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# The South African poor white problem in the early 20<sup>th</sup> century: Lessons for poverty today

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JOHAN FOURIE<sup>1</sup>

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## ABSTRACT

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The causes of the poor white problem, first noted at a Dutch Reformed Church Synod in 1886, were unclear; many blamed the inadequate education system, urbanisation, cheap wages or cultural factors, while others argued that external events such as the rinderpest disease or the Anglo-Boer war added to the numbers of poor whites. Today, poverty is still at the heart of many policy debates in South Africa. A bad educational legacy, urbanisation, labour legislation, culture and tradition, and external factors are still amongst the factors said to be the causes of poverty. This paper assesses the similarities and differences between black poverty today and white poverty a century ago, and suggests possible policy lessons to learn from the past.

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# THE SOUTH AFRICAN POOR WHITE PROBLEM IN THE EARLY 20<sup>TH</sup> CENTURY: LESSONS FOR POVERTY TODAY

JOHAN FOURIE<sup>2</sup>

## *Abstract*

The causes of the poor white problem, first noted at a Dutch Reformed Church Synod in 1886, were unclear; many blamed the inadequate education system, urbanisation, cheap wages or cultural factors, while others argued that external events such as the rinderpest disease or the Anglo-Boer war added to the numbers of poor whites. Today, poverty is still at the heart of many policy debates in South Africa. A bad educational legacy, urbanisation, labour legislation, culture and tradition, and external factors are still amongst the factors said to be the causes of poverty. This paper assesses the similarities and differences between black poverty today and white poverty a century ago, and suggests possible policy lessons to learn from the past.

Keywords: poverty, poor white problem, inequality, policy proposals

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## INTRODUCTION

Although white poverty was not unheard of during the first two centuries of white colonialisation in South Africa (Coetzee, 1942:23), the severe poverty of the white poor became much more evident by the 1880s (Terreblanche, 2002:266). Fifty years later, by the early 1930s, eradicating white poverty became a social, economic and political objective. In an attempt to address the problem, the Carnegie Commission of 1932 investigated the causes, consequences and corrective measures of the poor white phenomenon.<sup>3</sup> In part due to these and earlier policies and to other factors and events discussed in this paper, the problem of white poverty was solved four decades later.

More than seven decades later South Africa still struggles with poverty. By 2000, close to half the black population could be considered poor. Black poverty has regained prominence in government circles as a key policy concern since the democratic elections of 1994. Yet, the task of alleviating black poverty seems insurmountable.

The rationale for comparing white poverty in the 1930s with black poverty today is based on the knowledge that white poverty of the 1930s had mostly been alleviated by the 1970s or even earlier.<sup>4</sup> The current South African government aims to make black poverty history. Although the two periods are similar in a number of respects, there are also distinct differences. Caution is advised when dealing with this part of South Africa's history; making strong judgments and claiming hard evidence usually lead to a subjective and incomplete assessment. To compare two periods as different as this, only "soft" judgments and recommendations suffice.

A comparison between white poverty in the 1930s and black poverty today reveals striking policy similarities. The causes of poverty in each era show many overlaps. Drawing from historical experience and knowledge regarding these, this study hopes to add to the existing debate on possible policy recommendations for alleviating black poverty today.

## WHITE POVERTY A CENTURY AGO

The poor white problem mostly spans the first four decades of the 20<sup>th</sup> century. At a synod of the Dutch-Reformed Church in 1886, a conference was called for to investigate the problem of poor whites. The first conference, held in 1893 at Stellenbosch, was followed by similar conferences in 1916 (Cradock), 1923 (Bloemfontein), 1930 (Pretoria) and in 1933 (Bloemfontein). The first Congress of the People (*Volkskongres*) in 1934 was entirely dedicated to investigating the poor white problem (the *armblankevraagstuk*).

Although the magnitude of the poor white problem is a much debated issue, most early estimates suggest a rapid increase in the numbers of poor whites over the first three decades of the twentieth century. According to Lewis (1973:7), the Transvaal Indigency Commission (1906-1908) gave no comprehensive poor white statistics and "found it difficult to form any accurate estimate even of the number of urban poor whites". The first official numbers to appear were those announced by H.C. van Heerden, Minister of Agriculture, at a conference convened by the Dutch Reformed Church at Cradock in 1916 (Table 1).

	Numbers	Per cent of population
Ultra-poor	39021	3.06%
Poor	67497	5.29%
Total	106518	8.35%

Table 1: Numbers of poor whites

Source: Botha, L (1956:159)

<sup>3</sup> In 1927 the president and secretary of the Carnegie Corporation in New York visited South Africa where the need was identified to investigate the situation of the poor white (Grosskopf, Book I, 1932:i). The Report of the Carnegie Commission was published in 1932.

<sup>4</sup> Black poverty in the 1930s was much more severe than white poverty. Terreblanche (2002:393) estimates that whites' per capita income was approximately 11 times larger than that of blacks in 1917 and about 13 times larger in 1936. However, for the purposes of this paper, only poverty in the white population group is considered. There are, of course, various reasons why black poverty was historically judged to be unimportant or received less economic, social and political attention. See Le Roux (1984) for a thorough analysis of the topic.

Although these numbers remained in official use<sup>5</sup>, Grosskopf (Book I, 1932:20) argues that these estimates are unreliable, as each interviewee used different standards for identifying the “poor” and “ultra-poor”. According to Lewis (1973:8), the general difficulty with estimates of poor white statistics is that a subjective element always enters into such estimates.

Probably the most reliable estimate of the magnitude of the poor white problem was made by the Carnegie Commission of 1932. Questionnaires sent out to almost half the schools in the country asked principals to indicate how many children came from “very poor” families. The returned questionnaires indicated that about 17.5% of the 49434 families were “very poor”. According to Grosskopf (Book I, 1932:vii), if the 17.5% is extrapolated to the total white population of 1 800 000, then a “conservative estimate” of the extent of severe poverty would be around 300 000 individuals. The Commission adds that the questionnaires were completed during 1929-1930, before the effects of the depression became evident. To check this number, the Commission counted the number of white males over 15 working as shepherds, foresters and woodmen, *bywoners*, labourers on the railways, labourers in general, unskilled industrial workers, transport riders and diggers in the 1926 census. Assuming that the share of jobs remained the same for the next five years, they concluded that this represented a population group of more than 220 000. Although not all of the individuals in these job descriptions would be poor, the Commission argued that the numbers of individuals living in poverty would likely be larger once farmers (totaling more than 100 000) were considered, as many farmers were considered to be poor (Grosskopf, Book I, 1932:vii). According to Lewis (1973:9), it was not possible for the Commission to cement their poor white farmer claim until 1941, when the cash incomes of farmers were first enumerated for census purposes.

