of the famed co-Nobel Prize winning British economist Ronald Coase, North has pointed to the fundamental importance of Institutions, both formal and informal, for realising economic development.¹⁶ More recently Turkish academic Daron Acemoglu and his British and American colleagues Simon Johnson and James Robinson have continued to refine the concepts put forward by North and Coase.¹⁷ In The Netherlands notable contributions have been made by what could be called the 'Utrecht School'. Prominent exponents of Utrecht's economic historians who have developed particularly useful additions to the institutional method, are Bas van Bavel, Maarten Prak and Jan Luiten van Zanden.¹⁸

This thesis draws on many of the theoretical concepts crafted by the previously mentioned academics. Applying the institutional approach, the focus of this thesis will be on the institutions that shape the economic conditions in a society, in this case looking at the effects that these institutions have on gross domestic product per capita (GDP/c) and interest rates, which serve as an indicator of transaction costs as will later be explained, in South Africa from 1600 until 1961. The causal relation between institutions and economic development is one of reciprocity. On the one hand, the dynamics of the social, political and economic institutions can create an economic climate favourable to growth. On the other hand, economic development can also influence the development of the institutions themselves. Thus, the causal links run both ways, but in concurrence with most literature on the subject, this thesis will suggest that the institutional organisation of a society is the primary determinant for economic development, and not *vice versa*.¹⁹

¹⁵ Some landmark publications by D.C. North include his classic: North, D.C. *Institutions, Institutional Change and Economic Performance* (Cambridge 1990), or more recently D.C. North *Violence and Social orders*.

¹⁶ R. H. Coase, 'The Problem of Social Cost', In: *Journal of Law and Economics* 3:1 (1960), pp. 386 – 405. D.C. North, 'The new institutional economics and development', In: *Journal of Institutional and Theoretical Economics* 142:1 (1987), pp. 230 – 237, p.233.

¹⁷ D. Acemoglu, S. Robinson and J.A. Johnson 'Institutions as a fundamental cause of Long-Run Growth', In: *Handbook of Economic Growth* 1:A (2005), pp. 385 – 472.

¹⁸ B.J.P van Bavel, *Manors and Markets: Economy and Society in the Low Countries 500 – 1600* (New York 2010), esp. pages 8 -14. J.L van Zanden, *The Long Road to the Industrial Revolution: The European Economy in a Global Perspective 1000 – 1800* (Leiden 2009).

¹⁹ For example: D.C. North, *Structure and Change in Economic History* (New York 1981), pp. 20 – 27., and D. Acemoglu, 'Unbundling Institutions', p. 1.

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Attention will also be given to an indicator of broader economic development, namely the distribution of wealth in both Cape Colonies and the Union of South Africa, to compensate for the fact that GDP per capita and interest rates do not tell us how many South Africans benefited from statistical economic growth. Understanding the division of wealth is vital for understanding the dynamics of South African history, a country with a past so profoundly influenced by inequality.

Reconstructing the GDP per capita of a country or a region is perhaps an obvious step to take when trying to explain the economic development of a society. Admittedly, these figures are not the holy grail as they fail to capture the full extent of the performance of an economy. Furthermore, the GDP statistic only measures the official transactions taking place within a society, thereby excluding the, potentially very important, informal sector. However, GDP per capita figures can tell us something about labour productivity in a particular region or country, as opposed to the gross national income or the regular GDP statistics. Ideally, for the most accurate indication of labour productivity in a society, one would have to look at labour productivity per hour. Unfortunately, such detailed data might be available for more recent years, but is impossible to reconstruct for the period from 1600 until 1961. Despite these limitations, the GDP per capita statistics remain a useful, if not perfect, indicator of the economic performance of a society. In fact, given the historical data at hand, reconstructing GDP per capita figures is the best instrument we have for measuring labour productivity in a society or region.

Thus, the GDP per capita statistic helps us to reconstruct just how effective labour is being put to use in a society. Labour productivity is a good determinant of real economic growth and development, as an increase in the output per unit of labour means that the same amount of time and labour produces higher yields. In a nutshell this is economic development: the same amount of effort resulting in a higher output. This enables people to use their additional time on other economic activities. Especially in a society with an economy based on subsistence agriculture, a substantial increase of labour productivity is of vital importance, as it will generate the necessary surpluses to feed the population in the urban centres. Therefore GDP per capita, by enabling us to measure labour productivity, can tell us something about economic development in South Africa from 1600 until 1961.

Additionally, in contrast to the nominal GDP figures, GDP per capita statistics can help explain something about the nature of investments most common in a society; i.e. are economic agents investing capital or are they investing labour to increase their output? In the situation that labour intensive investment is preferred, no sustained rise in labour productivity can be realised, as increasing the input of labour can only increase yields by a certain, limited amount. Hence, nominal GDP data explains little about the level of productivity per unit of labour.

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For example, peasants in early modern China generally used labour investments to increase land productivity, as labour was cheap and abundant, whereas capital, i.e. land, was scarce and thus expensive.²⁰ Therefore, the early modern Chinese economy followed a path of labour intensification, resulting in impressive total yields, but not in a sustained growth in labour productivity. In late medieval England, the trend was the opposite: labour was scarce and expensive, and capital was more freely available. *Ergo*, the English landowning class was able to use capital investments in order to stimulate productivity. The intensive use of capital, at first animals and later also machinery, gave English agriculture an enormous advantage over the Chinese Yangzi Delta, and indeed the rest of the world, as capital investments could boost productivity to levels that a process of labour intensification could never realise.²¹ The profound impact of these diverging paths of economic development only became apparent in the late eighteenth century, leading some historians, focusing too little on labour productivity and too much on total yields, to wrongly conclude that the Great Divergence only occurred around 1800.²² In fact, labour productivity trends in England hint at a decisive divergence centuries earlier.²³ Therefore, GDP per capita statistics, because they indicate the level of labour productivity, are a vital instrument for analysing the level of economic development in a society.

GDP per capita is determined by the total value of all goods and services produced within a territory within a certain year divided by the number of inhabitants of that same area. Collecting the data on this for the whole period concerning this thesis can prove to be somewhat problematic. Recent data, from the twentieth century onwards, is very accurate, but figures on the GDP of the Dutch and the British Cape Colonies are scarce.²⁴ Luckily recent research has come up with some very useful data, aiding in the reconstruction of the GDP per capita figures of South Africa in the period 1652 until 1910.²⁵

However as mentioned above, GDP statistics do not tell the whole story. For this reason it is important to consider other factors which can indicate the level of economic development in South Africa. Complementing the GDP per capita figures, this thesis will also reconstruct South Africa's capital market from 1600 until 1961, a new element to current historiography which has received far

²⁰ R. Brenner and C. Isett, 'England's Divergence from the Yangzi Delta: Property Relations, Microeconomics, and Patterns of Development', In: *The Journal of Asian Studies* 61:2 (2002), 609 – 662, especially pp. 621 – 624.

²¹ For a more detailed comparison of Chinese and English labour productivity see also R. Kremers, 'Property Rights, Capital Markets, and the Great Divergence: England and the Yangzi Delta Compared, 1300 – 1800', *Unpublished available at request*, especially page 14.

²² See for example K. Pomeranz, *The Great Divergence: China, Europe and the Making of the Modern World Economy* (Princeton 2000).

²³ R. Brenner and C. Isett, 'England's Divergence from the Yangzi Delta', p. 647.

²⁴ J.L. van Zanden and J. Fourie, 'GDP in the Dutch Cape Colony: The National Accounts of a Slave-based Society', *Stellenbosch Economic Working Papers* (2012).

²⁵ P. De Zwart, 'Real Wages', and Fourie, 'Remarkable wealth'.

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too little attention. The costs of capital will be measured with the help of interest rates. Looking at interest rates is particularly fruitful, because they reflect the costs of economic transfer between two parties quite effectively, the so-called transaction costs. Ronald Coase was the first to conceptualise a theory about transaction costs and their implications for economic activity.²⁶

As mentioned above, transaction costs are the costs of economic transfer between two agents. When transaction costs are high, this implies that a transaction involves a high level of risk. The risk might be that one party will not be fully compensated, or that the other party will default. As pointed out by North, transaction costs are important because the height of transaction costs reflects the likeliness of economic transaction to occur.²⁷ High transaction costs will result in little economic activity, as in a society with high transaction costs economic transfer is a risky affair, whereas low transaction costs will benefit economic activity greatly. Therefore transaction costs are a good indicator of the economic health of a society.

Transaction costs are determined by a variety of factors. For example, information asymmetry drives up the costs of economic transfer, or an unequal power position between the two interacting economic agents might cause prices to reach uneconomic heights. In recent literature it has been suggested that the institutions that support private contracts influence transaction costs greatly.²⁸ Acemoglu and Johnson distinguish two different types of such institutions: 'contracting institutions' and 'property rights institutions'.²⁹ The first concerns the direct costs involved with writing contracts between two, or more, parties, e.g. the costs of drafting a contract or the costs involved with enforcing the rules agreed upon via a contract. The second set of institutions protect against government, or elite, expropriation. Both these 'sets' affect transactions costs deeply. Transaction costs are also influenced by the costs involved with bargaining and decision making. Most of all transaction costs are a reflection of the level of certainty. A society plagued by uncertainty will face high transaction costs, whereas a society with high levels of confidence will be characterised by lower transaction costs. To a large extent the level of certainty is determined by property right relations.

Poorly defined property rights will undermine certainty, as it will be unclear who exactly owns the land. If ownership is disputed it is difficult to exchange land and property, as there is no credible guarantee that the land or property you buy is not also claimed by a third party, and will not be expropriated. Furthermore, in a society with poorly defined property rights peasants will be most inclined to invest in labour intensive produce, as capital investments might be seized at any time.

²⁶ R.H. Coase, 'Problem of Social Costs'.

²⁷ D.C. North, 'The new institutional economics and development'.

²⁸ Acemoglu & Johnson, 'Unbundling Institutions', p. 1

²⁹ Ibidem.

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Thus poorly defined property rights have a bad effect on economic development as they undermine the level of certainty, raise the height of transaction costs, and discourage capital investments in the land which is detrimental to labour productivity. Furthermore, unclear property rights also curb the state's ability to extract income from land, because it is not clear which person owns the land and should therefore be taxed. Hence, property rights are a key factor when trying to explain the height of transaction costs, and thus the economic health of a society. A large body of literature has also underlined the fundamental importance of effective property rights for economic development, perhaps most famously defended by British historian Robert Brenner.³⁰

Now that it is clear how transaction costs influence economic performance in a society, and what factors influence their height, it is time to turn to the matter of measuring these costs. In this thesis transaction costs will be computed with the help of interest rates. Interest rates are a good indicator of the level of certainty and trust between two economic agents.³¹ In a society with high transaction costs, and thus a low level of certainty, one can expect high interest rates, as the lending party faces a high risk that the borrowing party will default on the loan. Therefore the provider of the capital will have economic incentives to minimise the risk by shortening the term of the loan and raising the interest rates so that the investment will be profitable in the near future or that losses are at least kept to a minimum. When transaction costs are low, and there is a high level of certainty, the opposite is the case. Thus the height of the interest rates is a useful, measurable tool to determine the level of certainty within a society. High interest rates imply high transaction costs, while on the other hand low interest rates indicate a high amount of trust and certainty, resulting in lower transaction costs.

A last point which deserves attention in this chapter is the division of wealth, or rather income inequality. As mentioned above measuring interest rates and GDP per capita figures is extremely useful, but these two instruments do not tell us enough about the distribution of wealth in a society. Without knowledge of the level of inequality it is impossible to fully understand the dynamics of South African society, both in the present and in the period that is discussed in this thesis. In addition one could ask oneself the question: what good is GDP per capita growth when it is distributed very unequally? The ramifications of this point should be clear. Focusing purely on the statistics could make us overestimate the level of real economic development, as statistic growth

³⁰ R. Brenner, 'The Agrarian Roots of European Capitalism', In *Past and Present* 97 (1982), 16 – 113. See Also: B. J. P. van Bavel, 'People and Land: Rural Population Developments and Property Structures in the Low Countries, c.1300–c.1600', In: *Continuity and Change* 17:1 (2002), pp. 9 – 37, p 17, and K. Pomeranz, 'Land Markets in Late Imperial and Republican China', In: *Continuity and Change*, 23:1 (2008), 101 – 150.

³¹ J.L. van Zanden, 'On the Efficiency of Markets for Agricultural Products: Rice prices and Capital Markets in Java, 1823 - 1853', p. 1029. Also S.R. Epstein, *Freedom and Growth: The Rise of States and Markets in Europe 1300-1750* (London 2000).

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could still mean that it is just a small elite that is enriching itself disproportionately. The latter cannot be defined as sustainable economic growth. Therefore it is of great importance that the distribution of wealth and the level of income inequality are also considered in this thesis.

In order to measure the level of income inequality and the distribution of wealth, this thesis will rely on evidence put forward by earlier publications, as it is not within the scope of this essay to conduct a detailed original research to reconstruct South African wealth division from 1600 to 1961.³² For the years that the data is available, real wages and welfare ratios for unskilled labour, and probate inventories will be used to indicate the level of inequality within South Africa statistically.

2.1 Good Governance

If the argument is accepted that institutions are indeed of fundamental importance for economic development, then policy should be a primary instrument to help realise economic growth, as is also in accordance with one of the advices of a recent study.³³ Therefore it can hardly be surprising that good governance has appealed to so many development policymakers in donor countries in the Western world. Before it can be explained just how good governance, in theory, stimulates economic development, it is importance that the term good governance itself is first defined. According to the World Bank, good governance consists of six elements, the so-called World Governance Indicators; WGIS.³⁴

- Voice and accountability
- Political Stability and Absence of Violence
- Government Effectiveness
- Regulatory Quality
- Rule of Law
- Control of Corruption

Advocates of good governance would argue that the realisation of the factors mentioned above, would provide the necessary preconditions for sustained economic growth to occur. It is believed that good governance aids in creating a safer climate, incentives for private investment, a reason for the state to realise growth and social protection; through the pressure resulting from political

³² For example C.H. Feinstein, *Economic History of South Africa*, and L. Brunt, 'Property Rights', pp. 7 – 15. Discussing property right relations in South Africa from 1652 until 1842, illustrating clear consequences of these relations for the distribution of wealth and income.

³³ D.E.C. Henley, 'Tracking Development', p. 25.

³⁴ World Bank, 'Governance Indicators', available at <http://info.worldbank.org/governance/wgi/index.asp> (last update July 8 2013), accessed June 14 2013.

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accountability, and lower corruption levels. Corruption is economically unfavourable, thus low corruption levels are deemed to be better for the economic health of a society. The same can be said about the absence of violence in a society, as political instability impedes the effectiveness of allocation via the free market system, and subsequently derails the incentives and possibilities for private investment.

In the good governance dialogue it is implicitly assumed that the only way to foster economic growth is by adopting Western-style institutions and thus focus on liberalisation and multi-party democracy. It is suggested that these institutions are the most effective instruments to realise the conditions as set out by the WGI, and that the value of these Western institutions is universal and therefore can be transplanted to non-Western societies. Societies that have good governance would then enjoy sustained GDP/c growth, lower transaction costs; as the level of certainty has increased, and a more equal distribution of wealth.

However, it is questionable whether good governance is indeed a necessary precondition for economic development. Recent literature has exhibited scepticism about these WGI and the general value of good governance for economic development, for example Dutch economist Geske Dijkstra and British, Bangladeshi academic Mushtaq Husain Khan.³⁵ Dijkstra has argued that there is no positive causal relation between good governance, as defined through the WGI, and economic development, or even between rule of law and economic growth.³⁶ These claims might seem rather surprising, and when taking a closer look they even look shaky. Dijkstra underpins her argument with statistics for the period 2001 – 2010. Obviously, this is an extremely short period, in fact, too short to be of real significance for explaining long-term economic trends, as such a timeframe cannot rule out the effects of conjuncture. Overall Dijkstra pays far too little attention to long-term economic trends, to provide adequate grounds for such claims.

Khan points at the subjectivity of the kind of governance that is measured by the WGI.³⁷ It seems legitimate to question some of the elements incorporated in the World Bank's indicators. This thesis will look at how governance in South Africa has influenced economic development, and just which elements of good governance are possibly more important for realising sustained economic growth than others. We will return to this point in later chapters.

³⁵ G. Dijkstra, 'Paradoxes around Good Governance', *Inaugural Lecture* (March 2013), especially pp 10 – 14., and M.H. Kahn, 'Governance and anti-corruption reforms in developing countries: Policies, evidence and ways forward' *G-24 Discussion Papers* (2006).

³⁶ G. Dijkstra, 'Policy Paradox', pp. 7 – 9.

³⁷ M.H. Kahn, 'Governance and anti-corruption reforms'.

Chapter 3: Reconstructing GDP/c and Interest Rates

South Africa's economic history has received surprisingly little attention until recently. Earlier studies dealt mainly with the period shortly after the discovery of diamond and gold deposits in South Africa.³⁸ Only in the past few years, careful attention has been given to South Africa's economic performance under colonial rule. This chapter will provide a more comprehensive outline of long-term economic development in pre-colonial, colonial, and post-colonial South Africa, by taking into account not only GDP/c mutations but also transaction costs developments, as current historiography lacks consideration for the latter factor.

Section one will handle the historic foundations of the South African economy, and deal with the historiographical debate that is going on concerning the economic performance of the Cape Colony. Section two will then continue with a reconstruction of the long term GDP/c statistics from 1600 to 1961. For the seventeenth century, little statistical data is available. Therefore for this period an indication will be given of labour productivity. Section three will discuss the transaction costs and interest rates in the given timeframe. The concluding section will provide an explanation for the observed GDP/c and interest rate trends.

