An Economic History of South Africa

This book is the first economic history of South Africa in over sixty years. Professor Charles H. Feinstein offers an authoritative survey of five hundred years of South African economic history from the years preceding European settlements in 1652 through to the end of the apartheid era. He charts the early phase of slow growth, and then the transformation of the economy as a result of the discovery of diamonds and gold in the 1870s, followed by the rapid rise of industry in the wartime years. The final chapters cover the introduction of apartheid after 1948, and its consequences for economic performance. Special attention is given to the processes by which the black population were deprived of their land, and to the methods by which they were induced to supply labour for white farms, mines and factories. This book will be essential reading for students in economics, African history, imperial history, and politics.

The late Charles H. Feinstein was Emeritus Professor of Economic History at the University of Oxford. His previous publications include The European Economy between the Wars (1997) and Making History Count (2002).
Ellen Annette McArthur was born in 1862 and educated partly in Germany and partly at St Andrew’s School for Girls in Fife. She won a scholarship to Girton College and was placed in Class I of the Historical Tripos at a time when women could sit the examinations but were not awarded degrees by the University of Cambridge. She became the History Tutor at Girton, and in 1893 was the first woman to be appointed a lecturer to the Cambridge Local Lectures Syndicate. From 1902 to 1912 she lectured on economic history to Newnham and Girton students, and was so successful that tutors of mens’ colleges asked if their students could be admitted to her courses. In 1925 she was the first woman applicant to be awarded the degree of Litt. D. by the University of Dublin.

Ellen McArthur was invited by W. Cunningham to collaborate with him in writing *Outlines of English Industrial History* (1895). She contributed entries to *Palgrave’s Dictionary of Political Economy*, and published a number of articles and notes in the *English Historical Review* on the regulation and assessment of wages in the period 1400–1700.

She died in 1927, following a long illness. Her generous bequest to the University of Cambridge was acknowledged by J.H. Clapham in his preface to the first volume in the series of *Cambridge Studies in Economic History*, published with support from the fund established by: ‘that Cambridge economic historian, Ellen Annette McArthur of Girton College, who bequeathed her whole estate to forward the study to which she had first devoted her life’. Since then the Ellen McArthur Fund has been used to support economic history through publications, scholarships, and lectures.

Previous Ellen McArthur Lecturers are:

1968 Alexander Gerschenkron, Professor of Economics, Harvard University
*Europe in the Russian mirror*

1970 Edward Miller, Professor of Medieval History, University of Sheffield
*Economic changes in medieval England*

1972 Eric Hobsbawm, Professor of History, Birkbeck College
*The formation of the industrial working classes*

1975 Carlo M. Cipolla, Professor of Economic History, University of California, Berkeley
*Microbes, merchants and health officers in early modern times*

1977 Berrick Saul, Professor of Economic History, University of Edinburgh
*The neat deal in action*

1979 Emmanuel Le Roy Ladurie, Professor of History, Collège de France
*Peasants, taxes and agriculture in Europe, 1300–1800*

1981 Alan Milward, Professor of History, University of Manchester
*Recovery and reconstruction in Western Europe after WWII*

1983 François Crouzet, Professor of History, University of Paris-Sorbonne
*Origins and enterprise, the leaders of British industrialisation*

1984 Ivan Berend, Professor of History, Karl Marx University, Budapest
*Modernisation in eastern central Europe: economics, ideology, politics, and art in the first half of the twentieth century*
1987      Tony Wrigley, Professor of Population Studies, London School of Economics  
Continuity, chance and change: the character of the industrial revolution in England

1989      Herman van der Wee, Professor of History, University of Louvain  
Economic and social development before the industrial revolution: the Low Countries, 1000–1750

Commerce and culture: the publishing business in Britain

1996      Robert Fogel, Professor of Economics, University of Chicago  
The escape from hunger and premature death, 1700–2100: Europe, America and the Third World

2000      Jan de Vries, Professor of History and of Economics, University of California, Berkeley  
The family and economic growth since the eighteenth century
An Economic History of South Africa

*Conquest, discrimination and development*

Charles H. Feinstein
To the memory of my parents
Contents

List of tables  xii
List of figures  xv
List of maps  xvi
Preface  xvii
A note on terminology, country names, and currency  xix

1 Setting the context: South Africa in international perspective  1
   A unique historical endowment  1
   The economy in an international perspective  3
   The people and economy before 1652  13