However, some commentators have since argued that the poor white problem was never as severe as once was thought. According to Le Roux (1984:3), the estimates of the many investigations are “totally off the mark”. He argues that the poor white problem was much more a case of rural poverty, having existed all along, being brought into the open (Le Roux, 1984:3). Grosskopf (Book I, 1932:8) agrees to some extent: “There are many indications that the rural poor did not actually grow poorer, but rather by comparison with other groups, and that on this account many of them left the farms of their own choice to look for better chances”.

Such arguments seem to undermine the established reasoning that the poor white problem manifested as a sudden increase in the numbers of poor whites. Although the size of the white population did increase, in large part the rise in white poverty was due to an increase in relative poverty; as other whites were growing richer, a lower class of whites was left behind by the rapid increases in income and wealth experienced by the middle and upper classes, and therefore joined the ranks of the poor whites.

#### BLACK POVERTY TODAY<sup>6</sup>

Since the arrival of whites in the interior of the country, an unequal society developed in which the majority of the poor were black, rural and unemployed. Although black wages began to rise in the 1970s, by the beginning of the 1990s, close to half of the black population still subsisted below the poverty line. With the advent of the new democracy in 1994, eradicating black poverty came to the fore as the primary policy objective of the ANC government. The new government was tasked with the responsibility of alleviating poverty within the context of an economy that had been stagnating, mostly as a result of the economic sanctions imposed against South Africa because of its Apartheid-policy. The RDP and GEAR were two early government programmes designed to promote economic growth and target key areas to alleviate poverty. Various other policy documents, reports and conferences have since addressed the problem of black poverty on a more micro-level. Most recently, ASGI-SA, the government’s Accelerated and Shared Growth Initiative, attempts to reach a 6 per cent growth target by targeting the country’s binding constraints - infrastructure and human capital - and through this achieving poverty reduction.

Yet, black poverty remains a serious problem. By 2000, according to Van der Berg and Louw (2004:567), 44 per cent of the black population could still be considered poor.

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<sup>5</sup> H.C. van Heerden in the Union Year Book of 1933/34: “For all practical purposes this (the numbers of 1916) still remains the basis of current estimates”.

<sup>6</sup> Blacks here exclude coloureds and Indians.

	1970	1975	1980	1985	1990	1995	2000
Number of blacks in poverty	10397430	9761669	10427844	12003438	13026970	15311490	16400691
Per cent of blacks in poverty	64.60%	52.90%	49.30%	49.10%	45.90%	48.40%	47.40%

Table 2: Estimates of poverty headcount and poverty headcount ratio for blacks, selected years from 1970 to 2000  
Source: Van der Berg and Louw (2004)

	1975	1993	1995	1996	2000
Gini-coefficient for blacks	0.49	0.56	0.57	0.68	0.59

Table 3: Gini coefficients estimated from various surveys for blacks' intra-group distribution  
Source: Van der Berg and Louw (2004)

The evidence provided in Tables 2 and 3 suggest that, although the black poor as a percentage of the total black population declined between 1995 and 2000, absolute poverty increased while the inequality between the more affluent black population and the black poor also widened. Van der Berg and Louw (2004:568) estimate what the path of poverty might have been had the Gini-coefficient remained the same for the black population between 1970 and 2000. They find that aggregate poverty would have declined from 49.8 per cent in 1970 to 26.5 per cent, rather than the actual 38.6 per cent observed in 2000. Although the share of poor blacks did decrease in the three decades before 2000, it seemed to have come at the high cost of greater black inequality.

#### COMPARING POVERTY

Comparing white poverty of the 1930s with black poverty today is an ambitious undertaking. Not only is the economic, social and political landscape different today, but the tools and techniques used for poverty analysis have also changed considerably since the 1930s. The poor statistical records of the 1930s render comparative analysis difficult. Still, in an attempt to draw conclusions about 1930 policies and make recommendations for today, comparing the nature and extent of the two experiences of poverty is of critical importance.

Using data found in the Wilcocks-report to the Carnegie Commission and drawing on the AMPS 2000 data set, Table 4 provides a comparison of white poverty in the 1930 and black poverty in 2000. The Wilcocks-report in the Carnegie Commission (Book II, 1932:66) lists the annual income of poor white families in the district of the former Natal. The original estimates were provided by the Department of Public Education in Natal, which conducted a thorough investigation of each applicant to an educational aid programme.<sup>7</sup> The applicant families were separated into four classes – those earning less than £25 (Class 1), those earning between £26 and £50 (Class 2), those earning between £51 and £75 (Class 3), and those earning between £76 and £100 (Class 4)<sup>8</sup>. These poverty lines are then inflated to 2000 levels where a poverty line of R3571 for Class 1, R7143 for Class 2, R10714 for Class 3 and R14286 for Class 4 is estimated. Class 1 in the AMPS data set, therefore, represents the proportion of blacks below R3571 in the population of blacks below R14286. The other classes are estimated in a similar way. This provides comparable percentages between white and black poverty. The results are shown in Table 4.

	Carnegie Class 1 (R3571)	Carnegie Class 2 (R7143)	Carnegie Class 3 (R10714)

<sup>7</sup> This study therefore assumes that white poverty in Natal was a good reflection of white poverty in all four former provinces. Although this is not entirely true, as the diamond and gold mines located in the interior attracted large numbers of immigrants and settlers - many of whom ended up impoverished, poverty in the interior could not have been significantly different. According to Grosskopf (Book I, 1932:58), the ratio of rural to total whites in Natal were similar to that in Transvaal in 1911 and 1921, but decreased sharply between 1921 and 1931 as poor white farmers moved to the cities in Transvaal. Although the absolute numbers of whites in the two provinces differed considerably, this should have little impact on the percentage of poor used in this analysis. Therefore, although white poverty levels from the Natal estimates could be expected to have a slight downward bias, this bias should not change the general findings of the study.