3.1 The South African Economy and the Debate

South Africa's economic performance in the period 1600 - 1961 is subject to a great amount of discussion. Views contrast sharply, especially concerning the level of welfare that the Dutch and British Cape Colonies enjoyed. Traditionally, it has been postulated that the Cape Colonies were an economic backwater, a position most recently defended by Feinstein who states that the economy was backward until the late nineteenth century.³⁹ This view could not be further apart from the conclusions of some of the latest studies, in which it is suggested, for example by Fourie and Van Zanden, that in the eighteenth century the Cape Colony was actually one of the wealthiest regions in the world.⁴⁰ Within these two extreme positions, two major questions dominate the debate: firstly, was the discovery of mineral deposits in South Africa the catalyser for economic development, as is suggested by Feinstein?⁴¹ Secondly, was economic growth in South Africa extremely slow or even

³⁸ Examples: C.H. Feinstein, *Economic History of South Africa* and C.W. de Kiewiet, *A History of South Africa: Social and Economic* (London 1957).

³⁹ C.H. Feinstein, *Economic History of South Africa*, p. 2 – 3.

⁴⁰ J. Fourie, *Remarkable Wealth*, pp. 444 – 446., and J.L. van Zanden and J. Fourie 'GDP in the Cape', p. 16.

⁴¹ C.H. Feinstein, *Economic History of South Africa*, p. 3.

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absent prior to British rule, or was the Colony already prosperous soon after the Dutch arrived?⁴²

After this chapter these questions, or at least parts of them, can hopefully be answered. For now, this section will continue with the historical foundations of the South African economy, and then deal with the traditionally dominant view of an underdeveloped and impoverished Cape Colony, concluding with some more positive results from recent studies.

Little debate surrounds the first stages of South Africa's economic development lasting until the arrival of the Dutch in 1652. Perhaps the absence of discussion on this period points to a lack of knowledge about this time. Even more so discussion is impeded because measurable statistical data for this time frame is extremely scarce and hard to come by. What we do know is that prior to the arrival of Jan van Riebeeck in 1652, the region that we now know as South Africa was inhabited by two indigenous groups: the Africans, pastoral peasants and cultivators, and the *Khoisan*, nomads and hunter gatherers.

The Khoisan lived in small communities, and travelled around to ensure survival. This group, while effective in gathering and in possession of some artisan skills, knew no real markets, had little trade or contact with other groups, and did not accumulate real estate property.⁴³ The most important form of property, in the case of the nomad Khoisan, was their cattle, which consisted mainly of hairless sheep. Normally, the cattle was not slaughtered for food, but provided the nomads with milk. The Khoisan depended on natural property rights, as is for example evidenced by an anecdotal encounter between Jan van Riebeeck and the Khoisan regarding a land dispute. When remembering this conflict van Riebeeck states that: "They [...] remained adamant in their claim of old-established natural ownership".⁴⁴ Furthermore the land in Khoisan society was not owned by individuals and could not be judicially claimed, as it was communally held.⁴⁵ Cattle on the other hand was individually owned, and some inequality was expressed through livestock ownership. Wealthy men, often chiefs or sub-chiefs, with an abundance of cattle, 'hired' the labour of poorer cattle-less men, to take care of their animals in return for foodstuffs.⁴⁶ The Khoisan community was thus not completely egalitarian, and its economy performed at subsistence level, or perhaps marginally above.

Contrary to the Khoisan, the indigenous African pastoral peasants and cultivators lived a sedentary life. These African settlements were located close to water supplies, and some towns are believed to have housed around 5000 inhabitants.⁴⁷ The Africans relied mainly on extensive pastoral

⁴² L. Brunt argues that only after the British changed property right relations, the Cape Colony could flourish.

⁴³ C.H. Feinstein, *Economic History of South Africa*, p. 13.

⁴⁴ H.B. Thom (ed.), *Journal of Jan van Riebeeck* (Johannesburg 1954), p. 195-196.

⁴⁵ C.H. Feinstein, *Economic History of South Africa*, p. 15.

⁴⁶ *Ibidem*, p. 15.

⁴⁷ *Ibidem*, p. 17.

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farming, and were faced with a harsh environment with few water sources. Additionally, the land they depended on was of poor quality, so agricultural yields were low, and this meant that, even though the Africans were sedentary, they cultivated fields spread over a wide area to support their community and were forced to regularly migrate as a result of seasonal climate movements.⁴⁸

This system relied on some interesting property rights relations. Cattle was individually owned and formed the principal means of wealth accumulation, and livestock was also used as payment during transactions.⁴⁹ Like the Khoisan, the Africans did not use their cattle for meat, but for milk. Thus, cattle ownership influenced power relations within the African society, allowing for a system of patronage by way of 'leasing' livestock to those who were unable to afford animals themselves. Land ownership was a different matter. The Africans used cooperative land ownership, a system in which a peasant was allowed to work the land of another peasant from the same community should circumstances require this to ensure survival.⁵⁰ Like in Khoisan society, the Africans held land communally.⁵¹ However, in effect the chief of the tribe, who had the duty of allocating the land to the tribe members, enjoyed a high level of *de facto* land ownership. As long as the chief approved it, cultivated land was in exclusive ownership of one family, and the land could be passed on through inheritance.⁵² Moreover, land could be lent, via the system of cooperative land ownership, to other peasants, but no payment was allowed to be accepted for these leases.⁵³ The system of cooperative land ownership might be expected to favour the employment of crop rotation, but the Africans did not engage in this activity.⁵⁴ Contrary to the cultivated land, pastoral land was freely accessible to every member of the society.

This economic system could only function when the supply of land was abundant, as was the case in pre-colonial South Africa. However, despite this quite elaborate system of property rights, agricultural yields were low, and the Africans lived at subsistence level, or slightly above.⁵⁵ The Africans did produce some non-agricultural products, but their economy was overall characterised by little specialisation of production. Economic development was hampered by the generally small societies with very limited inter-tribal trade, not least because of the very high transportation costs.⁵⁶

This century-old indigenous system was to be changed radically after the arrival of Jan Van Riebeeck in 1652, acting under the orders of the Dutch East India Company (henceforth VOC). The

⁴⁸ B. Sansom, 'Traditional Economic Systems' In: W.D. Hammond-Tooke (ed.), *The Bantu-speaking peoples of Southern Africa* (London 1974), pp. 135 – 176, p. 144.

⁴⁹ C.H. Feinstein, *Economic History of South Africa*, p. 18.

⁵⁰ Sansom, 'Traditional Economic Systems', p. 40.

⁵¹ C.H. Feinstein, *Economic History of South Africa*, p. 18.

⁵² *Ibidem*, p. 18.

⁵³ Sansom, 'Traditional Economic Systems', p. 40.

⁵⁴ C.H. Feinstein, *Economic History of South Africa*, p. 18.

⁵⁵ *Ibidem*, p. 19 – 20.

⁵⁶ *Ibidem*, p. 20.

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Heeren XVII, the VOC's board, gave Van Riebeeck a clear assignment: the Cape was to be acquired to serve as a refreshing station for the VOC-ships that were *en route* to the Dutch East Indies. Initially the Dutch had no interest in settling VOC-employees in the Cape, and intended to attain the necessary resources by way of trading with the local Khoisan population.⁵⁷ However, it soon became clear that the Khoisan did not produce sufficient amounts of resources to this end, largely because the Khoisan did not grow crops.⁵⁸ Therefore, in 1657 the Company decided to release some of its employees to become farmers and grow the crops that the VOC needed. The farmers were to sell their produce exclusively to the Company, and it was the VOC that determined the prices of these transactions.

In the first decades after 1657, the farmers focused on labour intensive agriculture, much like they were accustomed to in Europe, but this type of agriculture did not work in the Cape environment. Therefore, from 1679 onwards the VOC supported a shift to extensive agriculture, which fitted the environmental circumstances of the Cape better.⁵⁹ This mode of production required vast amounts of land, and this set the geographical expansion of the Cape in motion. In order to stimulate the process, the Company distributed the land among settlers and even paid for the voyages of European immigrants to the Cape.⁶⁰ Average farm size increased dramatically, as a result of the shift from intensive to extensive agricultural production. This meant that settlers had to work ever greater plots of land and thus the demand for labour to work these larger plots increased. In order to satisfy this demand, slaves were imported from neighbouring regions, like present-day Angola.⁶¹

These developments restructured the Cape region's economy fundamentally. Cape Town became *en fait* the only market for agricultural produce, and the region's core economic centre due to the presence of the Colony's only port there. Closer to the Cape, the influx of slave labour satisfied labour demands, and together with lower transportation costs allowed that more intensive agriculture like wheat cultivation and viniculture could flourish. At greater distance from the town, extensive pastoral livestock farming became the norm.⁶²

From this point on the accounts in the historiography vary sharply. As stated above, two core issues stand at the heart of the debate: first, was the Cape Colony an extremely impoverished region until the discovery of mineral deposits in the late nineteenth century or was the Cape a wealthy society? Second, was the Cape poor until the British took over or has British rule brought no significant improvements? For the sake of the structure of the argument, we will first turn to the

⁵⁷ R. Elphick, *Kraal and Castle. Khoikhoi and the Founding of White South Africa* (London 1977), p. xxi-xxii.

⁵⁸ P. Van Duin and R. Ross, *The economy of the Cape Colony in the eighteenth century* (Leiden 1987), p. 1.

⁵⁹ De Zwart, 'Real Wages', p. 3.

⁶⁰ *Ibidem*.

⁶¹ T. Keegan, *Colonial South Africa and the origins of the racial order* (Charlottesville 1996), p. 15.

⁶² P. Van Duin and R. Ross, 'The economy', p. 2.

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contrasting views on the matter whether the Cape was underdeveloped, or on the contrary a flourishing colonial economy. This section will commence with the more pessimistic account of the wealth of the Cape.

From 1680 onwards the Cape was plagued by overproduction, as the market, i.e. the Cape, was too small to support the economy, and the demand from passing ships had not increased since the 1670s.⁶³ The overproduction was caused by the lack of a foreign export market and the limited local trade, resulting in the absence of an exit for farmers' surpluses. The consequence of this overproduction was that in years of high yields and great surplus, farmers had to discard their produce at rock-bottom prices which was then sold to the ships docking at the Cape, while bad harvests meant hunger and hardship, as settlers would be unable to earn enough money to sustain their families and any surplus from good harvests had already been sold to sailors. To escape this harsh reality, farmers were inclined to move further away from Cape Town and the VOC's sphere of influence, to try and become self-sufficient pastoral farmers.⁶⁴ An alternative to moving away from the town, was seizing farming activities all together, and instead turn to trade and craftsmanship in Cape Town itself.⁶⁵

Thus, the VOC fulfilled an incredibly negative role in the Cape's economic development. The Company tried to maintain its monopoly, and subsequent profits, through draconian restrictive policies, which denied the settlers the opportunity to sell their produce to other parties than the Company. Furthermore, the Cape farmers received artificially low prices for their goods from the VOC, who used its power to set the prices itself.⁶⁶ These policies led to dire living conditions for the farmers of the Cape Colony, who had no real chance of escaping the Company's iron grip. Detrimental to the Cape's economic development was the absence of a proper cash crop that could be exported *en masse*, like for example Northern America had in the form of tobacco and wheat.⁶⁷ The combination of these factors led to a stagnant, underdeveloped market, which improved only slightly after the British took over, with very little growth until the discovery of diamonds and gold in the late nineteenth century.⁶⁸

Van Duin and Ross were among the first to challenge this overtly pessimistic view. They argued in favour of a dynamic Dutch Cape economy with a far less restrictive economic climate than the one described above.⁶⁹ They concluded that, as evidenced by the rise in total output in the Cape

⁶³ A.W. Biewenga, *De Kaap de Goede Hoop : een Nederlandse vestigingskolonie, 1680 – 1730* (New York 1999), p. 20.

⁶⁴ C.H. Feinstein, *Economic History of South Africa*, p. 24.

⁶⁵ L. Thompson, and M. Wilson (eds.), *The Oxford History of South Africa* (London 1969), p. 36.

⁶⁶ C.H. Feinstein, *Economic History of South Africa*, p. 23.

⁶⁷ C.W. De Kiewiet, *A History of South Africa*, p. 10.

⁶⁸ C.H. Feinstein, *Economic History of South Africa*, p. 2 – 3.

⁶⁹ P. Van Duin and R. Ross, 'The economy', p. 3.

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during the eighteenth century, the VOC was a stimulant to economic development in the Cape.⁷⁰ This is perhaps a bit too positive, and it seems more likely that, as De Zwart argues, citing research by Fourie and Boshoff, a rise in productivity took place 'in spite of the VOC rather than because of them'.⁷¹ More recently evidence provided by Fourie, De Zwart and Van Zanden, seems to back the claim that the Cape was nothing like an economic backwater, full of impoverished farmers, and that on the contrary, the Cape was in fact 'remarkably wealthy'.⁷² Overall the claim that the Cape's economy was virtually stagnant before the discovery of mineral deposits appears to be very shaky indeed, as we will come to see later on in this chapter.

Liam Brunt seems to agree that the VOC severely restricted the economic possibilities in the Dutch Cape, but he disagrees that the discovery of mineral deposits was the sole reason that the Cape was propelled into economic prosperity.⁷³ Brunt adds to the debate a second element by stating that British rule fostered economic growth more carefully than Dutch rule did. He argues that the VOC system, that distributed land to farmers at a fixed rent, was economically flawed and impeded economic development.⁷⁴ The prevalent Dutch system was abolished by the British in 1843, and the new government changed the legal property rights. It is these changes to property right structures that functioned as a catalyst for economic development in the early and mid-nineteenth century.⁷⁵ Hence, Brunt defends that the Cape was poor under the Dutch and significant and sustained economic growth was only realised after the British took over.

However, as most notably De Zwart and Fourie have shown, there is also a problem with this argument. Statistically there is little evidence to support the claim that British property right adjustments boosted productivity in the Cape, and even less that the Dutch Cape Colony was severely impoverished.⁷⁶ The next section will expand on the two issues raised above, and reconstruct the development of labour productivity in South Africa from 1600 until 1961, by measuring GDP per capita. This will help us to comprehend the debate more fully, and take position.

⁷⁰ P. Van Duin and R. Ross, 'The economy', p. 6.

⁷¹ De Zwart, 'Real Wages', p. 4., and J. Fourie and W.H. Boshof 'The significance of the Cape trade route to economic activity in the Cape Colony: a medium-term business cycle analysis', In: *European Review of Economic History* 14:3 (2010), pp.469 – 503.

⁷² J. Fourie, 'Remarkable Wealth', J.L. van Zanden and J. Fourie, 'GDP in the Dutch Cape', and P. De Zwart, 'Real wages'

⁷³ L. Brunt, 'Property Rights'.

⁷⁴ Ibidem, p. 9.

⁷⁵ Ibidem, p. 9 -10.

⁷⁶ De Zwart, 'Real wages', p. 14 -15.

3.2 The Development of the GDP/c

The development of South Africa's GDP over the past centuries has been relatively uncharted territory, especially compared to our knowledge of these statistics concerning Western Europe, for which accurate data on productivity dates back as far as the seventeenth century and sometimes even further. In the case of South Africa, the time frame chosen in this thesis poses some problems.

Official GDP data is available for the period 1946 – 1961. The period prior to the Second World War starts to reveal some problems, as official data is available, but this data is incomplete. Nonetheless, reasonably accurate GDP estimates are available for the first decades of the Union. Even further back in time, during the period of the British Cape Colony, knowledge about the development of the GDP per capita becomes very scarce. The GDP of the British Cape Colony is a grey area with some estimates, but a substantial margin of error must be taken into account. Data for the Dutch Cape Colony used to be virtually blank, and limited to qualitative accounts, but more recently this period has received considerable attention. Therefore, we now possess detailed, although still imperfect, estimates from 1700 onwards. The seventeenth century Cape economy is notoriously difficult to quantify. Some GDP estimates are available for the Early Dutch Cape, and display a fluctuating trend, not least because of relatively rapid changes in the population levels. For the pre-colonial period no real data exists.

Despite the fact that the data presented in this thesis is subject to debate, and definitely imperfect, reconstructing the GDP per capita is very productive, and helps to spot and analyse the trends in South Africa's economic development. Furthermore, potential inaccuracy is to be preferred over no knowledge on the subject at all. To put it simply: despite all the problems involved with it, measuring the development of the GDP per capita is the best method we have. This section will now continue with an overview of the general labour productivity trends in pre-colonial-, colonial-, and independent South Africa.

The pre-colonial South African society was based on a subsistence economy in which the peasants in the subsistence economy relied on manual ploughing to work the field, rather than deploying animals to this end.⁷⁷ Thus the pre-colonial economy depended on labour intensive agriculture and little to no capital, in this case animals, was put in to raise the productivity of the land. Hence, the only way to increase yields was labour intensification, and this meant that no structural rise in labour productivity was to be expected. The economy performed around subsistence level, or slightly above, and will have fluctuated with the seasons. Poor weather, leading to bad harvest, would have caused a slight decrease of the GDP/c, whereas good years and

⁷⁷ C.H. Feinstein, *Economic History of South Africa*, p. 19.

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subsequent successful harvests would have enabled a slight rise in the GDP per capita. In consequence, any change in GDP/c was most likely the effect of seasonal cycles.

Moreover, structural growth was inhibited by a variety of factors. Firstly, the vast distances between the tribes and the settlements, in combination with absence of effective transport animals such as horses, led to high transportation costs, and this impeded trade. In addition, the uniformity of economic activity in the region, even though some artisan work did exist, formed another barrier to exchange between two tribes or communities. Lastly, structural growth was hampered by the process of labour intensification, a mode of production that is unable to raise labour productivity substantially over a prolonged period of time.