2 Seizing the land: conquest and dispossession  22
   European expansion into the interior  22
   Abundant land and scarce labour  32
   The roots of conflict  34
   Defeat and dispossession of the Pedi by British and Boers  37
   The final outcome – land allocation in South Africa from 1913  43

3 Making the labour force: coercion and discrimination  47
   Black labour for white masters  47
   The use of compulsion to obtain labour  51
   Taxes, restrictions on movement, and other forms of pressure  55
   African labour on white-owned farms  60
   Migrant labour for the mines  62
   The paradox of scarce labour and low wages  67
   The deterioration of the reserves  70

4 Creating the colour bar: formal barriers, poor whites, and ‘civilized’ labour  74
   Motivation and methods for creating a colour bar  74
   The conflict with white mine-workers  77
   The ‘poor white’ problem and the closing of the pastoral frontier  83
   Labour policies of the Pact government, 1924–33  85

5 Exporting the gold: the vital role of the mineral revolution  90
   Models of export-led growth  90
   The special features of gold in South Africa  93
Contents

6 Transforming the economy: the rise of manufacturing and commercial agriculture 113

Factories are few and unimportant 113
The state, tariff policy, and the rise of manufacturing industry 116
Expansion of industrial output and employment 121
Faults in the foundation 127
Inefficiency, low wages, and skill differentials 132
The destruction of African farming and slow progress of commercial agriculture 135

7 Separating the races: the imposition of apartheid 143
From triumph to disaster – an overview of the post-war period 143
The political economy of developments after 1948 149
Apartheid versus urbanization 151
Trade unions, job reservation, and education 157
Domination or development? 161

8 Forcing the pace: rapid progress despite constraints 165
Three more windfalls for the gold mines 165
Manufacturing: the unprecedented boom 172
The expansion of the financial sector and the rise of Afrikaner capitalism 176
State-directed industrialization 180
Trends in employment, output, and productivity 184
Weaknesses and constraints – the limits to growth 188
A revolution finally comes to commercial agriculture 193

9 Hitting the barriers: from triumph to disaster 200
From growth and stability to stagnation and inflation 200
The decline of gold mining despite yet another windfall 203
The expansion of coal and platinum 210
Manufacturing’s failure to achieve export-led growth 211
The decline in fixed investment 221

10 Confronting the contradictions: the final crisis and the retreat from apartheid 224
Sanctions, capital flows, and the balance-of-payments crises 224
Changes in the labour market 230
The retreat from apartheid 240
The fallacy of ‘cheap’ labour 244

Annex 1: the people of South Africa 252
The black population before 1900 252
The white population before 1900 256
The population in the twentieth century 256
Annexe 2: the land and the geographical environment 260
The land area and the geological legacy 260
Rainfall, soil, and vegetation 262
Diseases and pests 264
Agricultural regions 266

Annexe 3: the labour force and unemployment 269
The census benchmarks 271
Labour market ratios 273
Interpolation and classification by economic sector 276

Guide to further reading 277
References 287
Index 294
Tables

1.1 Countries comprising a sample of thirty comparable market economies 4
1.2 Growth of gross domestic product per capita of sample economies at constant prices, selected periods, 1913–94 7
2.1 Annual average exports from the Cape and Natal, 1807–70 29
2.2 United Kingdom imports by country of origin, 1800s to 1850s 30
3.1 Black labour employed regularly on commercial farms, 1918–54 60
3.2 Source of African labour recruited by mines, 1896–1966 65
3.3 Nominal and real earnings per shift worked of African workers on the gold mines, 1911–61 67
3.4 Population and income per head in South Africa, 1936 71
4.1 1904 schedule of skilled trades and occupations reserved for European workers 76
5.1 Annual average exports from the Cape and Natal, 1850–1909 101
5.2 Annual average exports of South African products, 1910–54 102
5.3 South African gold mines: ore milled, output, sales and price, annual averages, 1885–1948 105
5.4 South African gold mines: working revenue, costs, and profits, annual averages, 1902–48 106
5.5 Impact on dividends and taxes of a hypothetical adjustment to wages of black workers, 1911 and 1931 110
6.1 Composition of gross and net value of output in manufacturing by sector, 1924/5 116
6.2 Output and employment in industry, 1916/17–1948/9 122
6.3 Composition of net value of output in manufacturing by sector, 1924/5 and 1948/9 126
List of tables