<sup>8</sup> Although the income is only reported per family, a constant family size is assumed over each of the four classes.

Poor Whites (Carnegie 1932)	19.35%	60.22%	83.33%
Blacks (AMPS 2000)	59.32%	84.41%	94.74%

Table 4: Comparison between the white poor in 1930 and black poverty in 2000

Source: Wilcocks (1932) and AMPS (2000)

The evidence suggests that amongst the poor, black poverty is much more severe than white poverty in the 1930s, even given the limitations of the data. This is similar to the poverty gap analysis, with the depth of poverty (the poverty gap) rather than only the poverty headcount being compared. While approximately 20 per cent of poor white families interviewed (therefore, those earning less than R14286 in 2000 prices) fell below the Class 1 poverty line, nearly 60 per cent of blacks that earn less than R14286 in 2000 could be considered members of Class 1. Although the gap is smaller at the Class 2 and Class 3 poverty lines, the magnitude of the ultra-poor black subpopulation is still much larger than the extent of white poverty in the 1930s. Inference about the white income distribution above R14286 in 2000 prices is not possible because interviews with white families were only recorded if these families earned less than that amount annually. However, it is possible to conclude that the distribution of income for poor blacks in 2000 lies well to the left of the distribution of income for poor whites at the start of the 1930s.

Relative poverty refers to the inequality between different groups. It is thought that inequality within the white group increased gradually after the discovery of minerals in the interior of the country, although there is little evidence to back this claim. The increase in inequality created an underclass that brought the poor white problem into the open. Table 5 compares the percentage income shares of whites on the one hand and blacks, coloureds and Indians on the other over the period 1917 to 1967. It is clear from the graph that blacks were historically regarded as relatively poor, even though within-black inequality may have been low<sup>9</sup>.

	White	Blacks, coloureds and Indians
1917/18	71.9%	28.1%
1924/25	75.2%	24.8%
1936	74.5%	25.5%
1939/40	72.0%	28.0%
1946/47	74.3%	25.7%
1956/57	74.0%	26.0%
1959/60	69.3%	30.7%
1960	76.5%	23.5%
1967	73.4%	26.6%
Average	73.5%	26.5%

Table 5: Percentage shares of income for whites and blacks, 1917 to 1967

Source: McGrath (1983:123)

The poor white problem was due both to an increase in relative poverty of the white population and to an increase in absolute poverty. Black poverty has been subject to comparison with whites for centuries. Yet, absolute black poverty today is far more severe than the absolute poverty of whites in the 1930s, which suggests that solutions to alleviate the former problem may be far more difficult to find.

## ECONOMIC GROWTH

Before analysing the causes of poverty in the two periods, an historical overview of economic growth that preceded and followed the poor white problem and black poverty today is necessary. However, assessing South Africa's economic growth performance in the period before 1930 is made difficult by the scant statistical information available. Schumann (1934) states that economic growth in the period 1910 to 1913 was relatively high, but was followed by a slow-down and recession by the end of 1915 (Fedderke and Simkins, 2006). From 1916 to the mid-1920s, economic growth was mediocre with an increase towards the end of the 1920s.

<sup>9</sup> It is only after 1994 and the arrival of a growing black middleclass, that within-black inequality has increased.

Figure 1 shows the economic growth rates for South Africa since 1926. Real gross domestic product using factor incomes, published in South African Statistics (1982), were used for the period 1926 to 1946. From 1947 to 2005 real gross domestic product at market prices were used as published by the South African Reserve Bank (2006).

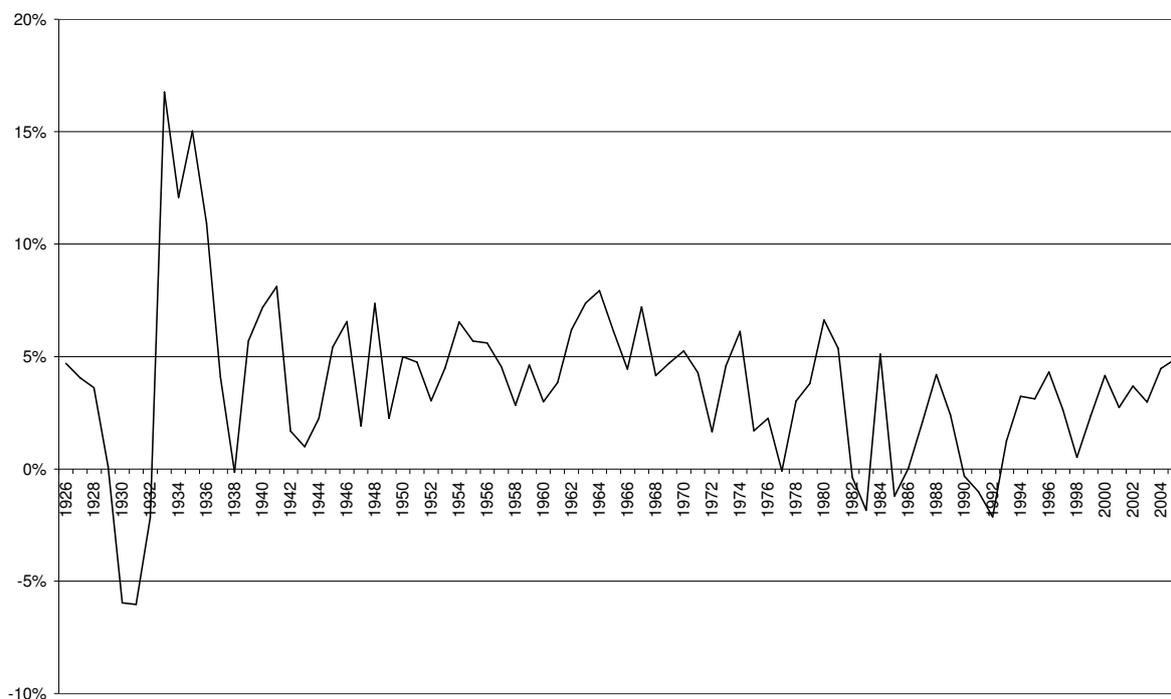


Figure 1: Economic growth rates for South Africa between 1926 and 2005  
 Source: South African Statistics (1982) and South African Reserve Bank (2006)

The Great Depression and South Africa's persistence in maintaining the gold standard caused the rapid decline in economic growth rates in the early 1930s. However, as soon as South Africa left the gold standard at the end of 1932, the effect on the economy was immediate – the gold price increased from £4.31 in 1932 to £7.10 in 1937 which contributed to massive economic growth rates in this period (Fedderke and Simkins, 2006). Figure 1 shows the high economic growth rates since 1933; the average growth rate for the four decades between 1933 and 1973 was 5.51 per cent per annum.