The arrival of the Dutch in 1652 led to a reformation of the economy, and the emergence of a real market that enabled trade. Close to Cape Town, relatively labour intensive agriculture was made possible by the import of cheap slave labour. Further away from the town, the first colonial farmers rented large farms, with a standard size of about 50 hectares, or 60 *morgen*, from the VOC and engaged in extensive agriculture, as labour costs increased as distance to the Town grew.⁷⁸ Later in the eighteenth century some other small settlements began to emerge, creating some small local markets, but Cape Town remained the most important market by far. The Dutch Cape economy was plagued by labour shortage and blessed with land abundance, and therefore production was based on extensive agriculture and slave labour.⁷⁹ The surpluses were sold via the Company to the passing ships, carrying an estimated 6000 seamen annually, which provided the farmers of the Dutch Cape with an export market, both for agricultural produce and for the tertiary sector, which provided services like shipbuilding.⁸⁰

Population levels did not increase rapidly in the early stages of the Dutch Cape Colony, and this might help explain that by 1700 the GDP/c had already reached quite impressive heights (see figure 1 below which shows that GDP/c levels in the Cape were on par with the most prosperous regions in the world at that time: Holland and Great Britain). The presence of a large export market, in the form of the 6000 sailors, which was satisfied by only a handful of farmers, must have benefited the wealth of the latter greatly. However, the population grew rapidly in the eighteenth century, and by 1795, the Cape Colony numbered about 50000 inhabitants, i.e. Europeans and Africans.⁸¹ This population rise meant that in order to maintain the high GDP/c levels of the early eighteenth century, total output would have had to increase dramatically. As is portrayed in figure 1 the contrary was the case, and GDP/c levels started to decline throughout the remainder of the

⁷⁸ J.L. van Zanden and J. Fourie, 'GDP Dutch Cape', p. 2

⁷⁹ J. Fourie, 'Slaves as a Capital Investment in the Dutch Cape Colony, 1652 - 1795', *Stellenbosch Economic Working Papers* (2011).

⁸⁰ J. Fourie and W. H. Boshoff, 'Economic Activity in the Cape'.

⁸¹ J.L. van Zanden and J. Fourie, 'GDP Dutch Cape', p. 6.

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eighteenth century. While this decline might be explained by a population growth that outpaced productivity growth, it is also important to note that GDP/c increase was still depending on labour intensification, as most labour was performed manually by either the farmers themselves or by their slaves. It has been suggested by Fourie that slaves can be seen as a capital investment, and this is useful because it generates a more integrated picture of the Dutch Cape's affluence⁸², but intrinsically slave labour is still manual labour. So capital input in the production process remained extensive, and the Dutch Cape followed a path of labour intensification. Therefore, a structural rise in labour productivity was hard to realise.

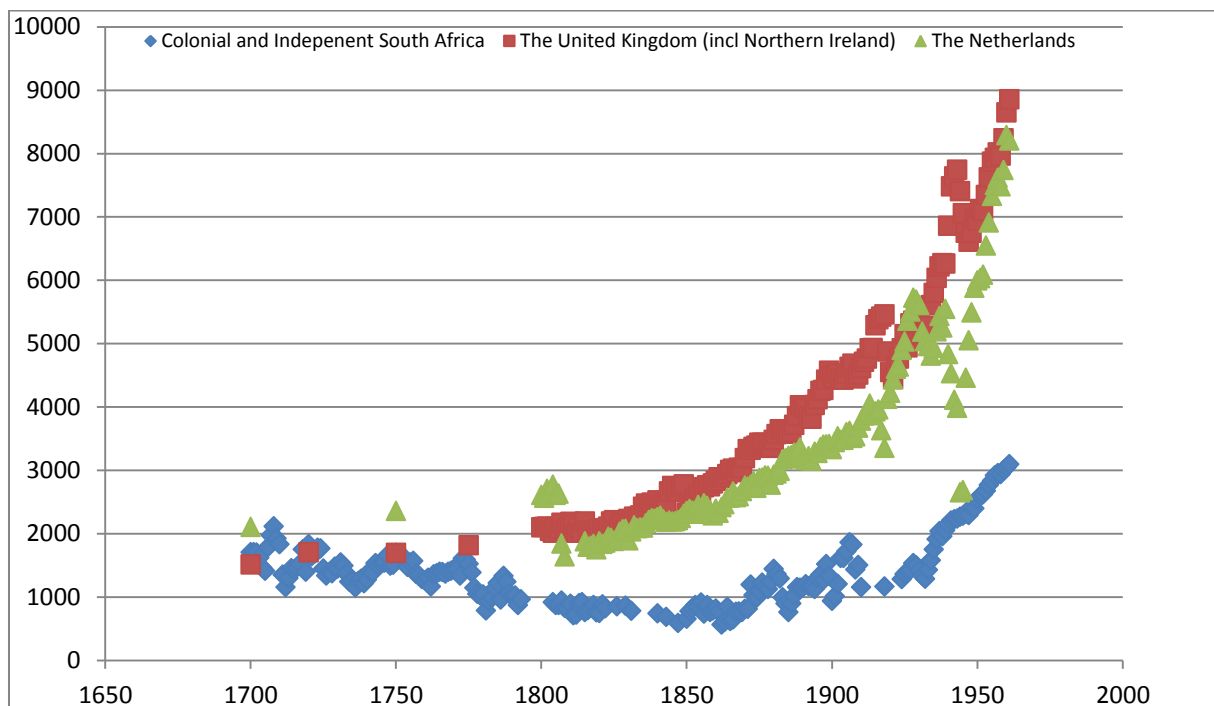


Figure 1 GDP per Capita in Colonial and Independent South Africa, the UK and the Netherlands 1700 – 1961 in international 1990 Dollars.

Sources: For Dutch Cape: Van Zanden en Fourie, all other data: IISH.

When the British took over, first in 1795, and then definitively in 1806, the economic structure of the Cape Colony remained rather similar to the one under Dutch rule. Extensive pastoral agriculture remained the norm, and the Cape stayed the most important market by far. However, territorial expansion meant a geographically larger spread of economic activity, and resulted in new economic centres next to Cape Town, such as Durban, which became an important port city in the late nineteenth century. Also, slave labour was soon abolished, meaning that labour, which was still scarce, had to be supplied in some other manner. The Khoisan and the Africans were soon forced to

⁸² J. Fourie, 'Slaves as a Capital Investment'.

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fill the gap that the abolishment of slavery left, as the dispossession of these groups, as a result of the frontier expansion, presented the indigenous population with little choice but to engage in labour on white farms to ensure survival.⁸³

With regards to the development of the GDP per capita, two key issues present themselves during the period of British rule. The first is, the reformation of the property rights systems imposed by the Dutch colonial government. In 1827, the British started to gradually reform the Dutch system of fixed prices for rented lands, which received very mixed reactions from the Cape's farmers, and instead allowed the market to determine rents, which was fully realised in 1844.⁸⁴ Interestingly, figure 2 below shows that the declining trend of labour productivity, that set in during Dutch rule, stabilised in the 1830s. Secondly, the impact of the discovery of gold and diamond deposits in the 1860s and 1870s on the development of the GDP per capita. After these discoveries GDP/c levels rose quite dramatically, especially in comparison to non-Western countries, although with fluctuations, for example during conflicts such as the Boer Wars in 1880-81 and 1899 - 1902.

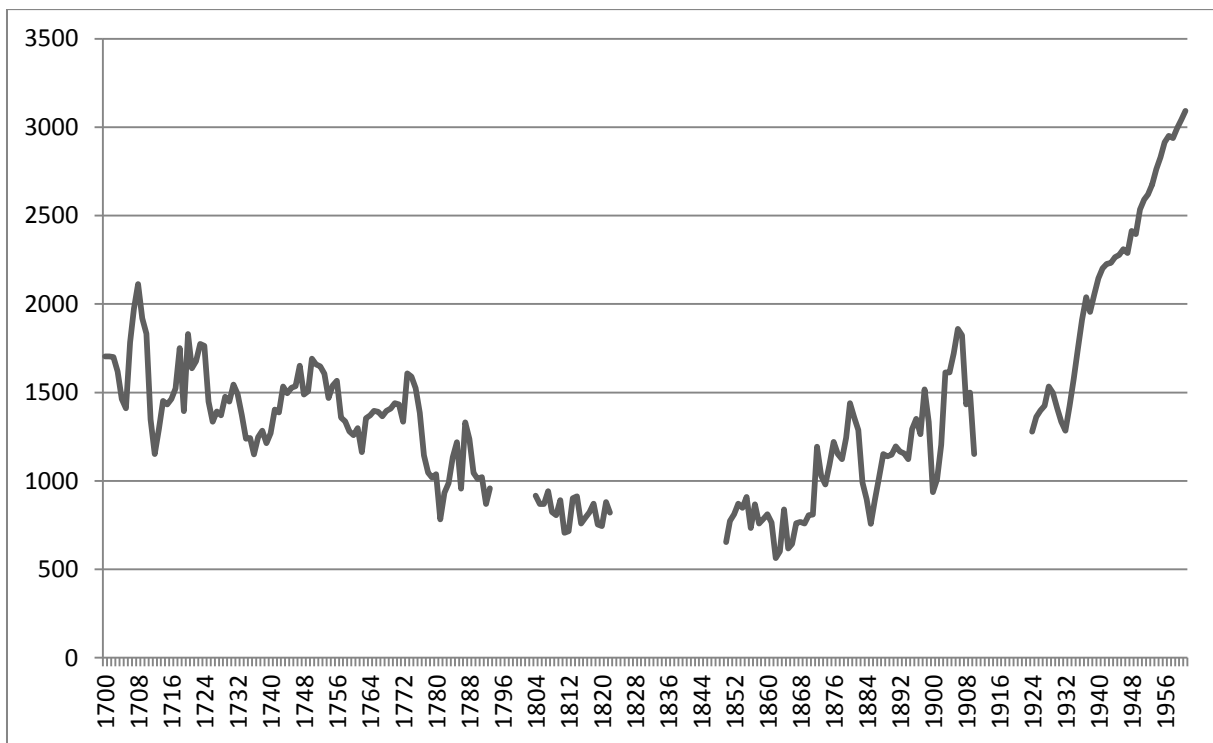


Figure 2 GDP per Capita in The Cape Colony and South Africa 1700 – 1961 in international 1990 Dollars

Sources: for Dutch Cape: Van Zanden and Fourie, for British Cape and SA: IISH.

When in 1910 the Cape Colony was granted independence, and continued as the Union of South Africa, the country had reached its current boundaries. Under the new government policies became

⁸³ C.H. Feinstein, *Economic History of South Africa*, pp. 22 - 46.

⁸⁴ L. Brunt, 'Property Rights', p.16.

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increasingly more exclusive, a trend already well underway since at least the 1870s, and segregation policy culminated in the Native Land act of 1913. This act radically changed the legal property rights structure in the Union's society. According to this law, only certain pre-appointed areas were allowed to be in the ownership of natives, i.e. black or coloured Africans. The passing of this bill, the harbinger, and legal cornerstone of Apartheid, permitted only 7.3 per cent of the land to be owned by natives, who constituted about two-thirds of the total population.⁸⁵ The reforming Land Act of 1936 increased this amount to thirteen per cent, but this was hardly enough land for the natives to make a living.⁸⁶ Furthermore, the lands that the natives were permitted to acquire were of the poorest quality, a fact resented by many indigenous Africans.⁸⁷

These reforms did not only change property rights relations fundamentally, but also affected the labour supply, as was intended by the policy makers. Labour shortages had plagued mine owners and the goal of these acts was to provide an adequate amount of labour the work in the mines.⁸⁸ Meanwhile, it was these mines, and the boost provided by the commodities delved in them, that kept raising South Africa's GDP per capita, in spite of global recessions. This was especially true in the 1930s, when gold prices skyrocketed.⁸⁹ The expropriation of the natives left them little choice but to work in the mines or on the lands of white owners, thereby solving the labour scarcity problems faced by the white elite. In addition to this *de facto* forced labour, the wages paid to the natives were incredibly low.⁹⁰ In stark contrast to this deprivation, GDP/c levels continued to rise until the end of the Union in 1961.

3.3 Transaction costs in SA, 1600 – 1961

As stated in chapter two, interest rates will serve as indicator of transaction costs in this thesis. However, some problems occur when attempting to reconstruct these interest rates. One of the key problems is a lack of data on interest rates prior to 1911. In addition, the most useful indicators of transaction costs are the interest rates on government bonds; however government bonds were unfamiliar to the Dutch Cape economy prior to the establishment of the Lombard Bank, a *de facto* government bank, in 1793. To compensate for the absence of government bonds, transaction costs in the period pre 1793 will be reconstructed with the help of the cost of private capital. It has to be taken into account that private capital is generally more expensive than capital raised via state bonds, so the estimates of transaction costs in the Dutch Cape will probably suffer a negative bias in

⁸⁵ C.H. Feinstein, *Economic History of South Africa*, p. 43.

⁸⁶ R. O. Collins, and J. M. Burns: *A History of Sub-Saharan Africa* (Cambridge 2007), p. 346.

⁸⁷ C.H. Feinstein, *Economic History of South Africa*, p. 44.

⁸⁸ See Statement by Secretary of Native Affairs in C.H. Feinstein, *Economic History of South Africa*, p. 45

⁸⁹ J.L. Van Zanden and J. Fourie, 'GDP in the Dutch Cape', p. 18.

⁹⁰ C.H. Feinstein, *Economic History of South Africa*, p. 45.

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relation to those costs estimated for the period 1793 – 1961, which will use the interest rates on government issued bonds. The reason for opting for this most pessimistic scenario is to make sure that this thesis does not overstate the effectiveness of the Dutch Cape market, by assuming too a positive representation of its capital markets.

A further complication is that interest was not allowed to be paid on 'loans' in pre-colonial South Africa. This makes it difficult to measure any indicator of transaction costs for the period of 1600 – 1653, but an attempt will be made to theorise about the height of transaction costs in pre-colonial South Africa. For the period 1653 – 1793, this chapter will rely on estimates of the cost of private capital to reconstruct the level of certainty in the Cape economy. Interest rates will be reconstructed in a graph, with the aid of state bond interest rates, to indicate the height of transaction costs in the period 1793 – 1961.

As noted above, no data on interest rates exists for the period of 1600 until Dutch arrival, hence it is difficult to use these rates to measure transaction costs. Luckily, we can theorise about the level of certainty in pre-colonial South Africa. The economy of this society would have suffered from the lack of third party enforcement of contracts, high transportation and information costs, unsure physical security, information inequality, and the lack of organisation and written administration. In contrast, the economy would have benefited from the reasonably well defined and quite secure property rights, and the enhancing effect that the norms, values, and personal relations within a tribe would have on the level of trust.

Overall it seems very likely that transaction costs in pre-colonial South Africa were very high. This high level of uncertainty was mostly caused by rampant violence between tribes, and high transportation costs. The commonality of violence will have greatly raised the risks involved with any economic transfer, thereby increasing transaction costs. Within tribes violence was far less common, but inefficient markets and a lack of trade both indicate the unattractiveness of investing in means other than those directly needed for subsistence.

For commercial capital it was not uncommon that interest rates were as high as ten per cent⁹¹, and it is this percentage that will be assumed for the period before 1793. The actual rate might have been lower, but this is speculative, and only more archive research could enhance our understanding of pre 1793 interest rates in the Dutch Cape. In the early stages of Dutch rule interest rates were probably even higher, as uncertainty was high, as is evidenced by the very high dividend rates of on average 25 per cent that were being paid by the VOC during the mid-seventeenth century.⁹² This might seem as a rather high percentage of interest, but twenty per cent, or even

⁹¹ E.H.D. Arndt, *Banking and Currency Development in South Africa (1652 – 1927)* (Johannesburg 1928), p. 175.

⁹² H.C. Difere, *De Geschiedenis van den Nederlandschen Handel tot den val der Republiek* (Berkeley 1908), p. 242.

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higher, interest rates were not uncommon in for example monarchies in fifteen century Europe, although interest rates in mother country The Netherlands were far lower.⁹³ Interest rates in the Dutch Cape were not on par with those in The Netherlands despite similar institutions, because the early Cape government was still struggling to maintain control over the region, and the Cape lacked an effective banking sector. Also, in seventeenth and eighteenth century South East Asia interest rates are even suggested to be as high as twenty five to thirty five per cent.⁹⁴ It therefore, seems reasonable to assume an interest rate of about twenty to twenty five per cent for the period of 1653 – 1700. After all, this was also an economy plagued by great insecurity as the Dutch barely held effective control over the land in the first years.

A decline of transaction costs is probable as of 1782, the VOC paid an interest rate of only 0.5 per cent a month, or six per cent annually, on the capital it loaned on the market.⁹⁵ And this relatively low percentage was even paid shortly after the Cape's economy was disrupted by agricultural crisis and a French invasion force. In fact, interest rates of this level were quite comparable to those in eighteenth century The Netherlands and England, two prosperous regions with an effective capital market at that time.⁹⁶ Therefore it seems likely that the Dutch Cape faced (very) high transaction costs in its birth phase, but by early or mid-eighteenth century these costs were most likely considerably lower. Interest rates were at ten per cent in the most pessimistic scenario in the middle of the eighteenth century, and by 1782 interest rates had dropped to only six per cent.

In 1793 the first government bank, although formally not owned by the Cape government, was established with the founding of the Lombard Bank. The founding of this bank helped to stabilise interest rates, and a legal rate for commercial capital was set at six per cent.⁹⁷ Interest on state bonds involving large sums of money, i.e. above a hundred rixdollars, was lower than this legal rate, and stood at five per cent.⁹⁸ However in 1808, the Lombard Bank decided to raise the rates on state bonds to six per cent, only to drop them to five per cent again in 1811.⁹⁹ For the rest of the period, when we have no data, we will assume that commercial interest rates were on average a full percentage higher than their state bond counterparts, meaning that if state bonds generated five per cent commercial capital would have generated six.

⁹³ S.R. Epstein, *Freedom and growth*, p. 18 – 24, 61 – 63.

⁹⁴ P. Boomgaard, 'Labour, Land, And Capital markets in Southeast Asia from the fifteenth to the nineteenth century', In: *Continuity and Change*, 24:1 (2009), 55 – 78, p. 68.

⁹⁵ E.H.D. Arndt, *Banking and Currency Development*, p. 5.

