When reflecting on South Africa’s economic history in the twentieth century, it is easy and perhaps often justifiable to focus on racial discrimination and its impacts on the economy. We tend to focus on the reservation of skilled jobs for whites, the migrant labor system, the impact of sanctions on the economy. Because of this, one aspect that does not receive much attention is the role of the state in South Africa’s economic development between Union in 1910 and the end of apartheid in 1994.

Bill Freund’s “Twentieth Century South Africa: A Developmental History” moves away from an explicit racial focus and examines in quite some detail the role of the state in advancing South Africa’s economic development. However, deep racial divisions were an integral part of the economy and Freund does not ignore this component. Rather he highlights where the constraints arising from contradictions between the developmental and racial policies begin to bind.

South Africa is not unique in its approach to twentieth century industrialization. Freund notes that a number of countries that embarked on industrialization in this time period followed what he calls a “developmental state” approach: Japan and South Korea are perhaps the most successful that come to mind. Freund mentions also Latin America to some extent. He is concerned, however, that South Africa may not perfectly fit the description of a developmental state, if, indeed, there is such a thing.

The book follows the evolution of South Africa’s development from the post war construction of infrastructure to serve the mining industry, through the development of secondary industry, initially, again, in the interest of supporting the mining industry. It ends in the 1980s where a combination of an inability to subsidize state owned industries as well as a global trend away from state involvement in the economy led to a wave of privatization and signaled an end to the developmental state in South Africa.

By the end of the United Party’s final term in government in 1948, the state had supported the development of a manufacturing sector in particular through the state owned steel manufacturer, Iron and Steel Corporation of South Africa (ISCOR), and the state owned electricity provider, the now infamous Electric Supply Company (ESCOM). It had also set up the Industrial Development Corporation (IDC) to provide support to businesses, as well as the Council for Scientific and Industrial Research (CSIR), which continues to exist along with the Human Sciences Research Council (HSRC) (established during apartheid). However, Freund notes that the reliance on natural resources such as cheap coal for fuel as well as the lack of interest in expanding manufacturing exports amongst other deficiencies imply that South Africa was in no way a perfect example of a development state. And, of course, the commitment to racial segregation limited the type of industrialization that could be expected.

The advent of the National Party and apartheid in 1948 changed national priorities to some extent. While the United Party had remained committed to racial segregation, it
lacked a coherent strategy toward race relations and there had been some acceptance of the need for African workers in urban areas.

In contrast, the National Party put race relations at the forefront of its policy focus with industrialization and economic development taking place within that context. While the state remained focused on supporting economic growth, continuing to support the growth of ISCOR to replace British steel as well as developing South African Synthetic Oil, Ltd. (SASOL), it also embarked on an ineffective strategy to encourage manufacturing to move to rural areas close to the homelands in order to discourage African urbanization.

The construction of two planned towns, Vanderbijlpark and Sasolburg, to house African and white workers of ISCOR and SASOL provide particularly fascinating reading. The contrast between the facilities deemed necessary and provided for African and white workers is sobering even to those readers familiar with South African race relations.

Freund evaluates whether the state effectively encouraged development and whether South Africa was a true developmental state. He argues that South Africa did not fit the model well. As a developmental state, it was unsuccessful and neglected to focus on certain typically developmental goals. This is a difficult argument as it depends on an accepted definition of what a developmental state might be and what outcomes are to be expected. Certainly, South Africa is no Japan or South Korea. Yet, if the goal was to elevate white living standards, then this goal appears to have been met. It seems to me that a sensible comparison might rather be to other settler economies, particularly since quite a few of these are also resource dependent exporters. While some mention is made of Latin America, glaring omissions are Australia, Canada, and New Zealand. These settler economies could have been interesting counterfactuals since they too had states that participated actively in development prior to the 1980s.

During the twentieth century, the developmental state approach was a popular choice among industrializing nations. Freund critiques the post 1994 era in South Africa because of the reduced role of the state in South Africa’s economic development. However, one reason for the state’s reduced role is that the African National Congress (ANC) rules in a period where globally developmentalism, if I may use such a word, has not only gone out of fashion but is vilified. In 1994 it was important for South Africa to remain a darling of the international investment community and it is hard to see a way the state could have married this to a developmental approach to economic growth. However, current concerns with the South African economy, such as high unemployment at the unskilled level coupled with poor educational outcomes suggest that there may indeed be lessons to be drawn from the 80 years before the end of apartheid.

Overall Freund’s book is a welcomed contribution to South African economic history, taking the reader deeper than Feinstein and moving beyond the economics of race relations. Readers will wish there was a stronger comparison with similar economies. Yet, the monograph will become necessary reading for anyone interested in the processes of state driven industrialization.

Martine Mariotti, Australian National University