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 new 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*

1992 Lord Briggs, Worcester College, Oxford *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*
To the memory of my parents
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Preface

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.
A note on terminology, country names, and currency

**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.

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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>
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<tbody>
<tr>
<td>Basutoland</td>
<td>Lesotho</td>
</tr>
<tr>
<td>Bechuanaland</td>
<td>Botswana</td>
</tr>
<tr>
<td>Nyasaland</td>
<td>Malawi</td>
</tr>
<tr>
<td>Northern Rhodesia</td>
<td>Zambia</td>
</tr>
<tr>
<td>Portuguese East Africa</td>
<td>Mozambique</td>
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<tr>
<td>Southern Rhodesia</td>
<td>Zimbabwe</td>
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<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 R2.00 = £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 R 1.72 = £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 R 5.44 = £1, and in 2003 it was R 12.33 = £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>
</tr>
<tr>
<td>1968</td>
<td>1.72</td>
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<tr>
<td>1969</td>
<td>1.72</td>
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<td>1970</td>
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<td>1974</td>
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<td>1975</td>
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<tr>
<td>1976</td>
<td>1.59</td>
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<td></td>
<td>1.57</td>
</tr>
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<td></td>
<td>1.52</td>
</tr>
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</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).