⁹⁶ G. Clark, 'The Cost of Capital and Medieval Agricultural Technique', in: *Explorations in Economic History* 25:3 (1988), pp. 265 - 294, p. 273-4.

⁹⁷ A.J. Bruwer, *A Case for a National Gold and Banking Policy* (Cape Town 1957), p.53.

⁹⁸ E.H.D. Arndt, *Banking and Currency Development*, p.167.

⁹⁹ A.J. Bruwer, *A Case for a National Gold and Banking Policy*, p.56 – 63.

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Interest on state bonds was set even lower when it was decided in 1830 to lower interest to a fixed rate of four per cent, and this remained the fixed tariff for almost sixty years. Government action also backed this decision by the bank, for instance by imposing the *Savings Bank Act* of 1875, an act which compelled the governor of the Cape to keep the interest rates at a fixed low rate of four per cent.¹⁰⁰ For the period of 1830 – 1889, data on interest rates is not available for every year, but it is assumed that the rates will not have differentiated greatly from this four per cent norm. Thus we can say with reasonable certainty that interest rates were about four per cent for the years between 1830 and 1889. In 1889, troubles emerged to maintain this policy of fixed low rents, and interest rates were set at a higher level of five per cent, only to be lowered to four per cent again in 1892.¹⁰¹ After the unification interest rates dropped to only three per cent.¹⁰²

Overall, interest rates on state bonds seem to have fluctuated between four and six per cent in the period of the British Cape Colony. The unification initially led to lower interest rates, and these low rates lasted until the 1940s, but as the Union neared its end interest rates were almost six per cent (see figure 3). This rise is highly significant as it illustrates that by 1961, interest rates were back at the same level as they were in 1782. It is very remarkable to see that interest rates in the Cape were on the same levels as those in countries of origin Britain and the Netherlands, and quite often even lower (figure 4).

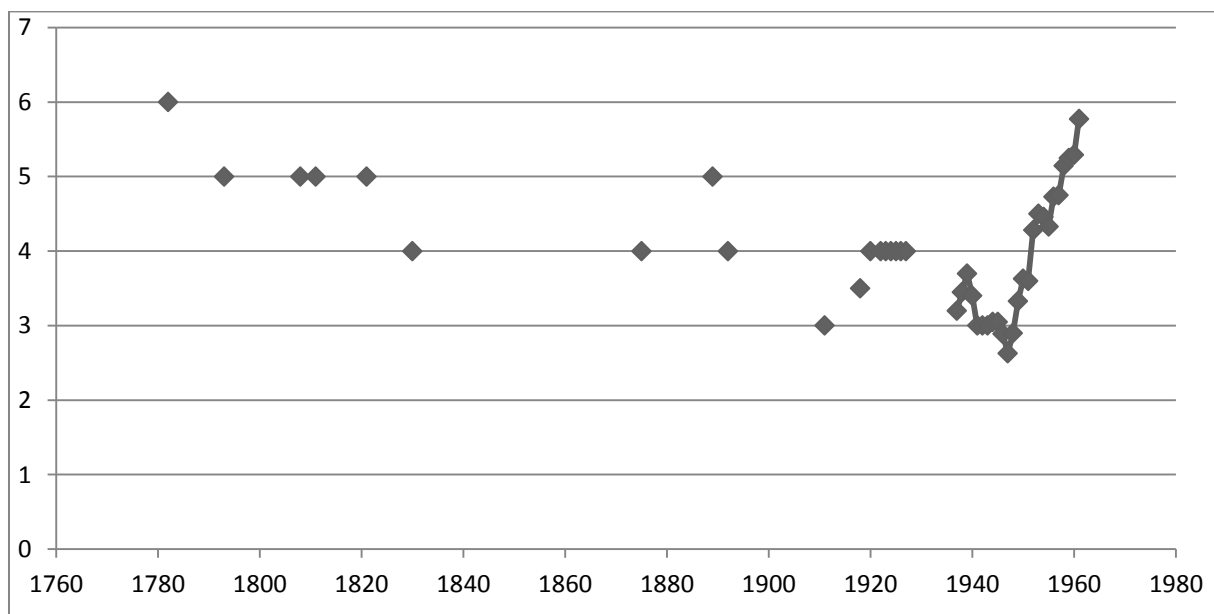


Figure 3 Interest Rates in the Cape Colony and South Africa 1782 – 1961

Sources: For Cape Colony: Arndt (1928) and Bruwer (1957), for SA: Arndt (for 1911-1927) and IISH (for 1937 – 1961).

¹⁰⁰ E.H.D. Arndt, *Banking and Currency Development*, p. 490, 494.

¹⁰¹ *Ibidem*, p. 493.

¹⁰² *Ibidem*, p. 465, 500.

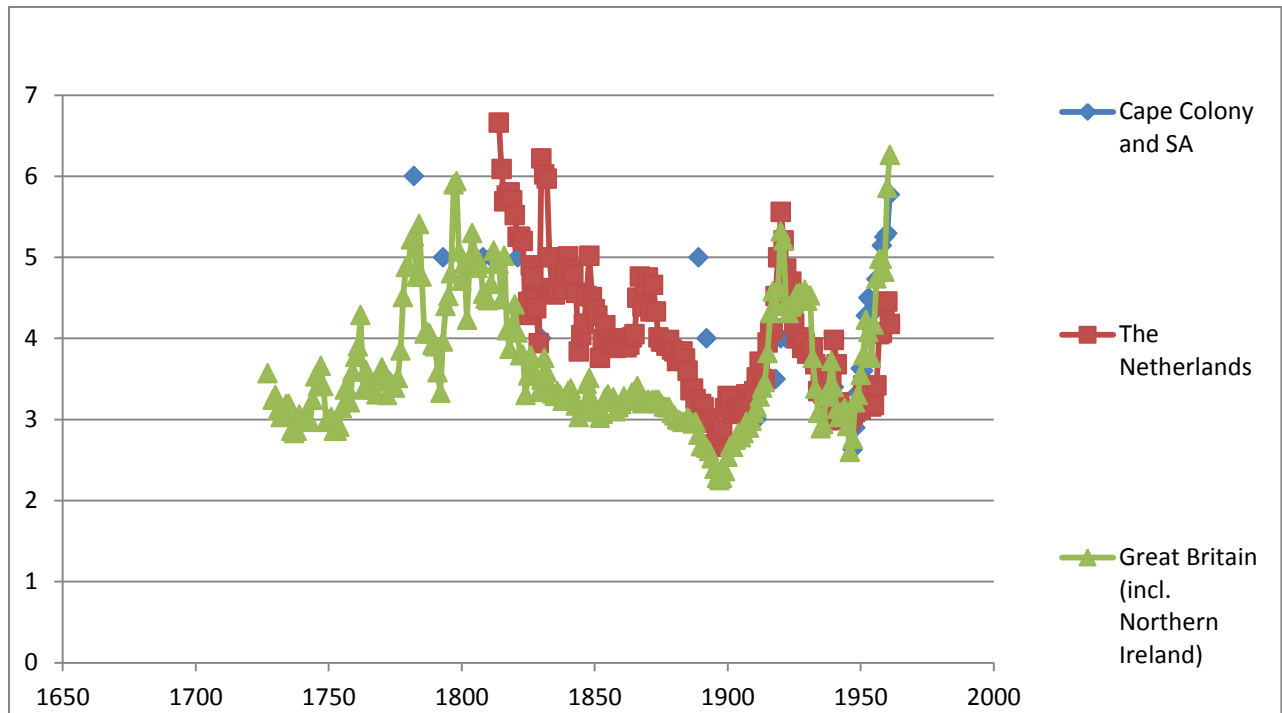


Figure 4 Interest Rates in the Cape and South Africa compared to the UK and The Netherlands 1700 – 1961

Sources: Arndt (1928), Kluwer (1957), and IISH

3.4 Explaining GDP/c and Interest Rate Trends

Reconstructing GDP/c and the interest rates has pointed at some remarkable trends that demand an explanation. The first point that needs to be addressed is the relative wealth of the Cape at 1700 in comparison to the rest of the world. GDP/c levels are on par with the British and Dutch ones, the most prosperous regions in the world at that time. How is it possible that a colony only fifty years old, had reached that level? The explanation for this lies in the size of the Cape in relation to the size of the market it is supplying.

The early Dutch Cape had a relatively small population that was supplying a large market, hence it should not be a surprise that the population grew wealthier from this situation. Therefore the early Dutch Cape had a remarkably high GDP/c. Additionally, the question arises: why is growth stagnating in eighteenth century? This is somewhat harder to explain. First of all population levels seems to have outpaced the growth of demand of the market, thereby leading to a deterioration of per capita income. Also, two deeper causes lie at the root of this decline, and had severe implications for GDP/c levels in Dutch Cape even if population levels did not exceed growth in demand. Firstly, the implementation of slave labour, and secondly the high interest rates as a result of absence a central government backed bank.

Slave labour was employed in the Dutch Cape Colony from the very start and this depresses the GDP/c statistic, as the labour slaves perform is difficult to measure. We will return to this point in

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more detail in the next chapter. Second, the absence of a government or central bank resulted in higher interest rates especially in the earlier periods of the Dutch Cape Colony, this would have inhibited the possibilities of most Dutch settlers to gather enough money for labour production enhancing capital investments. This would have contributed, together with the widespread use of slave labour, to a trend of labour intensification rather than capital intensification, depressing the level of labour productivity. As we have seen, this last matter was indeed the case in the Dutch Cape Colony.

The declining trend of GDP/c in the Cape Colony was only halted mid-nineteenth century, when property rights relations were changed by the British colonial government, which abolished the fixed rent system implemented by the VOC, and instead opted for flexible rent tariffs on land. These measures were met with reluctance by the settlers and many of them moved away from the Cape, instigating the *Grote Trek*, temporarily depressing GDP/c in the 1830s and 1840s. Afterwards GDP/c levels began to rise again, and this appears to support Brunt's thesis that the British more flexible property rights model fostered economic growth more carefully than did the Dutch' fixed one.

The discovery of mineral deposits then launched Africa's economic growth in the 1870s. Even though the riches gained from this discovery appear to have remained concentrated in the hands of a wealthy few, it did increase the Cape Colony's trade with the Western World, and made the colony far more significant to the British.

Furthermore, the height of interest rates in the Cape also demands clarification. Already in the late eighteenth century interest rates were at a remarkably low six per cent, even below the levels of Britain (see figure 4), and much lower than in regions such as contemporary China and South East Asia. For the rest of the nineteenth and twentieth century the interest rates in the Cape are at similar levels as the Dutch and British. How can we explain this as only a century earlier interest rates were most likely at the same high levels as in these Asian regions? The high initial interest rates at the Dutch Cape can be better understood when taking into account that the level of uncertainty in this new land was obviously very high, not least because this was an unknown land which was barely under Dutch control. This would have likely resulted in high transaction costs.

But soon transaction costs were lowered as the Dutch gained more control over the Cape region. One of the key reasons for the low transaction costs, are the property right relations in the Dutch Cape. Property was securely in the hands of the settlers for two reasons. First, because Dutch 'exported' their laws and institutions to the Cape. Inheritance law for instance was a refined and effective property rights system, already developed and tested back in Europe, so the Cape did not have to come up with a new law system regarding property rights from scratch. Second, and more importantly, it seems plausible that there was no need for government or elite expropriation. Land

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was extremely abundant, and this meant that the incentives to seize land from the poorer settlers for elite production were greatly diminished, as it makes little sense to seize someone's land when one has the ability to occupy one's own piece of land just several miles to the east or north, at a fixed low price. Thus, this abundance of land most likely greatly enhanced the level of security enjoyed by settlers in the Cape and appears to have contributed to the lowering of transaction costs as is indicated by the declining interest rates. This abundance of land endured well into the nineteenth century under the British.

Furthermore the Cape was a relatively small society with a strong central power, i.e. the VOC, and later the British Colonial Government, which promoted stability and enhanced the state effectiveness. As stated above, the imposition of a central government bank in 1793 also increased the level of certainty of economic transactions in the Colony and led to declining interest rates and transaction costs.

The unification of South Africa seems to have temporarily lowered transaction costs, as judicial laws were made uniform. This meant that economic agents did not have to deal with different legal and trade barriers in the various autonomous regions, thereby lowering the contracting costs involved with economic transactions. This is evidenced by the lower interest rates in the 1910s and again 1930s and 1940s (see figure 3). However, the unification only temporarily lowered transaction costs as by 1961 interest rates were already up to almost six per cent. Three reasons can be given for this remarkable rise of transaction costs in the 1950s. Firstly, after the Second World War ended it seems likely that the South African economy suffered from a setback of foreign investments, straining the economy's progress. Secondly, the importance of gold, the most important mineral delved from South Africa's mines, had been on the decline since the late 1930s. Thirdly, the most profound reason was the flaring up of internal tensions during the late 1940s and the 1950s, which hampered the Union's economic development.

Chapter 4: Income Inequality and Welfare in South Africa

It stands to reason that, looking at the paradox offered by the Native Land Acts, a case in which expropriation and impoverishment of the majority still leads to an accelerated GDP per capita growth, GDP figures only paint a part of the picture. These statistics are unable to inform us about the number of people that benefit from an overall average growth. This section will try to compensate for that deficiency, by looking at the distribution of wealth between, and overall welfare of, the inhabitants of pre-colonial, colonial, and independent South Africa, thereby giving special attention to the matter of inequality and providing a more comprehensive account of South African economic performance from 1600 until 1961.

On this subject, this thesis owes much to the pioneering studies by Fourie, who studied over 2500 Cape settlers' probate inventories, and De Zwart. Fourie provides a detailed account of the average level of wealth of European settlers in the Dutch Cape Colony during the eighteenth century, and gives an indication of the level of inequality within settler communities.¹⁰³ De Zwart grants us a framework for the average income for unskilled labour for the period 1652 – 1910.¹⁰⁴ Furthermore, following the subsistence basket methodology set out by Robert Allen, De Zwart produces information on the cost of living in colonial South Africa.¹⁰⁵ This data allows us to get a glimpse of living standards in the prosperous Cape Colonies. Even though the information is only available for a part of the time period concerning this thesis, with Fourie discussing the Dutch Cape, while De Zwart deals with the colonial era, this data contributes to the overall understanding of the performance of the South African economy. We will now first turn to living standards in the affluent Dutch Cape, and under British rule. Thereafter the development of inequality in South Africa from 1600 until 1961 will be considered.

As noted above, the Cape's economy performed quite well in terms of GDP per capita figures. In the eighteenth century the Dutch Cape was even one of the wealthiest regions in the world, on par with Britain and Holland. However the question remains: what did the average unskilled labourer, or frontier farmer, gain from all this wealth? Were they extremely poor and barely able to ensure subsistence, as is suggested in some of the literature?¹⁰⁶ Recent evidence implies that the latter is not the case.

¹⁰³ J. Fourie, 'Remarkable Wealth'.

¹⁰⁴ P. De Zwart, 'Real wages'.

¹⁰⁵ R. C. Allen, 'The Great Divergence in European Wages and Prices from the Middle Ages to the First World War', In: *Explorations in Economic History* 38 (2001), pp. 411-447.

¹⁰⁶ M. F. Katzen, 'White Settlers and the Origin of a New Society, 1652-1778', in: L. Thompson (eds.) *The Oxford History of South Africa*, pp. 183-232. And M.H. de Kock, *Selected Subjects in the Economic history of South Africa* (Johannesburg 1924), p. 40.

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Fourie has shown that, on average, settlers' probate inventories did not reflect a poor society as farmers in the Cape were definitely not 'deprived of luxury goods and comfort'.¹⁰⁷ This is evidenced by the fact that the settlers in the eighteenth century Cape were able to purchase or acquire luxury goods such as books on quite a large scale. Moreover, this kind of comfort was not limited to the richest among the settlers, but was also enjoyed by less wealthy farmers. The data put forward by Fourie makes it appear unlikely that the farmers in the Cape were barely able to stay alive. The results of Fourie's probate inventory study may have some bias, because the majority of the ledgers originated in the proximity of Cape Town. However, Fourie points out that this only becomes problematic from the 1760s onwards when, due to geographical expansion, settlers lived ever further away from the town, and even then probate inventories from regions located at great distance from Cape Town were still administered.¹⁰⁸ Further evidence to the claim of a prosperous Dutch Cape, is presented by data on slave ownership. 65 per cent of all settlers in the Dutch Cape owned slaves, and this widespread possession of slaves favours the argument that farmers in the Cape must have enjoyed some wealth, or at least were able to ensure a higher level of wellbeing than bare subsistence, for otherwise one could not attain and maintain slaves.¹⁰⁹

Fourie's findings are supported by the results of the study of De Zwart. In his article De Zwart first calculates the real wages for unskilled labour, and then computes the cost of living in the Cape, using the subsistence basket method. De Zwart then reconstructs the welfare for soldiers, rural labourers, and building labourers, providing both an optimistic and a pessimistic estimate.¹¹⁰ His results are presented in the figure below. Figure 5 outlines an overview of the welfare ratio's in the Cape from 1653 to 1913, in this figure a welfare ratio of 1.0 stands for the subsistence level. Quite remarkably, especially considering the literature suggesting that settlers in the Cape Colonies had to struggle to survive, unskilled labourers in the Cape always enjoyed living conditions above the subsistence level, except during the agricultural crisis of the 1780s in which the most pessimistic estimate of soldiers and building labourers briefly dips below a ratio of 1.0. Furthermore De Zwart illustrates that living standards in the Cape were, by the end of the eighteenth century, quite comparable to those in the most prosperous cities in the world, such as Amsterdam and London, and even above those in Leipzig.¹¹¹

In addition, it is interesting to see the positive trend of living standards for the working masses. Contrary to previous accounts of stagnation and underdevelopment, living conditions for

¹⁰⁷ J. Fourie, 'Remarkable Wealth', p. 446.

¹⁰⁸ *Ibidem*, p. 427.