6.4 Contribution of commodity production to gross domestic product, 1911–48 129
6.5 International comparison of industry, 1938/9 133
6.6 Skill differentials in United Kingdom and South Africa, 1935 134
6.7 Gross value of agricultural production, 1938/9 139
6.8 Indices of output and prices of farm products, 1910/11 to 1945/6 141
7.1 Contribution of commodity production to gross domestic product, 1948–70 144
7.2 Growth of gross domestic product per capita at constant prices, international comparison, selected periods, 1950–94 145
7.3 Growth of real gross domestic product by sector, 1948–94 147
7.4 Level of education of the economically active population, 1970 161
8.1 South African gold mines: ore milled, output, sales, and price, annual averages, 1945–70 169
8.2 South African gold mines: working revenue, costs, profits, and labour productivity, annual averages, 1945–70 170
8.3 Classification of manufacturing establishments by employment size group, 1972 175
8.4 Output and employment in private manufacturing, 1948/9–1971/2 185
8.5 Indices and growth rates of output, employment, fixed capital, and productivity in manufacturing, 1948–74 186
8.6 Composition of net value of output in private manufacturing by sector, 1948/9 and 1975/6 187
8.7 Farm output, prices, labour, and fixed capital, 1948–80 195
9.1 Indicators of a structural break in economic performance c. 1973 201
9.4 Indices and growth rates of output, employment, fixed capital, and productivity in manufacturing, 1974–94 212
9.5 Composition of total and merchandise exports, 1967–96 216
9.6 Composition of exports of manufactures, 1967–93 217
10.1 Current account of balance of payments, 1946–94 226
List of tables

10.2 Balance of payments, current and capital accounts, 1946–94 227
10.3 Total and composition of gross foreign liabilities of South Africa, 1960–94 229
10.4 Change in labour force participation rates between 1960 and 1966 by age group, gender, and population group 234
10.5 Employment and unemployment, 1960–96 239
A1.1 European population of South Africa, 1798–1904 257
A1.2 Mid-year de facto total population of South Africa, 1904–96 258
A1.3 Mid-year de facto population of South Africa by population group, 1904–2000 259
A3.1 Population and labour force, benchmark estimates, 1951–96 274
A3.2 Classification of employed labour force by economic sector, 1950–95 275
Figures

1.1 International comparison of gross domestic product per capita in 1913 6
1.2 International comparison of gross domestic product per capita in 1994 10
1.3 Per capita personal income, white and African, selected years, 1917–94 11
1.4 International comparison of Gini coefficients, 1990s 12
5.1 Price of gold in pounds sterling per fine ounce, 1910–70 94
5.2 Comparison of indices of price of gold and of primary products, 1920–70 96
7.1 Growth rates of real gross domestic product (five-year moving average) and population, 1950–95 147
8.1 Farm output, inputs, and total factor productivity, 1947/8–1987/8 198
9.1 Price of gold in US dollars and in rand per fine ounce, 1965–95 204
9.2 Gold produced and ore treated, 1958–98 205
9.3 Fixed capital formation as percentage of gross domestic product, 1954–94 222
10.1 Change in male and female participation rates by age group, 1960–96 235
10.2 Change in male and female participation rates age 20–64 by population group, 1960–96 235
10.3 Employment classified by economic sector, 1950–95 236
10.4 Employment and unemployment, 1950–95 238
10.5 International comparison of labour productivity in manufacturing in 1994 246
Maps

1 Southern Africa, 1910 xxi
2 Cape Colony in the eighteenth century 26
3 European annexation of South Africa, 1652–1900 32
4 The Pedi and the South African Republic 38
5 Agricultural regions of South Africa, c.1960 267
An earlier version of this material was delivered as the 2004 Ellen McArthur Lectures in the Faculty of History at the University of Cambridge. It was a great honour to be asked to give these lectures and I am grateful to the Trustees of the Fund for this invitation and for their hospitality during my stay in Cambridge. I have made substantial additions and alterations for the present text, but have attempted to maintain some of the informality of approach and greater freedom to express a personal opinion that was appropriate for an oral presentation.