Growth slowed down during the 1970's and stagnated during the 1980s and early 1990s, fluctuating rapidly between boom periods and times of negative growth. The average annual growth rate for 1974 to 1994 was a mere 1.91 per cent. Since 1994 growth has picked up, although relatively slowly. Growth between 1995 and 2005 has averaged at 3.26 per cent per annum.

#### CAUSES OF POVERTY

A number of causes have been suggested for the observed increase in white poverty at the start of the previous century. Poor whites tended to find scapegoats for their situation and thereby implicated the “capitalists, the Jews, the locusts and the droughts” (Lewis, 1973:10). Later explanations for the poor white problem, including those contained in Afrikaner nationalist propaganda, tended to blame exogenous factors, such as the colonial exploitation of the British, the Anglo-Boer war, the rinderpest of 1896-97 or cheap imports of maize from the American South. Although these factors did contribute to white poverty, the poor white problem - as is the case for black poverty today - developed due to a multitude of different factors, both exogenous and endogenous. Growing poverty is not a sudden event; Pelzer (1937:4) noted in 1937 the importance of a long-term perspective in investigating the determinants of the poor white problem. Historical factors, educational attainment, labour policies, environmental and demographic changes, language, culture and political development all shaped a society that experienced an increase in absolute poverty but an even sharper increase in inequality.

Similar to the poor white problem, black poverty today has been explained as the result of various factors. Apartheid-policy as well as the policies of segregation that preceded it are often seen collectively as a main cause of black poverty. Yet, without suggesting that segregationist policies did not contribute to black poverty, it is argued here that there are other underlying reasons for the magnitude of black poverty today. Similarly to the poor white problem, black poverty is caused by a mix of exogenous and endogenous factors, including historical factors, education, discriminatory labour policies, shifting demographic trends, language, culture and, of course, politics. This section investigates the causes of both the poor white problem and black poverty today, and identifies the links between the two periods.

## Education

An important cause of poverty in both periods can be found in the poor educational attainment (or insufficient accumulation of human capital) of the poor. Lewis (1973:13), for example, notes that a lack of proper education is the one factor that was emphasized by all the poor white commissions including the Carnegie Commission.

Education policy amongst white settlers was founded in the doctrine of Protestantism, which emphasised the salvation of individuals by faith through knowledge of the Bible (Malherbe, Book III, 1932:14). Therefore, in order to study the Bible, both the Cape settlers and the *trekboere* had relatively high rates of literacy. The basic education provided by parents had only one goal: to allow children to become members of the church and therefore be eligible for marriage. The education was therefore primarily religious and conservative, exacerbated by the conservatism of the people themselves (Lewis, 1973:14).<sup>10</sup> Yet, these educational practices did not keep abreast of the shifting economic and political trends of the times. Such conservatism assumed that what worked best in the past, must also be best for the future. The opening of the interior, accompanied by sharp urbanisation in the areas surrounding the diamond and gold mines, caught many of the whites unaware and rendered the simple past educational practices insufficient.

To address the issue of education, the state established missionary schools in 1841 (Malherbe, Book III, 1932:38). These schools were attended by black, coloured and white students, although some schools catered exclusively for white students. Teachers came from England and brought with them new teaching methods and content. However, the requirement that all education be in High Dutch until 1910 did not help in the cause of furthering young South Africans' education; High Dutch was almost as foreign to Afrikaner children as to English (Lewis, 1973:15). In an attempt to address the consequent skills deficiency, the Cape Government established industrial schools to equip students with skills (much later for whites than for blacks and coloureds); however, the common perception was that these schools tended to attract pupils with criminal tendencies and mental deficiencies (Lewis, 1973:15). Furthermore, many of these programmes did not reach rural areas. Education was seen as an irrelevant luxury to the rural population, not addressing the realities of their daily struggle for survival. According to Malherbe (1932:38), in a survey conducted by inspector-general Donald Ross in 1883, 55,4 per cent of the total white student population in school were in Standard I (Grade 3) or below. More than 80 per cent of students in rural areas were in Standard I or below. Only 1 per cent of students were above Standard IV, equivalent to today's Grade 6 (Malherbe, Book III, 1932:38).

The conservative lifestyles and views about education limited the development of skilled industry, primarily for the rural, white, Afrikaans-speaking population group - the group which would later also form the largest contingent of poor whites (Malherbe, 1932:ix). According to Lewis (1973:17), in addition to the low development level of industry, poor education also contributed to bad farming methods. Such techniques in part contributed to the severity of the droughts experienced in the late 19<sup>th</sup> century, as farmers did not have the knowledge to cultivate the farms in a sustainable manner. Furthermore, poor education also entailed widespread ignorance of health and other issues; when a certain Mr. Du Preez proposed a solution of tobacco, paraffin oil, resin and podaphyllin (wild mandrake root) as a cure for the 1896 rinderpest, and President Kruger endorsed this remedy, chemists sold out of podaphyllin in weeks in spite of cattle still dying from the disease (Lewis, 1973:17).

Black poverty today is partly a consequence of poor educational practices conducted during the preceding five decades. According to Fiske and Ladd (2004:52), four aspects of Apartheid were particularly pertinent

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<sup>10</sup> Lubbe (1942:69) notes that the education brought over by the English teachers (see later in text) was considered by the settlers as contradicting their cultural identity with the intent of denationalising them.

for black education: residential segregation and persistent poverty among blacks, inadequate resources and low-quality instruction for black children, low levels of educational attainment among black adults, and the absence of a “culture of learning”.

The Black Education Act of 1953 formalised the segregation of black education and immediately worsened the situation in black schools (De Villiers, 1996:194). State spending on missionary schools, once the backbone of black education, ceased in 1957 in an attempt to gain ideological control over the black intelligentsia who were the product of a mission-based education system (Marks and Trapido, 1987:21). The increase in the numbers of black children attending school exacerbated the shortage of funding; in 1953 the student/teacher ratio was 40:1 in black schools and worsened to 60:1 by 1974. Furthermore, by 1974, only slightly more than 1 per cent of teachers in black schools had a relevant degree and professional qualification (De Villiers, 1996:194).