¹⁰⁹ J. Fourie, 'Slaves as capital investment'

¹¹⁰ For full detail on methodology see P. De Zwart, 'Real wages', esp. pp. 6 – 10. and R.C. Allen, 'Divergence European Wages'.

¹¹¹ P. De Zwart, 'Real wages', p.10.

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unskilled labourers are in fact improving gradually from the mid seventeenth century up to the early twentieth. This also stands at odds with the GDP/c figures, which suggest a worsening of the Cape's economy throughout much of the eighteenth century and well into the nineteenth, and illustrates the usefulness of combining the different data sets that are available from various studies. Another interesting observation is done by De Zwart who notes that welfare ratios fluctuated more heavily after the British took over, proposing that this might be due to the British reliance on the market mechanisms as opposed to the Dutch strategy aimed at stability through fixed rents.¹¹²

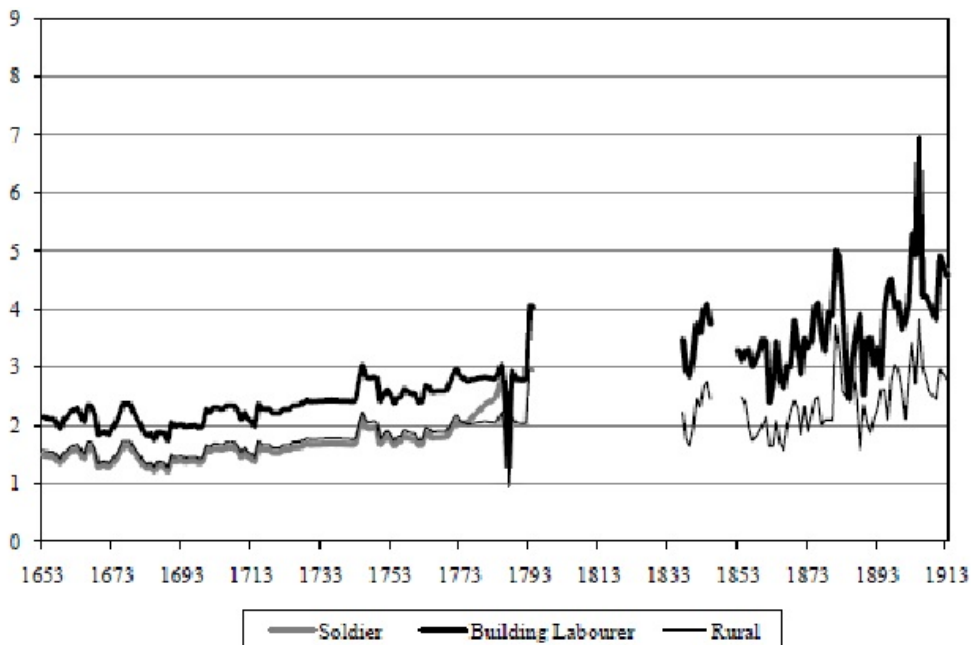


Figure 5 Welfare ratios at Cape Town 1653 – 1913

Source: De Zwart

4.2 Inequality in Pre-colonial, Colonial, and Independent South Africa

The studies by De Zwart and Fourie, have provided a glimpse at the overall welfare in Colonial South Africa, but the development of inequality has not yet been dealt with extensively. This section will pinpoint the overall trends in the development of inequality for the period 1600 – 1961. For the period of the Khoisan and the African settlements no quantitative data is available, therefore claims about these societies are bound to be somewhat speculative. The level of egalitarianism in these societies can be debated. Inequality definitely did exist through the ownership of livestock, and in the power over the distribution of land. It is questionable whether the tribal elite, which allocated land and owned the most animals, reached much higher living standards than the subsistence conditions

¹¹² P. De Zwart, 'Real wages', p. 14.

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which the rest of the tribe enjoyed. It is most likely the Khoisan and African society was relatively egalitarian, even though variations in possession and power did exist.

Under Dutch rule the situation changed radically. Inequality between settlers was large, although this did not mean abject poverty for the poorest of settlers.¹¹³ The gap between the welfare of the labouring masses and the wealthiest of free burgher settlers was probably substantial, but rather hard to quantify, and moreover a certain level of inequality between the elites and the masses is always to be expected, especially in a colony. The welfare gap, between the average farmer and the labouring masses was probably smaller, which is also implied by the economic activities that many farmers performed to supplement their income next to agriculture, for example engaging in carpentry or forging.¹¹⁴ The real substantial inequality however was between the Europeans and the people of African origin. Van Zanden and Fourie show the enormous contrast between the GDP/c of only Europeans and the GDP/c of the entire Cape.¹¹⁵ Europeans appear to be on average about twice as rich. Furthermore the widespread slave trade and slave labour, suggests that the Dutch Cape was already a place of great inequality by the eighteenth century, albeit not necessarily between Europeans, but rather between the black population and the white settlers.

Furthermore there is a discrepancy between the rising welfare ratios and the declining GDP/c in the eighteenth century that needs to be explained. Slave labour was employed in the Dutch Cape Colony from the very start, and the number of slaves in the economy kept on rising throughout the eighteenth century.¹¹⁶ Slaves perform informal labour, so as a result the productivity of this labour is not captured in official GDP data. Thus the decline in GDP/c might be an inaccurate representation of economic development in the Dutch Cape. In stark contrast to this decline, welfare levels in the Cape seemed to improve over the course of eighteenth century, as De Zwart's study points out. So whereas taking into account only the GDP/c statistics would suggest a worsening of living conditions for the (European) inhabitants of the Dutch Cape, consideration of the negative effect of the widespread deployment of slave labour on GDP levels, and the rising welfare ratios might point at a structural under appreciation of the Dutch Cape economy's performance during the eighteenth century in current historiography.

The high level of inequality between the Europeans and the Africans was maintained under British rule, despite the abolishment of slavery in the early nineteenth century. The British government devised policies meant to expropriate the land of the indigenous population and these actions led to a deterioration of both the black Africans' property right security, and their means of

¹¹³ Fourie, 'Remarkable Wealth', p. 438 – 441.

¹¹⁴ Fourie, 'Slaves as Capital investment', p. 14

¹¹⁵ J.L. Van Zanden and J. Fourie, 'GDP Dutch Cape', p. 10.

¹¹⁶ See study by J. Fourie, 'Remarkable Wealth.'

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subsistence.¹¹⁷ Additionally, inequality between Europeans also increased. The reasons for this were two-fold: firstly, the fluctuations of the market, caused by the abandonment of the VOC's stabilising policies, affected the welfare of poorer farmers and the labouring masses, as is shown by the volatile fluctuations after 1830 in figure 5. Secondly, the discovery of mineral deposits in the 1860s and 70s, led to a dramatic increase in terms of GDP per capita (see figure 2) but little can be seen of any benefits for the labouring masses (figure 5). It seems plausible that the wealth attained through mining activities was concentrated in the hands of a small elite, hence, the average inhabitant of the Cape benefited barely.

After the unification of South Africa in 1910, the trends set in under British rule were continued and even intensified. Judicial action was undertaken to undermined the legal position of the black Africans, through the imposition of the Native Land Acts of 1913 and 1936. These acts continued the British policy of dispossessing the black Africans of their land, and furthermore made sure that the income black Africans received in return for their labour was set at rock bottom levels, so that labour for the mining sector was cheap. The income inequality between whites and blacks grew exponentially between 1910 and 1961.¹¹⁸ In 1917 for every rand earned by a black man, a white man earned eleven, in 1936 this ratio was 13.1 : 1, and in 1960 12,3 : 1.¹¹⁹

Meanwhile, South African growth remained principally driven by commodity exports, and these commodities were in the ownership of a wealthy few. Therefore, the benefits of the rapidly rising GDP/c were distributed very unevenly. This meant that the wealthy elite became even richer, while the average white South African benefited only marginally from the increase in overall productivity. Hence, inequality between whites also grew, even though, obviously the growth of inequality, both legally and economically, between blacks and whites was far more significant and consequential for future economic development.

¹¹⁷ C.H. Feinstein, *Economic History of South Africa*, esp. pp. 33 – 43.

¹¹⁸ *Ibidem*, p. 11.

¹¹⁹ *Ibidem*.

Chapter 5: Governance and Economic Development, 1600 – 1961

Voice and accountability were virtually non-existent in pre-colonial and colonial South Africa. Only the population of European offspring enjoyed a sort of political voice, even though this political voice was not formally recognised in any legal documents. Political voice took similar shapes as in the Dutch society were most of the Cape's institutions originated. In practice this meant that settlers could voice their political concerns through petitions and elaborate systems of patronage. From 1653 to 1961 a process can be identified in which the black population is becoming increasingly less powerful under colonial rule, i.e. losing political voice. This process continued under the Union, a constitutional monarchy with little political voice for the blacks. The voice of the black population was further suppressed by the Land Acts, most notably by the act of 1913.

The voice of the white population was heard more often, for example when they elected several Afrikaner nationalist politicians in the 1920s and 30s to solve the 'poor white problem'. This term was used to describe the poor Afrikaners who were unemployed, and government policy was soon made after the elections to stimulate white labour participation in industry.¹²⁰

However it is hard to establish a causal relationship between this governance indicator and economic development from 1600 – 1961. Voice and accountability did improve welfare ratio's for the poor white population of the Union, when the poorer European offspring voted for Afrikaner nationalists in the parliament to address the poor white problem. However, other than this no distinct positive correlation between more voice and accountability and economic development can be identified.

Political stability and the absence of violence appears to have played a far more important role in South African economic history. Violence troubled the region for the full duration of the time period of this thesis. Inter-tribal warfare impeded economic development in pre-colonial South Africa, by disrupting markets and possibilities for inter-tribal trade. A clear negative correlation between the presence of violence and instability and economic development can be observed. For instance, the arrival of a French invasion force in 1780 led to declining welfare ratio's and a drop in the GDP/c, (see figures 5 and 2). Additionally, the first and the second Boer Wars, 1880 – 81 and 1899 – 1902, had a profoundly negative effect on welfare ratio's and GDP/c. Moreover, internal conflict in 1949 and the 1950s resulted in higher transaction costs, evidenced by the steep increase of interest rates during this period, (see figure 3). In sum, this thesis appears to back the claim that political stability and the absence of violence are of crucial importance for economic development.

¹²⁰ C.H. Feinstein, *Economic History of South Africa*, p. 118.

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Government effectiveness is rather hard to measure quantitatively, especially for the seventeenth, eighteenth and nineteenth centuries. What we can say is that the form of governance in pre-colonial South Africa was not very elaborate and on the whole limited, but still rather effective at least within the tribes themselves. The government under the colonial period, first the VOC and then the British colonial government, was also surprisingly effective, at least close to Cape Town. The effectiveness of these governments is evidenced by the low transactions costs; except in the early period, as effectiveness of a state enhances the certainty and level of trust within a society. The size of the Cape Colony, enabled the governments to control the area effectively and to ensure that its policies were indeed carried out. An example of government effectiveness is the successful implementation of the new property right system by the British.

Under the Union government the effectiveness of the state apparatus is showcased by the imposition of the land acts, impossible under an ineffective government. Government effectiveness appears to have stimulated certainty in colonial and independent South Africa, as is evidenced by the remarkably low interest rates. Low transaction costs would not have been probable under an ineffective government whose policies are not carried out and which fails to deliver stability within the region. This again suggests that South Africa was more like a European country in terms of its institutional framework, than that it was similar to a non-Western entity. The imported institutions from home countries Britain and The Netherlands enabled effective governance.

The WGI's regulatory quality and rule of law will be treated together as they are very much intertwined, especially in the Cape Colonies. No formal rule of law existed in pre-colonial South Africa, but some informal traditional laws, especially on land rights, appear to have functioned surprisingly well. However, these laws alone could not realise sustained economic growth. Rule of law was also effective in Colonial South Africa, where well-defined property rights, modelled after the legal systems of the countries of origin, prevailed and were generally respected. These were formal laws, laid out in legal writings and enforced by third parties.

Regulatory quality appears to be a rather important aspect of governance, especially given its important role in the transition of the VOC property rights system to a British model. This law seems to have been better suited to serve the needs of the Cape, and stabilised a stagnating GDP/c development that had lasted for more than a century. Under the rule of the Union, the laws were used to further dispossess the black population, to serve the labour needs of the whites. While this law served its purpose extraordinarily well, it seems rather morally unjust to define such a law as a law of high quality.

The pre-colonial South African society kept corruption under control through an intricate system of social control and norms and values. However, it is unclear to what extent tribal leaders

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indulged in corruption. In the Dutch Cape Colony, the clearest example of corruption and its negative effect on economic development comes from a Dutch government official in the 1780s, who used his power to appoint the best plots of land to himself and his close personal relations. After he was replaced, the Dutch Cape economy functioned more effectively.¹²¹

Nonetheless, it seems unlikely that either the Dutch Cape governors or the British governors were able to suppress corruption effectively. Corruption was a common feature of the VOC trade, and a very wide-spread problem for the Company.¹²² Therefore it is difficult to envision that the VOC did have a firm control over corruption in the Cape Colony. Furthermore, under both British and Dutch rule few checks and balances to prevent corruption among officials existed, and often officials had to be replaced when they had proven to be corrupt, for instance a British bank director.¹²³ Even though corruption levels were thus probably quite high, this does not seem to have resulted in a backward Cape Colony.

¹²¹ C.H. Feinstein, *Economic History of South Africa*, p. 24.

¹²² F.S. Gaastra, *De Geschiedenis van de VOC* (Haarlem 1982)

¹²³ A.J. Bruwer, *A Case for a National Gold and Banking Policy*, p. 33.

Chapter 6: Concluding Remarks

This thesis has been an attempt to present, for the first time, a comprehensive reconstruction of South African economic history from its pre-colonial days until the end of its first independent government. Thereby incorporating the recent evidence from different studies that have suggested that the South African economy performed remarkably well, especially during colonial rule. This thesis offers a unique combined overview of GDP per capita, real wages and welfare, and income inequality developments from 1600 to 1961, and furthermore introduces a new element that has received far too little attention in historiography on the subject to this date by analysing transaction costs and interest rate trends. Consequently, the consideration of all these economic factors in one analysis, as opposed to the current literature which tends to focus only on one South African economic feature at a time, allows us to analyse the effects of colonial rule on South Africa's economic development more thoroughly than ever before. Hence, enabling us to answer the question: 'What influence has colonial rule had on the economic development of South Africa, 1600 – 1961, and what implications does this have for the validity of the concept 'Good Governance'?

As we have seen, economic development in pre-colonial South Africa was hampered by inefficient markets and high transaction costs, which is in line with Feinstein's argument, at least for this period. Economic development only really kicked in after the arrival of the Dutch in 1653. Initially the Dutch Cape was plagued by high transaction costs and limited wealth, but this soon changed as a small group of settlers was to supply a large market of sailors. By 1700 the Dutch Cape was among the most wealthy regions in the world. Economic growth, as measured by GDP/c, then stagnated and eventually declined throughout much of the eighteenth century, which seems to suggest a worsening of the Cape's economy.

However, when we look at the development of real wages and welfare, income inequality, and interest rates, this negative observation of a declining Cape economy is contradicted. In stark contrast to the view that the eighteenth century Cape was poor, as suggested by Feinstein and Brunt among others, the evidence presented in this thesis hints at a structural under appreciation of the Dutch Cape economy in the eighteenth century, thus supporting the positions of Fourie, Van Zanden and De Zwart. Transaction costs appear to have plummeted during the 'stagnant and declining' Dutch Cape economy, and overall welfare ratios also improved steadily, even for unskilled labour and small-scale settler farmers. At the heart of the under appreciation of the Dutch Cape economy's performance, lies the insufficient consideration of the wide spread usage of slave labour and its depressing effects on the GDP/c.

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It has been suggested by Brunt that a change in property right relations as result of British rule was responsible for the economic take-off of South Africa in the nineteenth century. In addition it has also been advocated that the Cape economy only really developed economically *after* the discovery of mineral deposits in the form of gold and diamonds. While the results of this thesis seem to underpin these arguments, it must be mentioned that the British property rights changes only resulted in a very slight increase of productivity in the Cape, and economic development after the resource windfalls was characterised by extreme inequality. The average settler's living conditions did not improve greatly after 1870, if even at all. Furthermore, this thesis points at the importance of the imposition of a central bank in 1793, which lowered transaction costs significantly, and enabled the government to keep interest rates low until well into the twentieth century. Arguably, the foundation of this bank was just as important as the property rights changes by the British.

Inequality between the welfare of the indigenous population and the European offspring had been increasing ever since the Dutch arrived at the Cape in 1653, but climaxed during the period of the Union. The Land Acts deprived the black population of their economic possibilities, and forced them into performing cheap labour in the mines. While GDP/c figures kept rising during the Union's rule, inequality increased greatly, between blacks and whites as well as between whites themselves, and interest rates soared to levels not seen since the late eighteenth century by 1961 as a result of internal conflict.

Even though colonial rule sowed the seeds for the later atrocities of the Apartheid, the results of this thesis suggests that European intervention has greatly benefited South Africa economically. Before Dutch arrival the South African economy was performing at subsistence level. A mere fifty years later, in 1700, the Cape was among the most affluent regions in the world. The colonial powers exported the institutions from their home countries, and this lowered transaction costs and enabled efficient markets, and subsequently economic development in South Africa. This successful economic development could not have taken place if the Cape was not a settler colony, as the institutional make up of a extractive colony is fundamentally different and less suitable for fostering economic growth than is the case with a settler colony. Furthermore, the presence of a British and Dutch diaspora, smoothed the bi-lateral relations between South Africa and the West, favouring both trade and international politics. These features differentiate South Africa from all other countries on the African continent, and the inherited colonial institutions and European offspring greatly aided South Africa's impressive twentieth century growth and divergence from its neighbours.

In addition the findings presented here support the notion by Henley and Booth that policy has primacy in realising economic development. It was the imposition of a brand new set of more

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effective institutions and policies under colonial rule, that enabled the Cape's economy to reach such remarkable levels. It should be clear that this has some implications for the debate on good governance.