My choice of subject may need some explanation. When I first pondered what theme I should take for the lectures, I realized that I had to choose between two dangers. I did not have any unpublished results waiting to be revealed. I could either select a topic on which I had already written, but at the risk that the response from my audience would be, ‘that was all very familiar, it’s a pity he couldn’t find anything new to say’. Or I could avoid this by lecturing on a subject on which I had done no previous research, at the risk of provoking the reaction, ‘that was all very derivative, it’s a pity he didn’t have anything of his own to contribute’.

In the event I decided that it was likely to be more interesting both for me and for my listeners if I chose something new. I turned to the economic history of South Africa, which I had last studied as an undergraduate at the University of the Witwatersrand in 1950. It was this course, taught with such élan by Helen Suzman around the brilliant book published a few years earlier by Cornelius de Kiewiet, that first attracted me to the idea of a career as an economic historian. The lectures offered an opportune occasion to return to this topic.

As a novice in the field of South African history I am deeply conscious of the extent to which this volume is based on the impressive body of research undertaken by other scholars. It is they who have extracted material from the archives of companies, government departments, and missionary societies, examined unpublished diaries and journals, investigated accounts left by early travellers in southern Africa, conducted oral interviews, studied newspaper and court records, inspected commission
reports and minutes of evidence, scrutinized parliamentary papers and government records. My debt to these distinguished historians and economists is enormous and is partially indicated in footnotes and in the ‘Guide to further reading’ at the end of the volume.

The present text is in no sense a report on further original research. It is an attempt to synthesize the information that now exists. The aim is to provide a broad overview of the character, transformation, initial growth, and final decline of South Africa’s economy, and my interpretation of the major factors that explain these developments. The survey begins with the economic conditions of the indigenous people before the arrival of European settlers in the middle of the sixteenth century, and ends with the surrender of power by the white minority at the end of the apartheid period and the election of the first democratic government under Nelson Mandela in 1994. In order to keep the text within a reasonable length, attention is concentrated on the central issues of macroeconomic development in the economy as a whole and in the key sectors of agriculture, mining, and industry, and of the related economic and political policies which influenced the economy. Special consideration is given to policies relating to ownership of land and the supply of labour. Many other aspects, such as public finance, improvements in transport, and the growth of the service sectors, are mentioned only briefly where relevant to the main themes.

The text has benefited immeasurably from the willingness of friends and colleagues to read all or part of preliminary drafts, and I am extremely grateful to Anne Digby, Nicoli Nattrass, Christopher Saunders, Jeremy Seekings, Mark Thomas, Gavin Williams, and Francis Wilson. Without their perceptive comments and constructive criticisms there would be many more errors and oversights, but they do not have any responsibility for those that remain. In addition, I would like to say how much I appreciate the efficient way that Michael Watson expedited publication. I would also like to thank my daughter Jessica for her characteristic helpfulness in compiling the index and for her expert help with proof-reading. My greatest debt is, as always, to my wife Anne, for her unstinting support and encouragement, and for inspiring me by her example.
Terminology

All writers on South Africa are confronted by the problem of finding a suitable terminology to describe the different racial groups. All terms are problematic and objectionable to some, and that will no doubt be true of those I use in this volume. I have reserved the term ‘African’ for the indigenous dark-skinned, Bantu-speaking inhabitants, with no implication that others are not now equally rooted in the continent. Alternative terms, many of which are clearly derogatory, appear only in direct quotations from other speakers or writers. The word ‘Bantu’, which gained wide currency as the apartheid term for these people, is used here solely as the name for the group of Niger–Congo languages spoken by the indigenous people of central and southern Africa.

‘White’ is adopted as the generic term for those who came to South Africa from Europe, with ‘Afrikaners’ used to refer to the Afrikaans-speaking descendants of those who came from Holland, France, and Germany, and ‘English’ for those from Britain. Other terms – Europeans, Dutch, settlers, colonists,burghers, boers (farmers), trekkers, and trekboers – are employed as alternatives in appropriate historical contexts.

The other indigenous inhabitants of the southern part of Africa were the hunter-gatherers, previously referred to as Bushmen, but now generally known as San, and the Khoikhoi (previously called Hottentots) who were nomadic herders. Khoisan is the collective term for these two groups. The group referred to as ‘Coloured’ includes the descendants of the Khoisan, of slaves brought to the Cape by the Dutch, and of black slaves freed at the Cape in the decades after Britain’s abolition of the slave trade.