Yet, the lack of funds was not the primary reason for the poor education of blacks. The government’s policy of separate development, a discriminatory initiative that began much earlier than the election of 1948 and was promulgated by Dr. Verwoerd when he was Minister of Native Affairs in 1954, subordinated black education to that of whites. Dr. Verwoerd, the founding father of the Grand Apartheid policy, emphasised that blacks should not be subjected to white education as this would only provide them with ideals which they could not pursue.

From 1954 to 1968 black education was the responsibility of the Department of Native Affairs. After 1968, black education was split between the education departments of the various homelands and the Department of Bantu Affairs. However, dissatisfaction with the poor quality of education and the inadequate supply of resources available to students, boiled over into the Soweto uprising of 1976. The 1976 Soweto uprising, which Terreblanche (2002:308) calls one of the most decisive events in South Africa’s political and economic history, was the result of a government stipulation earlier in 1976 that certain subjects in black schools had to be taught in Afrikaans, despite the fact that there were not enough teachers that could speak Afrikaans employed in these schools (Terreblanche, 2002:350). The stipulation resulted in an illegal march by thousands of school children in Soweto that ended violently in confrontations with the police. The marchers demanded that the Black Education Act be abolished and insisted on equal per capita education expenditure by the government regardless of race or gender, equal access to education facilities, free and compulsory education for blacks, equal pay for all teachers and access for black students to all universities (Davies, 1984). De Villiers (1996:195) notes that after the Soweto uprisings, black education would never again be the same. Students became part of the political fight against Apartheid. The government replaced the Black Education Act with the Education and Training Act in 1979, suspended the compulsory teaching of Afrikaans as third language in schools and increased expenditure on black schools considerably (De Villiers, 1996:195).

Expenditure on black education continued to grow after 1994. However, education outcomes remain unequal (Van der Berg, 2001) because, in practice, little has changed for black students. Fiske and Ladd’s list (2004) is still relevant today: racial segregation remains evident while poverty persists among blacks, many former black schools have fewer resources than former white schools, and the quality of teaching differs quite significantly between former black and white schools. Two post-Apartheid surveys found that South African children performed amongst the worst in an international comparative study on math and science scores (Fiske and Ladd, 2004:57). The poor performance of formerly black schools with respect to delivering adequately educated workers to the job market, was historically and continues to be one of the main causes of poverty and unemployment.

### **Demography and the environment**

Although claimed to be the cause of the poor white problem by many intelligentsia of the time, the rinderpest of 1896/97 and the Anglo-Boer war should rather be thought of as events that increased the pace at which white poverty became evident. The rinderpest was devastating to cattle farmers, killing close to a third of cattle in the Cape (Lewis, 1973:22) and half of cattle herds in the Transvaal (Giliomee, 2004:270). Only two years later, the Anglo-Boer war and the accompanying British scorched-earth tactics severely affected agricultural production in the two Republics. According to Giliomee (2004:270), almost 90 per cent of homesteads in the Free State were burned down, while crops and equipment were destroyed. In the Transvaal, 80 per cent of the cattle, 75 per cent of the horses and 73 per cent of the

sheep were killed (Giliomee, 2004:270).<sup>11</sup> More than 15 000 farmers did not return to their farms after the war.

Although accelerating the process of rapid urbanisation, the events before the end of the 19<sup>th</sup> century played an even more central role in the urbanisation of a large part of the white population. According to Terreblanche (2002:264), mercantile intermediaries during the 1880s limited the ability of white farmers to develop modernised farming techniques. The chronic poverty of the farmers ensured their dependence on credit facilities and a lack of both working and investment capital; the farmers' "mercantile 'enslavement' not only hampered the transition to commercial agriculture, but also helped to bankrupt smaller farmers on uneconomical units" (Terreblanche, 2002:265). Furthermore, during the 1870s, the role of the state in agriculture increased, to the detriment of the small farmer. Consequently, many small farmers were reduced to *bywoners* on the farms of wealthy landowners (Terreblanche, 2002:265). Yet, the wealthy landowners, many of them Afrikaners, assisted in causing the decline of the small farmers by buying their land when bankruptcy threatened or providing loans that subjected the small farmer to life as a *bywoner*.

These factors, coupled with poor agricultural practices, poor agricultural land, severe droughts (exacerbated by the unsustainable agricultural practices) and an inappropriate cultural tradition (discussed later), caused what many called the second Great Trek – from the farms to the cities. The exodus of the rural poor was neatly summarised by Dr. Malan (1917:21) in 1917: "Alas, this trek does not lead from the narrows to the open spaces. This is a trek from a condition of freedom and abundance to one of poverty and want. This is the journey from Canaan to Egypt."

Yet Table 6 suggests that the exodus was not as large as once claimed. More accurately, the growth of the urban population was largely driven by immigrants entering the country, especially in the period following the discovery of gold in the Witwatersrand, and high rural fertility rates. According to Giliomee (2004:272), between 1875 and 1904 more than 400 000 immigrants entered South Africa - a greater number of people than those comprising the total white population in 1875. In fact, the growth in the rural population between the censuses, although smaller than the growth in the cities, suggests that the rural population never actually decreased in absolute numbers.

Census	Urban population	Growth in urban population	Rural population	Growth in rural population	Total	% Urban	% Rural
1891	217322	-	403297	-	620619	35.02%	64.98%
1904	590926	171.91%	525880	30.40%	1116806	52.91%	47.09%
1911	695796	17.75%	616446	17.22%	1276242	54.52%	48.30%
1918	766894	10.22%	654932	6.24%	1421781	53.94%	46.06%
1921	847508	10.51%	671980	2.60%	1519488	55.78%	44.22%
1926	975235	15.07%	701425	4.38%	1676660	58.17%	41.83%

Table 6: Extent of white urbanisation between 1891 and 1926

Source: Lewis (1973:27)

Growth in the urban population did, however, accelerate rapidly as people streamed into the cities in search of prosperity. Many of the white immigrants to the cities were poor, unemployed and without skills. Urbanisation was much more severe for Afrikaners – while only 2 per cent of Afrikaners lived in cities in 1890 (close to 10 000), nearly half of all Afrikaners lived in cities by 1936 (approximately 535 000) (Giliomee, 2004:274). Giliomee (2004:274) calls the early urbanisation wave "fast, chaotic and a traumatic process". Wages were low, jobs scarce and labour unorganised. The poor education of the urbanised Afrikaner contributed to their inability to find well-paying employment and to form labour unions. Many new arrivals from the farms had no contacts in the city and had to settle for a small room in one of the many shanty towns that sprang up, some of them considered to be the worst in the world (Giliomee, 2004:274). According to Giliomee (2004:274), crime was rampant in these towns; for many years young Afrikaners found crime or prostitution to be their only means of survival.