The results in this thesis hint at the fundamental importance of political stability and the absence of violence. The presence of conflicts, internally or externally, very clearly influenced economic development negatively, as we have seen in chapter three. Regulatory quality, rule of law and government effectiveness appear to have been the enablers of economic development in South Africa, as the introduction of institutions promoting these governance indicators by the colonial powers realised unprecedented growth, lowering transaction costs and boosting labour productivity. Thereby, this thesis points at the invalidity of Dijkstra's argument that there is no positive causal relation between rule of law and economic development.

It is unclear to what extent control of corruption has aided economic development. Corruption was probably quite common in both colonial and independent South Africa, but at least not in such high levels that it destabilised economic growth. Corruption most likely did lead to more inequality. Likewise no clear positive causal relation between voice and accountability and economic growth can be determined with the help of this case. Voice and accountability were at a low level, much lower than in for instance contemporary Britain or the Netherlands, during the entire period, but this does not appear to have had a decisively negative effect on South Africa's economic performance.

Contrary to what one might expect, this thesis has thus pointed at the benefits of (settler) colonialism for economic development in South Africa. However, there is still much room for improvement of our knowledge on South African economic history. The data used for the reconstruction of transaction costs in South Africa from 1782 to 1925 stems from 1928 and is far from complete, therefore it needs no further explanation that future research on interest rates especially prior to 1927 could greatly enhance our understanding of transaction cost developments in colonial South Africa. Also, GDP figures for the (early) nineteenth century require more attention.

Additionally, more research should be done to clarify the role of good governance for economic development, especially which factors of good governance matter more than the others. More knowledge on this subject would lead to more effective development assistance policies, and more adequate poverty reduction programmes, so that South Africa's example can indeed be followed by its neighbours, just as the ANC government aspires.

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Seminar

**'Good Governance: One Size Fits
All?'**

A project by:

Han Compagne, 3534383

Rutger Kremers, 3495086

Utrecht University

Internship Counsellor UU: Jessica Dijkman

Internship Counsellor MFA: Marten de Boer

The Project

The main task during this internship at the Sub-Saharan Africa Department (DAF) at the Ministry of Foreign Affairs was to organise a seminar on the assumed importance of good governance for economic development in Sub-Saharan Africa. It was decided upon to host an event for students of the different universities of The Netherlands, and to keep the seminar as interactive as possible. Therefore it was structured to include both plenary lectures and interactive workshops, not only to inform the students but also to enable them to participate in the discussion. The seminar consisted of two plenary lectures, one opening speech and a keynote speech after the break-out sessions, and five workshops. The workshops had various subthemes, closely related to the main topic, and took place in smaller rooms nearby the main conference hall. Subthemes for the workshops were:

1. *Exporting Governance.*

Can the Western governance model be exported to and implement in Africa, or do African nations require context-specific solutions?

2. *Changing of the Guard?*

How do the increased interactions of the BRICS with African countries influence the relevance of the Western conditional dialogues?

3. *Managing Africa's Mineral Wealth.*

What can African countries do to benefit more from their huge resource potential?

4. *A Controlled Path to Development: Case Study Rwanda.*

How can the economic growth under the authoritarian regime of Paul Kagame be consolidated with the Western ideas on the importance of good governance for economic development?

5. *Global Governance.*

How can African countries manage their own agendas strategically to benefit from the opportunities created by South-South cooperation?

The seminar was originally intended to be closed by a speech from the Minister for Foreign Trade and Development Cooperation, Lilianne Ploumen, but the speech was ultimately

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delivered by the Director of DAF, Michael Stibbe.¹²⁴ The afternoon was concluded with a network drink at the lounge of the Ministry.

The Project Goals

Leading up to the organisation of the event a few goals were set. The main goal was to reach a new audience. Conferences on this subject always tend to attract the same audience. To counter this trend, the seminar was aimed at a different target group, consisting of young students, academics and professionals.

In addition to this central objective, four supplementary targets can be distinguished:

- The formation of a network of young engaged students.
- Intensifying the debate on Dutch policies towards African countries.
- Creating attention for Africa related topics amongst a new generation.
- Improving knowledge on the themes of this seminar.

Good Governance

Good governance has appealed to many development policy makers in donor countries in the Western world. Generally, the concept consists of predominantly Western values such as (neo)liberal free market thinking, multiparty democracy with its inherent political freedoms, and human rights. The imposition of these values has often been assumed to be of fundamental importance for the realisation of economic development in *any* society.

Inherent to this assumption is the notion that this mode of governance has universal implications, and should therefore also function outside the Western context. Before it can be explained just how good governance in theory stimulates economic development, it is important that the term good governance is first more clearly defined.

According to the World Bank good governance consist of six elements, the so-called World Governance Indicators (WGI):

¹²⁴ For the speech: see Attachment 1

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- Voice and Accountability
- Political Stability and Absence of Violence
- Government Effectiveness
- Regulatory Quality
- Rule of Law
- Control of Corruption

Advocates of good governance would argue that the realisation of the factors mentioned above would provide the necessary preconditions for sustained economic growth to occur. It is believed that good governance aids in creating a saver climate, incentives for private investments, and lower corruption levels. Corruption is economically unfavourable, thus low corruption levels are deemed to be better for the economic health of a society. The same can be said about for instance the absence of violence in a society, as political instability impedes the effectiveness of allocation *via* the free market system, and subsequently derails the incentives and possibilities for private investments.

The assumed indispensability of the Western ideas concerning good governance seems to lose ground to more pragmatic and technocratic views, due to the recent success of non-Western entities.¹²⁵ This trend, of a depreciation of the value of good governance, is especially instigated by the academic world, as the international donor community still seems to cling on to the ideals of good governance. Moreover, scholars have pointed to the subjectivity of the kind of governance that is measured by the WGI.¹²⁶ One of the participating experts at the seminar, professor Geske Dijkstra, has argued that there is no positive causal relation between good governance, as defined through the WGI, and economic development, or even between rule of law and economic growth.¹²⁷

Although the economic value of good governance is contested, the concept still entails some inherent values that are deemed important for humane living conditions around the world by Dutch Minister for Foreign Trade and Development Cooperation

¹²⁵ For a more detailed account, see e.g. David Henley, 'The Agrarian Roots of Industrial Growth: Rural Development in South-East Asia and sub-Saharan Africa', *Development Policy Review* 30:1 (2012) pp. 25-47.

¹²⁶ M.H. Khan, 'Governance, Economic Growth and Development since the 1960s', *Background paper for World Economic and Social Survey* (2006).

¹²⁷ Geske Dijkstra, 'Paradoxes Around Good Governance', *Inaugural Lecture at Erasmus University Rotterdam* (March 15 2013) especially pp. 10-14.

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Lilianne Ploumen. She has recently voiced her concerns regarding freedom of press, human rights, and the restriction of the political space, and Dutch policies are still revolving around these subjects. However it does not necessarily follow that Minister Ploumen endorses the view that the concept of Western good governance is universal, and can be exported to non-Western societies. This translates to Dutch policies that recognise that African societies are in need of context specific, i.e. African, solutions. This view is evidenced in Minister Ploumen's speech which is included in Attachment 1. The change in attitude, from a believed necessity of good governance for growth to inherent values for a humane life, was a core topic on the seminar, underlining the tensions between policy-making and academic results.

The Process

Phase I: Planning

The idea for the project originated from a meeting at the Ministry prior to the start of the internship. To realise the potential of this idea it was crucial to clearly set out the goals, and to think about the ultimate form of the project.¹²⁸ Once the boundaries of the plan were set, an important next step was to create ample internal support at the department. To accomplish this support several meetings were held with DAF employees.¹²⁹ During these meetings it was discussed how to involve external stakeholders in the project, i.e. how to approach the experts, and students needed for the seminar to be successful. To this end the plan was devised to use social media, and an online platform as an instrument to connect with the target group. Furthermore, attendance at a number of other seminar and lectures was used as a source of inspiration, and to get an idea about the do's and don'ts when organising such an event.¹³⁰

Phase II: Organisation

A first priority was the reservation of the needed facilities at the Ministry, including the main conference hall, the separate workshop rooms, and the lounge for the network drink. It was important that this was finalised in an early stage of the process, for the facilities are in high

¹²⁸ Plan and goals: see Attachment 2

¹²⁹ For an overview of the meetings: see Attachment 3

¹³⁰ See Attachment 3

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demand. In relation to this the catering had to be arranged as well, for the lunch, coffee break, and the network drink.

Moreover, as academics tend to have busy schedules, it was vital to contact potential workshop leaders and lecturers early on. In addition, experts to provide information for the theoretical foundation of the seminar had to be won over. Thus there were two groups of experts to be addressed separately; those directly involved in the event on the day itself, and those providing the academic underpinning. First of all a selection was made of the people that were thought to be suitable for a role on the 6th of June, with consideration for criteria such as appeal, age, gender, and ethnicity. Secondly, a group of scholars that could contribute to the formation of a bibliography had to be identified, and was requested to take part in an online platform. These two groups had to be contacted separately and in a different manner. The second group was addressed via an e-mail, in which they were invited to assist in the early stages of the organisation.¹³¹ Personal meetings were arranged with the potential lectures individually, to exchange ideas about the contents and the form of the afternoon.

Consideration of busy schedules, and the value of early contacting of potential speakers, was even more relevant for the booking of Minister Lilianne Ploumen. It was crucial that she was notified in a very early stage, for there to be any chance for her to speak at the event. Firstly, this meant that a Memo to the Minister had to be written, and approved by the Director of DAF. Secondly, once it was clear that the Minister was indeed available, the building blocks for her speech had to be formulated. Lastly, a Plan B had to be developed in case of a last-minute cancellation of the Minister, as the possibility of her withdrawal was always a very real threat.

To manage the discussion and to provide coherence during the programme of the seminar, it was decided upon to hire a professional, external moderator. This role could have been played by the organisers themselves, but this would limit the latter's abilities to manage the logistics of the event, and to intervene when changes to the script on the day itself had to be made.

To structure and divide the tasks that had to be performed, a detailed scenario had to be written.¹³² After these first steps the focus shifted towards the invitees. A plan had to

¹³¹ See Attachment 4

¹³² See Attachment 5

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be devised to raise enthusiasm amongst students and other potential attendants, and it was clear Facebook could be valuable in this process. Plans for a DAF-Facebook account already existed and this project would be able to generate attention and momentum for that page, as well as serve to inform and to invite students to the seminar. Furthermore a poster, composed by an external graphic designer, was used as a tool to promote the event.¹³³ These posters were distributed to most public universities in the country. The most important means of invitation was a formal e-mail that was sent to student groups and organisations, youth branches of political parties, and university teachers of relevant courses.¹³⁴ The invitation was sent with the request to distribute it amongst their members and/or students. An additional source of guests was reached through personal networks of the organisers and the lecturers.

In order for the attendants to be able to prepare themselves for the afternoon, a bibliography and a few discussion points were distributed among the participants beforehand.¹³⁵ Both the suggested reading and the statements were acquired through mediation by the lecturers participating in the event. The experts were thus asked to provide a small number of articles on relevant topics for their workshop, the choice of the articles was up to them. Thanks to this mediation there was a good fit between the workshop topics and the literature, moreover the experts were better able to select relevant articles than were the organisers at the Ministry. Another advantage of this method was that the experts were less inhibited by possible influence of the political agenda of the Ministry. A few selection criteria had to be met however; articles that were somewhat provoking and displayed contradicting views were preferred, because the main goal of this selected bibliography was to spark discussion in advance.

It became clear that a few extra hands were needed to assist in the logistical management of the afternoon. This need was met by involving interns from different departments at the Ministry. In a personal meeting they were won over, and briefed about the plans and their role in the seminar.

As with all large projects adjustments were inevitable. The Facebook-account originally intended to inform students and to promote the event was launched only after the

¹³³ See Attachment 6

¹³⁴ See Attachment 7

¹³⁵ See Attachment 8

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6th of June. This meant the page could not serve its original purpose, but it can still be of value in the follow-up of this project. A second adjustment was the cancellation of the fourth workshop, the Case Study of Rwanda, for logistical reasons, in addition to the prolonged illness of the intended workshop leader.

Phase III: Execution

For the day itself an intricate time schedule was made, to make sure no detail was overlooked.¹³⁶ The first thing that had to be done was a briefing with both the organisers and the extra interns that were appointed for the logistical matters of the event, such as registering the guest and providing them with badges upon arrival. During this briefing the extra interns were assigned clear roles and responsibilities to prevent confusion. Rutger, Han, and Elise were responsible for welcoming the lecturers, whereas the three extra interns escorted the guests to the various locations. Furthermore several technical checks were carried out, to make sure no unpleasant malfunctions would occur during the presentations of the speakers, both plenary and in the workshops.

The main task during the seminar turned out to be managing the time. As Minister Ploumen was set to arrive at 17.15 it was of great importance that the various sections of the programme did not exceed their allocated time, because the Minister was not in the position to be kept waiting. Small adjustments to the programme, and interventions were made throughout the day in order to stick to the schedule. These included notifying the moderator of time constraints, and prolonging the allowed time for the plenary-, and workshop discussions. Ultimately, as it became clear that the Minister would not be able to attend, Plan B had to be put in effect, thus DAF director Michael Stibbe delivered the speech instead.

Phase IV: Evaluation

Overall the results of the seminar were most satisfactory. First of all, the event attracted a high turnout, of the 110 applications, a little over 90 actually participated. It was pleasant that all the invitees showed up on time, and most participants showed real commitment,

¹³⁶ See Attachment 9

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and interest in the theme. This allowed for a lively discussion, and an interactive programme, which was exactly what was intended at the start of the entire process.

Furthermore the afternoon ended only five minutes over schedule, on a total of four hours, in spite of the last minute changes that had to be made. The turnout for the network drink was higher than expected, and provided a great opportunity to get feedback from both the participants and the experts involved. The invitees as well as the lecturers were pleased about the course of the seminar. What generated enthusiasm amongst the students mostly was the chance to get a closer look inside of the Ministry of Foreign Affairs, as most students are unaware of what the Ministry does. Secondly the participants were very positive about the contents and the fluency of the lectures, Ewout Frankema's opening lecture was especially applauded. Students showed great willingness to join in on a possible follow-up event.

The experts expressed their gladness about being able to contribute to the seminar, as well as the opportunity to engage in discussion with students, fellow academics, and policy officers. The first reactions, by David Booth and David Henley, after the keynote speech helped spark a lively discussion, and therefore their contribution was of great value to the afternoon.

The reactions from colleagues at DAF were most positive as well. Received feedback hinted at great appreciation for the lectures and the topics discussed, and co-workers very much welcomed the prospect of a follow-up on the event, building on the momentum generated by this seminar. The possibilities for such a follow-up will be discussed in detail in the next section.

There was general enthusiasm about the seminar amongst colleagues, lecturers and students, but this should not lead to negligence of the improvements that can still be made. The following points allow for betterment:

- The panel had too little time for all the members to be of added value in the discussion.
- Improvisation of the moderator caused some time loss.
- The sandwiches at lunch were of questionable quality, extremely expensive and were overall not good enough to serve to guests of the Ministry, in consideration of representation.

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- The escorting of the guests to the lounge, for the network drink, should have been organised more tightly.
- There is a lot to be gained in the invitation process as this can be done far more effectively, for example by actively calling organisations whether or not they have forwarded invitations to their members.
- The amount of interactivity in the event was of a good standard, but could nonetheless be improved even further, suggestions for how to do this will follow in the next section.
- The connection between the subject of the lectures and their policy relevance could have been stated more explicitly, especially during the keynote.
- Although workshops were generally met with enthusiasm, but invitee feedback suggested that the workshop on 'Exporting Governance' could have been better. Criticism mainly focused on the inability of the lecturer to spark and moderate a lively debate.

Follow-up

To ensure a lasting impact it is advised not to let this event be a one-time only project. As is evidenced by the general enthusiasm amongst both speakers and students there seems to be ample support for a sequel. The momentum should be maintained for it is a great opportunity to reach out to the public and show students what the Ministry is about, as is in line with the recommendations of the recent Docters van Leeuwen report.¹³⁷ It is advised to engage in a durable relationship with the participants of this year's seminar. Opportunities for such a connection can be found through social media, especially the DAF Facebook-account.¹³⁸ Furthermore, the event of June 6th pointed at the added value of a fruitful relation with external experts, outside the Ministry's usual network, which normally includes the African Studies Centre in Leiden and the International Institute of Social Studies in The Hague. For instance, a different perspective was provided by experts from Utrecht-, and Wageningen University.

¹³⁷ A.W.H. Docters van Leeuwen, 'Modernisering van de diplomatie' (Den Haag 2013).

¹³⁸ For a screenshot of the page: see Attachment 10

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A higher pay off in the long run can be realised by organising an event periodically, for example a yearly event on a trending Africa topic, e.g. the new Africa Policy (*De Afrika-notitie*) of The Netherlands to be published later in 2013. The format of such a project can differ, even though the current configuration aligned well with the intentions as identified beforehand. Two ideas for (slightly) different compositions will be discussed in detail below. It is advised to focus interactivity and commitment from the students/participants.

The opinion of the organisers is that the target group should remain unaltered and thus consist of students and young alumni. Moreover, the organisation of such a project is probably best placed in the hands of students themselves, hired at the Ministry as interns, as they are more directly in touch with the target group. A partnership with Utrecht University could be of great value for the supply of interns, and is also economical as the fundament of this cooperation has already been laid during this year. If such cooperation is to be successful, it is of vital importance that DAF assigns one of their full time employees the task of supporting these interns closely. The guiding process does not require full time commitment from this policy officer, but responsibility should be appointed clearly, as otherwise daily routine will inhibit the possibility of close engagement from a DAF employee. The eventual organisation should remain in the hands of the students/interns, but the DAF employee will serve as the contact person for potential problems or difficult decisions.