1 The Netherlands East India Company employed large numbers of Germans in its army and administrative service, and some of these were part of the initial settlement established at the Cape. It was these Dutch and German colonists, together with the French Huguenots who were settled among them in the late 1680s, who formed the nucleus of the Afrikaans-speaking Boer population.
trade in 1808, and also many of the children born from the interracial sexual relationships that have occurred throughout South Africa’s history. The Asian population was largely created by the decision to bring indentured labourers from India to work in the sugar plantations in Natal. The term ‘black’ is used as a collective noun for the African, coloured, and Asian peoples.

**Country and provincial names**

All the countries bordering South Africa have changed their names following independence. In general I have used the name current at the time to which the text refers, but the list given here of the corresponding names by which the countries are now known may be helpful.

<table>
<thead>
<tr>
<th>Original name</th>
<th>Present-day name</th>
</tr>
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<tbody>
<tr>
<td>Basutoland</td>
<td>Lesotho</td>
</tr>
<tr>
<td>Bechuanaland</td>
<td>Botswana</td>
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<tr>
<td>Nyasaland</td>
<td>Malawi</td>
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<tr>
<td>Northern Rhodesia</td>
<td>Zambia</td>
</tr>
<tr>
<td>Portuguese East Africa</td>
<td>Mozambique</td>
</tr>
<tr>
<td>Southern Rhodesia</td>
<td>Zimbabwe</td>
</tr>
<tr>
<td>South West Africa</td>
<td>Namibia</td>
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</table>

From 1910 to 1994 South Africa was divided into four provinces made up of the two former British colonies of the Cape and Natal, and the two former Boer republics of the Transvaal (previously the South African Republic) and Orange Free State (see Map 1). From 1994 there was a further subdivision into nine provinces, with the Western Cape, Northern Cape, and Eastern Cape corresponding broadly to the previous Cape Province, and Gauteng, Mpumulanga, Limpopo, and the North West corresponding broadly to the Transvaal.

**Currency and exchange rates**

From 1825 until the declaration of a republic on 31 May 1961, the South African currency was measured in the same units as Britain’s: pounds, shillings, and pence (12 pence = 1 shilling, 20 shillings = £1). When South Africa became a republic in May 1961 a new currency was introduced based on rand and cents (100 cents = 1 rand), with the initial rate of exchange against sterling set at R 2.00 = £1.
In Chapters 1 to 6, all monetary sums are given in pounds sterling, and South African readers who want to find the equivalent in rand can simply multiply the published series by 2. However, for the period following the Second World War, covered in Chapters 7 to 10, all monetary sums are given in rand. For current values relating to years before 1967, readers who want to find the equivalent in pounds sterling for comparison with the earlier data can simply divide the published series by 2. For values for years after that date it is necessary to take account of the fluctuations in the rand–sterling exchange rate.

South Africa left the par value of the rand unchanged against the dollar during the 1960s, and did not follow the United Kingdom when sterling was devalued in November 1967. As a result there was an appreciation of the rand against the pound, and a new rate of approximately R1.72 = £1. The next change occurred in December 1971, following the Smithsonian agreement which marked the end of the Bretton Woods system of fixed exchange rates. From that date the rand fluctuated against sterling and other currencies, occasionally appreciating but more usually depreciating, either by formal devaluation, as in 1971 and 1975, or as the outcome of managed floating in which the exchange rate was determined by a combination of market forces and official policy. By 1994 the rate had fallen to R5.44 = £1, and in 2003 it was R12.33 = £1. The annual figures are tabulated below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rand per Pound</th>
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<tbody>
<tr>
<td>1961</td>
<td>2.00</td>
</tr>
<tr>
<td>1962–6</td>
<td>2.00</td>
</tr>
<tr>
<td>1967</td>
<td>1.97</td>
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<tr>
<td>1968</td>
<td>1.72</td>
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<td>1969</td>
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<td>1975</td>
<td>1.63</td>
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<tr>
<td>1976</td>
<td>1.57</td>
</tr>
<tr>
<td>1977</td>
<td>1.52</td>
</tr>
</tbody>
</table>

*From 31 May.*

Source: South African Reserve Bank, Quarterly Bulletin.
Britain and South Africa use different conventions for presenting numbers, and the present text follows the British practice throughout: the decimal point is indicated by a point rather than a comma (12.33 not 12,33), and thousands are separated by a comma rather than a space (1,450,000 not 1 450 000).