<sup>11</sup> According to Terreblanche (2002:245), 60 per cent of Afrikaner assets in the Transvaal and Free State were destroyed.

The second period of urbanisation occurred in the early 1930s as the Great Depression of 1929 plunged the world into a recession and wide-spread droughts in early 1930s destroyed large parts of crops and herds. The government attempted to block the stampede to the cities by offering large loans to farmers. Although many politicians of the times had argued for a return of the Afrikaner to the farms (see Malan, 1917), practical considerations soon prevailed; the government greatly expanded its support to the unemployed and provided employment in public works programmes (Giliomee, 2004:295).

Although rapid urbanisation – accelerated by the rinderpest, Anglo-Boer war and later the droughts and the Great Depression – proved to be a cause of growing white poverty in the cities, it probably contributed more to an increased awareness of the problem than to an increase in the number of those in absolute poverty in the country as a whole. Poor whites crowded together in shanty towns on the edges of cities presented a face to a problem hidden by the distances between farmers and their geographical isolation.

Black urbanisation took a very different route. Influx control before 1948, then under the control of the municipalities, ensured that blacks could not take up residence in metropolitan areas, mostly due to the Stallard legislation of 1923 (Simkins, 1983:118). According to Gelderblom and Kok (1994:84), there were primarily two reasons for influx control. The first was that most employers (especially those in mining and agriculture) feared that urbanisation would lead to competition for black labour and thus an increase in wages for black workers. Secondly, there was a perceived link between a permanent presence of blacks in the cities and granting political rights to these individuals.

Before 1948, influx control varied between municipal districts; it was enforced effectively in Bloemfontein, less effectively in Cape Town and not at all in Johannesburg (Simkins, 1983:119). The Urban Areas Act of 1945 and Verwoerd's 1952 Influx Control Act changed that. The Acts prescribed areas of residence for blacks and limited the numbers of blacks that could move to the cities. According to Simkins (1983:119), white farmers experienced an acute shortage of labourers in the post-War period, and were an important constituency when influx control legislation was designed. Although a surplus of farm labour appeared after the 1960s, influx control could not be abandoned as the government feared a rush to the cities, with the accompanying consequences of rapid urbanisation. The Riekert Commission proposed a process of "orderly urbanisation", but by the 1970s the situation was already turning into a vicious cycle. The gap between urban and rural lifestyles was widening, which increased the desire of rural blacks to move to the cities (Simkins, 1983:119). To suppress this movement, the government had to enforce stricter influx control with heavier penalties. This in turn widened the gap even further.

Because blacks could not purchase residential land in urban areas, large settlements developed on the outskirts of metropolitan areas. By the 1940s, squatter camps of around 63 000 to 92 500 blacks had settled in the vicinity of Johannesburg (Gelderblom and Kok, 1994:89). Although these settlements were demolished during the fifties, the government offered very few alternatives to blacks and did not make enough land available to them for proper development. Although the government did undertake large developments including Soweto and Alexandria, houses in these townships were only for rent, in line with the policy of temporariness (Gelderblom and Kok, 1994:90). Accordingly, the 1980 Population Census spells out the relatively low level of urbanisation of the black population. The Census found that 88 per cent of whites, 91 per cent of coloureds, 77 per cent of Indians and only 32.6 per cent of blacks had taken up residence in urban and metropolitan areas (Simkins 1983:119).

By the 1980s it became clear that the government policy of temporary residence would not withstand growing social pressures. The rapid growth in the urban population – as a result of high fertility rates and illegal immigration – brought rising dissatisfaction with Apartheid policies to a head. It was estimated that every four-roomed house in Soweto provided housing for more than 14 people (Gelderblom and Kok, 1994:90). Poverty in these townships was severe. A wave of protests during the 1970s and 1980s finally culminated in the decision to scrap influx control in 1986. According to Gelderblom and Kok (1994:91), a less stringent policy applied to black urbanisation after 1986. More land was made available to blacks, informal settlements were allowed and attempts were made to upgrade the latter.

### **Language and Culture**

At the end of the 19<sup>th</sup> century, the majority of poor whites were Afrikaner farmers. According to Wilcocks (Book II, 1932:viii), the poor white problem originated in the old, established part of the white population,

mainly farmers of Dutch-French-German origin. However, a small number of established English farmers – mostly of British or Irish descent – were also poor. Wilcocks (Book II, 1932:viii) argues that the economic deterioration of these farmers was mostly due to their inability to adapt to the new economic order brought about by the discovery of diamonds and gold, the influx of European immigrants, and the speedy construction of the railroads to the interior. For many generations these farmers were isolated from interaction with new technologies, influences or ideas, and had stagnated into a pioneer life of subsistence and simplicity. The older white population was therefore confronted with unknown challenges in a society dominated by English leadership.

It was no surprise then that the poor language ability of the urbanising white Afrikaners reduced their chances of finding employment. Most of them could not speak, read or write any English, probably due both to their poor education and reluctance to learn the language. Malherbe (1925:13) noted this too when he wrote: “(E)ducation proved insufficient as a prophylaxis against economic deterioration during a period of difficult adaptation”. Yet, the language of trade and commerce was English, with many of the business owners and artisans having come to South Africa during the gold rush. A large part of the urbanising white population was therefore unable to find work in the formal sector of the economy, and were forced into a life of poorly paid manual labour or unemployment.

Apart from the language barrier, the cultural tradition of the farmers was not conducive to successful commercial farming. The Roman Dutch Law of inheritance entitled every child to a portion of his father’s estate, even if these portions were insufficient for supporting a family. Consequently many successful farms, once divided, ended up overused and unsustainable as the source of a livelihood. The severe impact of the droughts was one consequence of the unsustainable farming methods used on many of these divided farms.