Next to the format of this year's event, two other compositions might also be useful in attaining the goal of reaching out, and stimulating discussion amongst young new minds. The two suggested designs will be explained in two scenarios in the section below. It is advised that both programmes last for no longer than an afternoon, say four to five hours in total, as otherwise a large segment of students will be inclined not to join in, due to the amount of time that would have to be sacrificed to be able to participate.

Suggestion A – The Policy Essay Competition

In this format the event will be coupled to a competition, as this will serve to increase interactivity and commitment even further, and will provide a more direct link between the event and actual policy making and political reality. Participants will be asked to write a short essay, three to four pages, containing policy advice based on academic research, and related to the theme of the event. The new Africa Policy Brief, expected later this year, could be a great subject for such a competition. Students participating in the conference will submit a

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critical assessment of the validity of the Dutch policy, and potentially falsify aspects of the Ministry's approach.

Rather than a seminar with workshops, it is recommended that this event is shaped as a conference, and takes place in a single, large room. The students with the best entries will be given the floor for a short period of time, say ten to fifteen minutes, to defend their essay, and explain what elements of Dutch Africa policy should be improved. All students will be asked to prepare a defence. It is advised to select the nominated candidates prior to the afternoon, but to inform the participants themselves shortly after their arrival. Informing students about the nominations beforehand, could lead to a lower turn-out as disappointed students might decide not to participate in the event, knowing that they will no longer compete for the prize. The preferred number of nominees, say three to five students, depends on the total amount of time, and on whether or not lectures will be given by experts on the day itself.

To increase the appeal of the award, it is highly recommended that the prize is presented to the student by a minister. Together with the strong reputation of the Ministry of Foreign Affairs this would help ensure a greater allure of the award. Exactly what will be granted as a prize is up to the organisers to decide, but some suggestions include: a money prize, an internship, and a publication in a renowned journal. It is advised to direct efforts at improving the appeal of the prize itself, so that the award will be something students would want to put on their *Curriculum Vitae*. Improving the reputation of the award obviously takes time, but the organisation of a periodical contest, and cooperation with other knowledge centres, such as the ASC, could aid to accomplish this goal on the medium-term. The experience of the ASC in organising competitions, like the Africa Thesis Award, could be utilised through DAF's close ties to, and warm relationship with, ASC Director Ton Dietz. A cooperation of this kind could serve to improve the quality of the Ministry's own competition. Furthermore the ASC could be involved in publishing a winning thesis, should that be the prize.

Suggestion B - Improving Interactivity through Assignments

In this particular format it is suggested that the participants are more actively involved in the programme by way of being presented with clear assignments in the workshops. Also, as in

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the first suggestion, the bridge between policy and academic research will be more explicit. The overall shape of the seminar would not have to be altered greatly. The time allocated to the workshops would have to be extended, but the number of workshops should not be greater.

In the workshops small groups are to be formed, which will be actively engaged in designing a policy proposition related to a case assigned to them. One or two members of the group would then be chosen to present the outcomes and plans of their policy brief in front of the audience of the workshop. The best policy proposals from these workshops would then be presented and discussed during the plenary session. It is advised that the number of plenary presentations is limited to one for every workshop, for otherwise these presentations would be too time consuming. In this setup the experts could serve as leaders and judges in the workshops, and as a panel during the plenary discussions of the policy proposals by the students.

Moreover, involvement of policy officers would be of greater additional value for they could give first hand feedback on the feasibility of the propositions. A partnership with the Clingendael Institute could be envisaged, for they already offer courses and assignments that involve simulations of policy cases, this experience could be built upon.

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Note of the Authors:

We personally believe that a lot can be gained through projects of this kind, for the Ministry, the interns, and the universities supplying them. We feel that over time this could grow into a great instrument for the Ministry to connect to the outside world. We would very much like to offer this document as something of a manual or guideline for future events like the one discussed here. We have learned a great deal during our internship and the process of organising the seminar, and would like to thank everyone who has helped us realise our goals. Special thanks go to the Sub-Saharan Africa Department (DAF), it has been not only very educational, but also very enjoyable working here.

In case we can be of any support in the organisation of a follow-up, we are most glad to provide our assistance to this end, therefore our personal contact information is listed below.

Best,

Han and Rutger

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06 – 241 902 23

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Attachment 1 - Speech Minister Ploumen

Speech by the Minister for Foreign Trade and Development Cooperation, Lilianne Ploumen, at the 'Good Governance: One Size Fits All?' seminar, The Hague, 6 June 2013

This will hardly come as a surprise, ladies and gentlemen, but there's no such thing as one size fits all.

Not in shirts.

Not in shoes.

Not in governance.

We often speak of the 'Western model', for example.

But Western countries often have very distinct governance systems.

Even within Europe there are many differences.

France has an elected president — we don't.

Great Britain has no written constitution — we do.

The German Supreme Court can declare legislation unconstitutional — ours cannot.

But even if a one-size-fits-all Western model did exist, it wouldn't make much difference.

Geopolitical reality is changing.

African countries are becoming ever more self-aware.

They demand the right to devise African solutions for African problems.

And rightly so, I might add.

What's more, Western countries are not the only countries active on the continent.

China, Brazil and Japan — to name just three — pursue their own course in Africa.

And they certainly seem to be winning the popularity contest.

Just recently, I was at an event marking the African Union's 50th anniversary.

China and Brazil were widely applauded.

Of course our continent was mentioned too...

...as former colonisers whose markets are on the decline.

So rest assured that imposing a Western model — assuming there is such a thing — won't work at all.

In the end, ladies and gentlemen, good governance is not about models.

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It's about principles.

Universal principles, in fact.

In my view, good governance has six basic components.

Firstly, the right to disagree with those in power.

Secondly, transparency.

Thirdly, representation.

Fourthly, fair and equitable treatment of all.

Fifthly, the right of redress.

And finally, accountability to all citizens.

Are all these principles preconditions for economic growth?

No, not necessarily.

China, Vietnam and Singapore are proof of that.

But obviously, investors like stability and an enabling business environment.

So there is at least some relation between good governance and economic growth.

And I know for a fact, ladies and gentlemen, that the basic principles of good governance are preconditions for inclusive and sustainable growth.

For me, economic growth is about more than impressive GDP figures.

Benefits for all, not just for the lucky few — that should be the ultimate goal.

But this won't happen without:

a fully-fledged civil society,

a sound business climate

and a well-developed middle class.

Take Uganda, for instance.

I was there only last week.

Uganda has oil reserves.

It has high economic growth rates.

And great prospects for the future.

But unfortunately not everyone is profiting from this.

According to the African Economic Outlook, 7.5 million Ugandans live in absolute poverty.

At the same time there are some encouraging trends.

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NGOs are resisting government pressure.

Media are refusing to accept official censorship.

And companies are demanding more legal certainty.

This is sparking public debate in Uganda on the fair distribution of wealth.

And that might be the tipping point for those 7.5 million Ugandans.

Obviously, Uganda has its own unique features.

Just like any other country in Sub-Saharan Africa.

There is no blueprint, silver bullet or Holy Grail for growth.

So we should always keep an open mind about other growth models and their strong points.

And we should not think that we have all the answers.

Let's not focus on our interpretation of good governance too much.

Instead, let's design policies that consider the unique features of each individual country.

So my answer to today's question, ladies and gentlemen, is rather circumspect.

No — good governance is not a question of one size fits all.

And no — good governance is not necessarily a precondition for economic growth.

But yes — good governance is a precondition for inclusive and sustainable growth.

And that's exactly what the world needs right now.

We all know that poverty patterns are shifting.

Today, most poor people live in middle-income countries.

So in the fight against poverty, the distribution of wealth between countries is becoming less important, while the distribution of wealth within countries is becoming more important.

Yes, it's true that many economies in Asia, Africa and South America are growing rapidly.

And that's really good news.

But again: GDP doesn't paint the whole picture.

Take Mexico, for example.

The Mexican entrepreneur Carlos Slim might be number one on the Forbes Billionaires list,

and the Mexican economy might be growing,

but many Mexicans still live in absolute poverty.

So economic growth alone is not the answer.

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We need inclusive and sustainable growth, we need fair distribution of wealth.

And make no mistake: inequality is not only a social but also an economic problem.

Here's what *The Economist* had to say a few months ago:

'Inequality has reached a stage where it can be inefficient and bad for growth.'

So now — more than ever — we need good governance.

Because without it, the redistribution of wealth is a lost cause.

Thank you very much.

+++

Attachment 2 - Concept Work Plan

Concept Seminar

Good governance en ontwikkeling

Onderzoeksvraag:

“In hoeverre is ‘good’ governance een voorwaarde voor het realiseren van (economische) ontwikkeling in sub-Sahara Afrika?”

Wanneer: 6 juni 2013, gekoppeld aan nieuwe Afrikanotitie (als mogelijke aanleiding), actualiteit en media-aandacht die hierdoor wordt gegenereerd waar mogelijk gebruiken. Politieke correctheid, voors en tegens, evt. ‘hij komt eraan’.

Locatie: Multi Purpose Room bij BZ.

Hoelang: Een middag.

Tijdstip: 13:30 - 17:30.

Voor wie: Jonge academici, studenten en jongerenafdelingen politieke partijen (max. 120 man in totaal) Via inschrijving aanmelden. Multidisciplinair (historici, bestuurskundigen, IB, rechten, economen etc.)!

Hoe te benaderen: Via vakgroepdocenten, eigen netwerk en online platform, Wikibuza (beperkte toegang). Facebookaccount, posters (universiteit, intern).

Geïnteresseerden kans bieden zich in te lezen d.m.v. reader/filmpje/outline, evt. online aanbieden, niet lukraak rondsturen.

Online platform om de inhoud voor te bereiden → beperkte toegang voor deskundigen van buitenaf (academici).

Vorm: Opening (centraal) → kleinere op verschillende thema's geënte colleges evt. met tegengestelde visies (1 medewerker BZ en 1 externe deskundige) in aparte ruimtes → pauze → overkoepelende lezing en discussie (centraal).

Deelnemers worden in deze vorm actiever betrokken bij geheel. De genodigden zijn veelal geen experts dus klein college om hun kennis te verbeteren en discussie aan het eind te bevorderen.

Evt. mogelijkheid bieden enkel de grote lezing bij te wonen.

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Doelen:

- Het bouwen van een netwerk van jonge geïnteresseerden.
- Het inspireren van jonge academici, studenten en politici zodat deze meer geïnteresseerd raken in Afrika en ontwikkelingssamenwerking.
- Contact leggen tussen beleidsmakers en de wetenschappelijke wereld.
- Het bieden van informatie rondom de achtergronden van beleid (i.v.m. de nieuwe Afrika-notitie).
- Het ontkrachten van achterhaalde clichés.

Pers: Eventueel, bij nieuwswaarde toespraak minister.

Overkoepelend thema: Good governance en ontwikkeling (tevens centrale lezing en discussie).

Subthema's (voorlopig):

- (1) Westerse democratie (politieke correctheid) vs. second best solution **Geske**
- (2) Conditional dialogues of good governance vs. no strings attached (BRICS) **Robert**
- (3) Grondstoffenthematiek **Ewout en Erwin**
- (4) Case study Rwanda: *A Controlled Path to Development* **Bina/duo?**
- (5) Fragiele Staten: the value of good governance in post conflict fragile states

Attachment 3 - Agenda

Uganda

- 11/3 9:15 – 10:00 Keek op de week
- 12/3 11:30 – 12:30 Stafvergadering DAF/MZ
13:30 – 14:30 Bespreking concept seminar met Robert
- 14/3 12:00 – 14:00 Lunchlezing: Immigratie Afrikanen naar Europa ('Surprising Europe')
15:30 – 17:00 ASC Leiden: Lezing BRICS in Afrika
- 15/3 10:00 – 11:00 Bespreking concept seminar met Elise, Martin, Marten en Jos
11:00 – 12:30 Bekijken en bespreken zalen
16:00 – 17:30 Erasmus Universiteit Rotterdam: Oratie dr. Dijkstra – Paradoxen tussen *good governance* en ontwikkeling
- 18/3 9:15 – 10:00 Keek op de week
12:00 – 14:00 Lunchlezing: 'Kenia: stembus, machete en ontwikkeling'
14:00 – 14:30 Bespreking met Roel en Elise over seminar
- 19/3 11:30 – 12:15 Stafvergadering DAF/MZ
14:15 – 15:00 Bespreking aanschrijven deskundigen met Robert
15:45 – 16:30 Bespreking Alida Facebook-account
- 21/3 13:00 – 14:00 Afspraak in Utrecht met Ewout Frankema over seminar
- 25/3 9:15 – 9:45 Keek op de week
10:30 – 11:00 Overleg over taakverdeling AO Grote Meren(Han)
16:15 – 18:30 Seminar 'Outlook for the World Economy, the UN-Perspective'
- 26/3 9:30 – 10:00 Bespreking met Robert over aanschrijven deskundigen
- 27/3 9:00 – 9:30 Plannen doorspreken met de directie. Met Michael, Bengt, Elise, Martin en Marten
- 28/3 14:00 – 17:30 Grote Merenregio Afrika Conference
- 29/3 15:00 – 16:45 Ontmoeting met Bengt met NGO's over DRC mensenrechtensituatie (Rutger)
- 2/4 11:00 – 11:30 Afspraak Geske Dijkstra.
11:30 – 12:30 Stafvergadering DAF/MZ
16:00 – 17:30 ICC Kenya overleg
- 3/4 11:30 – 12:30 Afspraak Jessica Dijkman voortgang

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- 4/4 10:30 – 12:00 Bespreking bezoek president Kikwete
14:30 – 15:00 Doorspreken dossier AO Grote Meren met Marion, Jos en Bina (Han)
15:30 – 16:00 Bespreken online platform met Robert
17:00 – 18:30 Borrel bij DGIS
- 5/4 10:00 – 10:30 Bespreking agenda Kikwete met Daniel (Rutger)
11:30 – 12:00 Doorspreken dossier AO Grote Meren met Marion en Tanja (Han)
- 8/4 9:15 – 10:00 Keek op de week
10:30 – 11:15 Inventarisatie informatiebehoefte, Willemijn Blott (DID/ID)
14:30 – 15:30 Bespreking met Elise en Marten over seminar
- 9/4 11:00 – 11:15 Bespreking Lunch Kikwete en Rutte met Marten (Rutger)
11:00 – 11:30 Doorspreken dossier AO Grote Meren met Marion, Bina en Tanja (Han)
14:00 – 14:45 Overleg Marion AO-dossier>opmaak en uniformiteit (Han)
14:45 – 15:00 Overleg Facebook-account met Alida
- 11/4 9:00 – 10:00 Trilaterale videoconferentie met post Kigali(KIG), Kinshasa (KSS) en DAF over
o.a. AO Grote Meren
11:00 – 11:45 Doorspreken dossier AO Grote Meren met Tanja, Bina en Jos (Han)
12:30 – 14:00 Nigeriaanse lezing/discussie over bestuur in West-Afrika (Met ASC en
Clingendael)
- 12/4 9:45 – 11:15 Met Fiacre Munezero naar HCSS in Den Haag (Rutger)
11:30 – 12:15 Met Fiacre Munezero bij Bengt op gesprek (Rutger)
11:00 – 11:30 Doorspreken dossier AO Grote Meren (Han)
- 15/4 9:00 – 10:00 Bezoek Clingendael met Fiacre Munezero
11:00 – 12:30 Afspraak met Margot Leegwater(ASC) voor Fiacre
13:30 – 14:30 Afspraak bij Justitia et Pax met Irène voor Fiacre (Rutger)
14:15 – 15:00 Overleg Dossier AO Grote Meren met Martin en Marion (Han)
- 16/4 9:00 – 10:30 Fiacre begeleiden naar het ICC
12:00 – 14:00 Lunchlezing 'Investeren, hulp en handel in de praktijk'
- 17/4 12:15 – 12:30 Bespreking Alida over Facebook-account
15:00 – 16:30 Afspraak Conflict Research Unit bij Clingendael met Terri Beswick
- 18/4 10:30 – 11:00 Doorspreken dossier AO GM met Marion (Han)
12:00 – 14:00 Lunchlezing Mahbubani 'Asia, the West and the Logic of One World'
- 22/4 9:15 – 10:00 Keek op de week
10:15 – 10:15 Bespreking dossier AO GM met Marion, Bina, Martin, Jos en Tanja (Han)

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- 12:00 – 13:30 Lunchlezing 'What Design Can Do' door Richard van der Laken
14:00 – 14:20 Stavaza seminar doorspreken met Martin
14:20 – 15:00 Stavaza seminar doorspreken met Robert
- 23/4 9:00 – 17:30 Clio-Conference the BRICS and the West in **Groningen**
- 24/4 9:30 – 12:00 Algemeen Overleg Tweede Kamer over Grote Merenregio met M en R in Thorbeckezaal
14:00 – 14:30 Overleg seminar met Marten, Martin en Elise
- 25/4 10:30 – 11:00 Overleg met Elise over draaiboek en taakverdeling
12:00 – 14:00 Lunchlezing 'Nederland, Atlantische supermacht' (georganiseerd door Elise)
16:00 – 17:00 Afspraak Erwin en Ewout in Wageningen
- 26/4 10:00 – 11:00 Afspraak Jessica over onderzoeksopzet scriptie in Utrecht (+draaiboek!)
- 2/5 11:00 – 11:30 Doorspreken stavaza met Michael, Martin en Marten
15:15 – 15:30 Afspraak met COM over Facebook
- 6/5 9:15 – 10:00 Keek op de week
14:00 – 15:30 Elise stand van zaken en uitnodigingen perfectioneren
- 7/5 15:00 – 15:30 Afspraak met Geske over haar rol in het seminar
16:00 – 16:30 Bespreking voor akkoord over uitnodiging met Martin, Marten en Elise
- 13/5 9:15 – 10:00 Keek op de week
- 14/5 11:30 – 12:30 Stafvergadering DAF/MZ
13:45 – 14:15 Afspraak met Robert over zijn rol in het seminar
- 15/5 9:30 – 11:00 Afspraak met Amma Asante over rol als moderator
11:00 – 12:00 Afspraak met COM over DAF Facebook-account
12:00 – 12:30 Afspraak met Kirsten over samenwerken Facebook DAF en Facebook OS
- 16/5 7:00 – 18:30 Verspreiden posters: Universiteit van Tilburg, Erasmus Universiteit Rotterdam, Institute of Social Studies Den Haag, Vrije Universiteit Amsterdam, Universiteit van Amsterdam, Universiteit Utrecht.
- 21/5 11:30 – 12:15 Stafvergadering DAF/MZ
14:00 – 15:00 Skype/telefonische vergadering met *keynote speaker* Fantu Cheru
- 22/5 9:30 – 10:15 Afspraak met Jessica over tussentijds stageverslag en eerste hoofdstuk scriptie (Han)
10:15 – 11:00 Afspraak met Jessica over tussentijds stageverslag en eerste hoofdstuk scriptie (Rutger)

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- 27/5 9:15 – 9:45 Keek op de week
- 30/5 15:45 – 16:00 Afspraak met Elise
16:30 – 18:45 Zesde verdieping *pub quiz*
- 3/6 9:15 – 10:30 Keek op de week
- 4/6 9:00 – 9:30 Meeting met Alida over Facebook
- 5/6 11:15 – 12:15 Laatste bespreking met Marten, stand van zaken Seminar, programma doorlopen
16:00 – 16:30 Briefing seminar hulpstagiaires met Elise
- 6/6 13:30 – 17:30 **Het Daadwerkelijke Seminar**
17:30 – 3:15 Netwerkborrel
- 10/6 9:30 – 10:00 Afspraak Jessica, evaluatie stage met Martin en Marten
10:00 – 11:15 Afspraak Jessica bespreking scriptie
- 11/6 9:00 – 10:00 Keek op de week
11:30 – 12:15 MZ-staf
- 12/6 9:30 – 10:30 Evaluatie Seminarproject met Martin, Marten en Elise

Attachment 4 - Mail to experts

MFA Seminar 'Good Governance and Economic Development in Sub-Saharan Africa'

The Sub-Saharan Africa Department of the Dutch ministry of Foreign Affairs wants to improve the contact with the academic world in order to better the coherence between policy and scientific research. For this reason the Department organises a seminar at the ministry itself on the 6th of June, which deals with the question: 'What is the importance of good governance for the economic development of Sub-Saharan Africa?'.