Just as the isolation of the white farmers made rapid transition to the modern economy difficult, so too did the rural black population in South Africa find it difficult to become accustomed to new technologies and lifestyles. Early explorers and missionaries in the country noted the apparent rejection of new tools, products and skills by the indigenous population, except for the use of tobacco and alcohol. Diamond (2005) suggests that this rejection of all things modern is the fate of most societies developed in isolation; a conservative outlook on life ensured their survival for thousands of years through the rejection of new - and possibly disastrous - technologies or tools.

In spite of this, by the end of the 19<sup>th</sup> century, the black population had acquired skills in the industrial sector (before the institution of the “colour bar”, some performed semi-skilled and skilled work). However, the segregationist and discriminatory policies of the early 20<sup>th</sup> century soon intervened, restricting residence for black workers in urban areas and forcing a return to life as subsistence farmers in the black reserves. Although urbanisation would arguably have occurred much earlier had it not been for the Apartheid policies, Gelderblom and Kok (1994:27) argue that the migrant labour system was not only the result of external compulsion but was also supported by the cultural tradition of the black population. Rather than promoting property rights, the men of the traditional Sotho-group were primarily farmers, moving seasonally to their fields that were scattered over a wide area (an appropriate strategy considering the inconsistent rainfall of the interior) (Feinstein, 2005:17).

Furthermore, the poor education blacks received under the apartheid government ill-equipped them for a move to the cities after the abolition of influx control. Language formed an obstacle, as most of the formal sector was either English- or Afrikaans-speaking. The rural black traditional culture and lifestyle was in many respects different to the culture of the white population; for example, in rural areas black farmers made use of traditional communal land for grazing and herding while property rights ensured individual ownership in the white economy. Furthermore, many rural blacks settled in sprawling townships on the outskirts of large cities where intolerable living conditions have often persisted to this day. Their poor living conditions and weak educational background did little to assist them in finding employment in the formal sector, so many were forced into a life of underemployment or unemployment.

### **Labour and government policies**

The first government of the Union in 1910 under General Louis Botha and later General J.C. Smuts followed a market-oriented approach. According to Giliomee (2004:276-277), during his years of studying at Cambridge, Smuts was influenced by Alfred Marshall’s *Principles of Economics* (1890), which argued for

little government intervention in the economy.<sup>12</sup> According to the classical approach, government is unable to alleviate poverty, and only the free market mechanism (including low import tariffs and balanced budgets) can rectify the situation; the best government can do is to provide education for the next generation. Therefore, Smuts aimed at high economic growth rates as the only viable way to improve the welfare of society. His approach was succeeded by Hertzog's approach, which emphasised government intervention as an important tool in alleviating poverty. According to C.M. van den Heever, Hertzog's biographer, Hertzog was more continental as he rejected a purely *laissez faire* approach (Giliomee, 2004:277). The different political ideologies had profound implications for the types of policies applied by the two governments.

A distinction needs to be made between government policies that contributed to poverty and those that attempted to alleviate it. Government policies at the start of the 20<sup>th</sup> century were primarily concerned with labour issues:<sup>13</sup> providing cheap labour to the mining industries and gaining political support from the growing white, urban working class. Of course, these two aims were mutually exclusive; cheap labour could be provided by blacks rather than whites, but reducing white jobs (and particularly from skilled positions) was politically unfeasible.

To find a safe middle-ground, the government invented the policy of segregation. According to Terreblanche (2002:254), a segregationist policy was already proposed by Milner and his *Kindergarten* (a group of Oxford graduates) in the SANAC report of 1905.<sup>14</sup> It hoped to solve the labour problems of the mines - while accommodating white racism - by creating "native reserves" that were too small to sustain the black population and thus created a "reservoir" for migrant labour (Terreblanche, 2002:255). The report furthermore proposed the segregation of whites and blacks in cities and in politics, where whites were supposed to represent the grievances of blacks. This was followed by the Land Act of 1913, which succeeded in creating a large reservoir of cheap and docile black labour, and in 1923 by the Native (Urban Areas) Act aimed at controlling the influx and urbanisation of black workers to the cities.

According to Beinhart and Dubow (1995:7-8), the racist segregation policies of the early 20<sup>th</sup> century should be understood as rationalising economic and capitalistic imperatives. While these (SANAC report, Land Act, Native Act) repressive labour laws were institutionalised on behalf of the mainly English-speaking white capitalist class (and lowered their costs), the discriminatory measures were institutionalised mainly on behalf of the Afrikaner proletariat or working class (which increased the costs for capital) (Terreblanche, 2002:270). According to Terreblanche (2002:270), it is not surprising to note that most of the repressive labour laws were institutionalised during the period of South African Party government from 1910 to 1924 (Botha and Smuts supported by the English capitalist class), while most of the discriminatory laws – introduced in part to alleviate white poverty – were institutionalised during the Pact government of Hertzog after 1924.

The steady decline in the gold mines' profits between 1910 and 1920 and the increase in the wage differential between white and black workers from 11.7:1 in 1911 to 15:1 in 1920 caused the mine houses to announce plans to employ fewer white workers (and to lower the colour bar to allow black workers to perform semi-skilled work) (Terreblanche, 2002:270). These changes triggered protests by white mineworkers (mainly poor white Afrikaners) under a Red Flag with the slogan: "Workers of the world unite and fight for a white South Africa". Smuts reacted by issuing the South African air force to suppress the strike, resulting in more than 200 casualties. Four leaders of the rebellion were sentenced to death and

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<sup>12</sup> There is little evidence to show that Marshall did, in fact, influence Smuts. In later years, for example, through their mutual involvement in Cambridge, Smuts became great friends with John Maynard Keynes, a major proponent of state intervention to stabilise the economy. They exchanged numerous letters which are published in the Smuts papers (1966-1973)

<sup>13</sup> Not all government policies concerned labour. The opening up of the interior and the discovery of diamonds and gold created a large market for locally produced crops. Yet, because of the openness of free trade and the poor infrastructure in the interior (making it difficult for farmers to get their goods to the market), cheap maize imports from the United States proved to be a serious problem for local farmers. These farmers protested vehemently for instituting import restrictions to protect local production. They argued that the cheap imports caused farmers to lose market share, lowering profits and increasing poverty. Therefore, a lack of government policies could also be considered a cause of poverty. (Of course, general equilibrium analysis might suggest that the benefits of the cheap maize in the cities outweighed the cost to the farmers.)