Furthermore we are currently writing the new Dutch policy for Africa, and for this we would like input from the academic world. We expect the conclusion of this policy paper to coincide with the seminar. Contributions to both the policy paper and to the theoretical content of the seminar are much appreciated.

The target group for the seminar consists of young students, alumni and youth-members of political parties and has the following goals:

- The formation of a network of young enthusiasts.
- Inspiring young students, alumni and youth-members of political parties to get engaged with Africa and development cooperation.
- Improving relations between policy-makers and scientists.
- Providing information and refuting longstanding clichés.

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For the sake of interactivity and to stimulate the discussion we have decided upon the subsequent format:

The seminar commences with a central welcome speech and an introductory lecture. The programme continues with a number of small workshops which will take place in separate rooms, and deal with different topics related to the main question. The seminar is concluded by a central lecture on the influence of good governance on economic development in sub-Saharan Africa which binds the themes discussed in the workshops to the main question. Afterwards there will be a reception with drinks.

The preliminary list of workshop subjects is as follows:

- Western Democracy vs. Second Best Solutions.
- Conditional Dialogues of Good Governance vs. No Strings Attached. The Western approach and the BRICS'.
- Good Economic Governance: Free Market Thinking or Protectionism.
- Case Study Rwanda: A Controlled Path to Development.
- The Value of Good Governance in Post Conflict Fragile States (The DRC/Somalia).

For both the new Africa policy paper, and the theoretical content of the seminar, we intend to start an online platform with limited access. We would like to ask of you and other experts to participate in this platform by sharing articles, papers, ideas and suggestions with us.

You can contact the two employees of the Department listed below, for further information regarding the seminar.

Rutger Kremers, rutger.kremers@minbuza.nl (T +31 (0)70 348 4525)

Han Compagne, han.compagne@minbuza.nl (T +31 (0)70 348 6090)

Yours sincerely,

Vriendelijke groet,

Bengt van Loosdrecht
Deputy Head

.....
Africa Department
Ministry of Foreign Affairs
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.....
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bengt.loosdrecht@minbuza.nl
<http://www.minbuza.nl>

Attachment 5 - Scheduled Work Plan

Datum/deadline	Wat?	Waar/bij wie?	Door wie?
23-04-13	Sprekers: bevestiging breakout-sessions	sprekers	Rutger/Han
23-04-13	Speech R: bevestiging	R	Rutger/Han/Elise
	Facebook pagina: akkoord halen	Alida/DAF	Rutger/Han
29-04-13	Facebook pagina: content + online zetten	Digitaal	Rutger/Han
1-05-13	Uitnodigingen: opstellen	Digitaal	Rutger/Han/Elise
1-05-13	Reservering: catering (inloop + koffiepauze + borrel)	Sodexo(via sec.DAF)	Rutger/Han
1-05-13	Reservering: locatie afsluitende borrel	dhr. Berenbak(via sec.DAF)	Rutger/Han
1-05-13	Reservering: zalen (MPR + kleine zalen)	dhr. Berenbak(via sec.DAF)	Rutger/Han/Elise
3-05-13	Uitnodigingen: double-check inhoud+taal	DAF	Rutger/Han
3-05-13	Sprekers: bevestiging keynote speaker		Rutger/Han
3-05-13	Sprekers: bevestiging moderator		Rutger/Han
3-05-13	Poster: ontwerpen	Digitaal	Han/extern
6-05-13	Aanmaken inbox voor aanmeldingen(seminar@minbuza.nl)	Digitaal(via sec.DAF)	Rutger/Han/Elise
6-05-13	Poster: goedkeuring	DAF/COM	Rutger/Han
6-05-13	Uitnodigingen: verzenden	Digitaal	Elise
10-05-13	Filmpje		Rutger/Han/Elise

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13-05-13	Poster: verspreiden		Rutger/Han/Elise
15-05-13	Draaiboek		Rutger/Han/Elise
17-05-13	Reader		Rutger/Han/Robert
30-05-13	Cadeaus sprekers: regelen		Rutger/Han
31-05-13	Speech R: bouwstenen aanleveren		Rutger/Han/Bengt /Martin
3-06-13	Uitnodigingen: verwerken	Digitaal	Elise
4-06-13	Externe bezoekers aanmelden	Receptie	Elise
5-06-13	Speech R: opstellen		Speechwriter R

Attachment 6 - Poster

June 6 2013 Ministry of Foreign Affairs,
13:30 – 17:30 Bezuidenhoutseweg 67
 2594 AC The Hague

**GOOD GOVERNANCE:
 ONE SIZE FITS ALL?**

Africa

**Appearances by:
 Minister Ploumen
 Fantu Cheru**

Register: seminar@minbuza.nl
 No Admittance Fee, Limited Seating!

Universiteit Utrecht

Attachment 7 - Official Invitation



Ministerie van Buitenlandse Zaken

For English text, see below.

'Good Governance in Africa: One Size Fits All?'

6 juni 2013, 13:30-17:30

Het Ministerie van Buitenlandse Zaken en studenten van de Universiteit Utrecht nodigen je uit voor een seminar over de Nederlandse kijk op Afrika.

De wereld verandert in een hoog tempo en Afrikaanse landen kiezen steeds vaker hun eigen weg. De westerse agenda wordt steeds minder relevant voor Afrika en het Nederlandse beleid verandert mee. Wil jij hierover op het ministerie meedenken en meepraten?

Je bent van harte welkom op het seminar over het veronderstelde belang van de Westerse opvatting van *good governance* voor de economische ontwikkeling van sub-Sahara Afrika. Je ontmoet studenten die net als jij geïnteresseerd zijn in de ontwikkelingen in Afrika en gaat in discussie met deskundigen uit binnen- en buitenland.

Het seminar bestaat uit twee plenaire lezingen en een centrale discussie. Daarnaast neem je deel aan één van de vijf interactieve themaworkshops:

1. *Exporting Democracy: Universality of Western Democracy vs. Context Specific Solutions*
2. *Changing of the Guard?: Conditional Dialogues of the West vs. BRICS and No Strings Attached*
3. *Managing Africa's Mineral Wealth: Good Resource Governance*
4. *A Controlled Path to Development: Case Study of Rwanda*
5. *Global Governance: the Rise of South-South Agricultural Cooperation*

Lilianne Ploumen, minister voor Buitenlandse Handel en Ontwikkelingssamenwerking, sluit het geheel af. Na afloop is er tijd voor een drankje of twee tijdens de netwerkborrel op het ministerie.

Meld je *uiterlijk 3 juni* aan via seminar@minbuza.nl. Er is slechts een beperkt aantal plaatsen beschikbaar, dus vol=vol! Lunch is inbegrepen en aan deelname zijn geen kosten verbonden.

Vermeld bij je aanmelding:

- Naam
- Contactgegevens
- Organisatie/Universiteit
- Voorkeur workshops (3 voorkeuren aangeven a.u.b.)

Locatie: Ministerie van Buitenlandse Zaken
Bezuidenhoutseweg 67
2594 AC Den Haag

Tot 6 juni!

Attachment 8 - Discussion Points and Selected Bibliography

Discussion points Workshop 1

1. Good governance is not a condition for economic development.
2. Good governance cannot be exported.
3. Good governance as it is usually measured has a western and pro-market bias.

Discussion points Workshop 2

1. The Netherlands should actively enter into trilateral partnerships with the BRICS in Africa
2. Africans should be supported in their efforts to develop their societies, something the BRICS are (currently) not paying attention to.
3. Western economic cooperation is better for Africa because of its emphasis on corporate social responsibility

Discussion points Workshop 3

1. African is selling itself. The increase in land grabs by the Chinese and Arabs, and the increasing amount of African concessions to foreign companies for the exploitation of Africa's natural riches, will only serve to increase poverty on the African continent.
2. African growth is on a dead-end road. Africa's current economic growth is based on the booming commodity prices and this can never be a foundation for the transition to sustained economic development.
3. Western governments and NGOs should abandon the idea that they can influence the quality of African governance, and instead focus primarily on trade.

Discussion points Workshop 5

1. What implications will the 'rise of the south' have on the future of global governance?
2. How can Africa gain voice in global governance?

3. Globalisation is bringing an explosion of organisational pluralism. Acronyms such as BRICS (Brazil, Russia, India, China, and South Africa) and IBSA (India, Brazil, and South Africa) serve as metaphors capturing a restratification of global governance. Do these signifiers and institutional structures actually enhance the power of African nations or beget new inequalities?
4. What is the prognosis to break the deadlock on meaningful global governance reform that is beneficial for Africa and other developing countries?

Selected Bibliography

Workshop 1 'Exporting Good Governance' – By Geske Dijkstra

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Workshop 2 'Changing of the Guard' – By Robert Dijksterhuis

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<http://www.chinaafricarealstory.com/2013/03/chinas-pledge-of-20-billion-to-africa.html>

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<http://www.viceversaonline.nl/2011/07/de-chinese-draak-en-indiase-olifant-in-de-afrikaanse-savanne/>

Workshop 3 'Managing Africa's Mineral Wealth' – By Ewout Frankema and Maarten Voors

Broadberry, Steve, and Leigh Gardner (2013). 'African Economic Development in a European Mirror: A Reassessment of African Growth Prospects.' *Chatham House-CAGE Briefing Paper*

Frankema, Ewout, and Marlous van Waijenburg (2012). 'Structural Impediments to African Growth? New Evidence from Real Wages in British Africa, 1880-1965.' *Journal of Economic History* 72 (4): 895-926.

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<http://www.economist.com/news/special-report/21572377-african-lives-have-already-greatly-improved-over-past-decade-says-oliver-august>

Workshop 5 'Global Governance' – By Fantu Cheru

Andrade, Melissa (2009). 'Is the South Ready for South-South Cooperation?', in: *International Policy Centre for Inclusive Growth*. Available at: <http://200.252.139.146/pub/IPCOnePager77.pdf>

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Attachment 9 - Script and Programme

Begintijd	Eindtijd	Wat	Taak	Wie	Waar
12.00	12.15	Briefing hulp-stagiairs	Laatste bespreking	Elise + Kim/Liecke/Eliza	MPR
12.00	12.05	Reservering stoelen	Briefjes op stoelen neerleggen	Elise	MPR
12.00	12.15	Aankomst sprekers	Ophalen sprekers	Han/Rutger	Receptie
12.05	12.10	Cadeaus	Cadeaus klaarleggen	Han/Rutger	MPR
12.15	13.15	Kennismaking sprekers	Kennismaken + lunchen	Sprekers	MPR
12.15	13.15	Aankomst deelnemers	Ophalen deelnemers	Kim en Liecke	Receptie
12.30	13.00	Technische check	Bespreken technicus	Han/Rutger	MPR
12.30	13.15	Registratie	Registreren, badges uitdelen	sec.DAF + Eliza	tafel MPR
12.30	13.15	Lunch	Lunchen	Genodigden	MPR
12.30	13.00	Controle zaal 1D91	Powerpoint installeren, laptop aansluiten etc.	Rutger/Han	1D91
12.30	13.00	Controle zaal 1D43	Powerpoint installeren, laptop aansluiten etc.	Rutger/Han	1D43
12.30	13.00	Controle zaal 1D29	Powerpoint installeren, laptop aansluiten etc.	Rutger/Han	1D29
13.30	13.35	Openingswoord		Amma Asante	MPR
13.35	14.05	Lezing: Ewout Frankema		Ewout Frankema	MPR
14.05	14.15	Transfer workshop 1	Begeleiden binnen MPR	Elise	MPR
14.05	14.10	Transfer workshop 2	Begeleiden naar zalen	Kim	1D91
14.05	14.15	Transfer workshop 3	Begeleiden naar zalen	Liecke	1D43
14.05	14.15	Transfer workshop 5	Begeleiden naar zalen	Eliza	1D29
14.10	15.15	Workshop 2: Robert Dijksterhuis	Samenvatten discussiepunten	Kim	1D91
14.15	15.15	Workshop 1: Geske Dijkstra	Samenvatten discussiepunten	Elise	MPR
14.15	15.15	Workshop 3: Ewout Frankema/Maarten Voors	Samenvatten discussiepunten	Han en Liecke	1D43
14.15	15.15	Workshop 5: Fantu Cheru	Samenvatten discussiepunten	Rutger en Eliza	1D29
15.15	15.20	Verzamelen discussiepunten	Ophalen discussiepunten bij zalen	Rutger, Han, Elise	zalen
15.15	15.35	Koffiepauze		Genodigden	zalen
15.15	15.35	Terugkoppeling workshops	Discussiepunten op sheets	Rutger, Han, Elise + Amma	MPR
15.35	15.45	Transfer MPR	Begeleiden naar zalen	Kim	1D91
15.35	15.45	Transfer MPR	Begeleiden naar zalen	Liecke	1D43
15.35	15.45	Transfer MPR	Begeleiden naar zalen	Eliza	1D29
15.40	15.45	Transfer MPR	Begeleiden binnen MPR	Elise	MPR
15.45	15.50	Terugkoppeling workshops		Amma Asante	MPR
15.45	15.50	Introductie Fantu Cheru		Amma Asante	MPR
15.50	16.20	Lezing Fantu Cheru		Fantu Cheru	MPR
16.20	16.30	Eerste reactie		David Booth/David Henley	MPR
16.30	17.15	Discussie	Discussie leiden	Amma Asante	MPR
17.10	17.30	Ontvangst R	Ontvangen R	Michael Stibbe	MPR
17.15	17.20	Cadeaus	Aanbieden sprekers	Amma Asante	MPR
17.20	17.35	Speech R		R	MPR
17.35	17.40	Transfer borrel	Begeleiden naar lounge		Lounge
17.40	18.30	Borrel			Lounge
17.40	17.50	Controle zalen	Zalen controleren	Rutger/Han/Elise	Zalen
18.30	18.45	Einde	Begeleiden naar uitgang	Rutger/Han/Elise	Uitgang

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Programme Seminar 'Good Governance: One Size Fits All?'		
When	What	Where
12:30 – 13:15	Registration and Lunch	Entrance Hall, Security, Conference Room
13:30 – 14:05	Welcome and Opening Lecture Ewout Frankema	Conference Room
14:15 – 15:15	Workshops	Various Workshop Rooms
15:15 – 15:45	Break	Various Workshop Rooms
15:45 – 17:15	Plenary Lecture Fantu Cheru and Discussion	Conference Room
17:15 – 17:30	Speech by Minister Ploumen	Conference Room
17:30 – 18:30	Network Drink	Lounge

Attachment 10 - Screenshot Facebook-Page

The screenshot shows the Facebook page for 'Nederland en Afrika'. At the top, there is a search bar and the Facebook logo. The main header features a large image of a port with a large ship and a barge. Below the image is the page name 'Nederland en Afrika' and a notification that 71 people like it. The page description identifies it as an official Facebook page of the Dutch Ministry of Foreign Affairs. Navigation options include 'Info', 'Foto's', 'Vind-ik-leuks' (71 likes), 'Kaart', and 'Disclaimer'. A 'Belangrijkste berichten' dropdown menu is visible. On the left, there are sections for 'Plaatsen' and 'Foto / Video'. The main content area shows a post from 'Nederland en Afrika' dated 21 hours ago, titled 'Seminar: Dutch development aid in Rwanda, possibilities and challenges, by Leoni Cuelenaere, Dutch ambassador in Rwanda', scheduled for June 27th. On the right, a 'Recente berichten van anderen over Nederland en Afrika' section shows two posts: one by Robert about a 'good initiative' in Pretoria, and one by Louisewies stating 'Africa is not a land...'. A 'Meer berichten' link is provided at the bottom of the right-hand section.