<sup>14</sup> In fact, Cecil John Rhodes' Glen Grey Act of 1894 was a prelude to this and later Acts that discriminated against blacks.

walked to the gallows singing the Red Flag (Feinstein, 2005:81). According to Terreblanche (2002:270), the harsh suppression of the strike “featured prominently in the consciousness of the Afrikaner working class” and played an important role in the election win of the Pact government in 1924.

The victory of Hertzog’s Pact government (the National Party and the Labour Party) in 1924 brought about a change in the emphasis of government policies, from focusing on the needs of the capitalist class to the needs of the working class – specifically white poverty alleviation. According to Feinstein (2005:86), the Pact government again interfered with the normal operation of market forces; whereas the previous government focused on suppressing the wages of black workers, the Pact government attempted to raise white wages while suppressing black wages. The new government immediately sprang into action: it introduced a discriminatory policy officially dubbed “civilized labour” by adopting the Wage Act in 1925, the Mines and Works Amendment Act in 1926 and the Native Administrative Act in 1927. The Wage Act gave the minister the right to appoint a wage board and to prescribe the same minimum wages for blacks and whites. The Mines and Works Amendment Act reintroduced the “colour bar” in favour of whites and coloured workers. Whereas the Supreme Court had ruled in 1923 that the previous “colour bar” was *ultra vires*, the new Act simply reserved certificates of competency in skilled trades for whites and coloureds (Terreblanche, 2002:273). This institutionalised a type of affirmative action; because blacks were restricted to do unskilled labour, mines had no option but to employ white labour even though blacks might have been more productive. According to Terreblanche (2002:273), between 1924 and 1933 more than 8000 jobs were transferred from black to white workers.

Apart from the labour laws, the new Pact government also implemented a new industrial policy since it considered the availability of cheap electricity and steel to be necessary preconditions for the development of a manufacturing industry (Giliomee, 2004:290). Accordingly, ESCOM was established in 1922 and ISCOR in 1928 (with production beginning in 1933). Furthermore, the rapid expansion of the country’s infrastructure, especially the railways, required builders and operators. Table 7 shows the rapid increase in the number of white workers on the railways immediately following the 1924 election.

Year	Number on completed lines	Growth in number on completed lines	Number on construction	Growth in numbers on construction	Total
1924	3083		1667		4750
1925	7557	145.12%	3193	91.54%	10750
1926	10161	34.46%	3126	-2.10%	13287
1927	11228	10.50%	3624	15.93%	14852
1928	11997	6.85%	3901	7.64%	15898
1929	12906	7.58%	2912	-25.35%	15818
1930	12501	-3.14%	1862	-36.06%	14363
1931	12247	-2.03%	2304	23.74%	14551

Table 7: *White labourers on the railways*<sup>15</sup>

Source: Wilcocks (Book II, 1932:79)

Part of the industrialisation process involved the high tariff structure that was imposed to protect local industries. According to Terreblanche (2002:274), rather than stimulating new industrialisation, the high tariffs succeeded only in protecting those industries that used mainly white labour. Government contracts also favoured those industries that employed predominantly white labour.

While many whites argued that the Pact government policies succeeded in alleviating white poverty, this was not the case in reality. Terreblanche (2002:274) argues that “although many poor whites were employed ‘artificially’ at the cost of blacks, the Pact strategy did not succeed in solving the poor white unemployment problem. This only happened after the sharp increase in the price of gold in 1932, the enlistment of Afrikaners in the South African forces that participated in World War 2, and the creation of many additional jobs in the industrial sector during the War”. The Carnegie investigation undertaken in 1929 and the 1934 National Conference on the poor white problem both suggest that poverty levels fell little after the first decade of Pact government.

<sup>15</sup> Although not entirely similar, information presented in a speech by the Commissioner of the Railway Council in 1934 closely resembles the same trend (Kuit in Du Toit 1934:51).

By 1934 the poor white problem had become very sensitive politically.<sup>16</sup> A conference to discuss possible solutions was called for and held in Kimberley in October of that year. A wide variety of speakers, both English and Afrikaans, proposed solutions to alleviating white poverty, none more important than those proposed by a young Prof H.F. Verwoerd, then professor in sociology at Stellenbosch University. Although he acknowledged that white poverty could not be addressed without recognising the impact of various policies and interventions on the other race groups, he argued that “when there is certain discrimination in the interest of the white worker, it should be remembered that such discrimination is not only in the interest of the poor white, but in the interest of the country!” (Joubert, 1982:55). And later in his speech: “There is valid reason for such *temporary discrimination* in some circumstances, as it will be in the interest of the country. However, this is the only way to sympathetically account for the welfare of both the whites and non-whites, even if it does carry with it the resemblance of prejudice” (Joubert, 1982:56, my emphasis). Verwoerd’s main proposal at the conference was the establishment of a Department of Social Welfare to coordinate and micro-manage poverty alleviation strategies of all branches of society. After the conference, and in charge of implementing the conference proposals, Verwoerd was critical about slow government action (Giliomee, 2004:302). He and others, especially D.F. Malan, used this inaction by government and the commemoration of the Great Trek in 1938 as the springboards for a successful campaign to increase nationalist feeling among Afrikaners, which contributed to the election win of the National Party in 1948.

Although the “colour bar”, which reserved certain occupation for whites, had already been introduced early in the 20<sup>th</sup> century, discrimination was greatly extended after the National Party came to power in 1948. The Native Labour (Settlement of Disputes) Act of 1953 excluded blacks from the term “employee”. The Act further restricted blacks from organising strikes and although not prohibiting black trade unions it denied them official recognition (Feinstein, 2005:157). The 1951 Native Building Workers Act prohibited blacks from undertaking skilled building work outside the demarcated black living areas, while the 1956 Industrial Conciliation Act and later amendments reserved almost all skilled and increasingly semi-skilled jobs for whites. Because of these labour laws, a shortage of skilled workers already developed around the 1960s. However, official policy remained committed to the policies of job segmentation until the Wiehahn Commission recommended in 1977 that blacks be included in the definition of “employee” of the Industrial Conciliation Act (Feinstein 2005:241). By 1984, and with the rise of black trade unions, all job reservations had been abolished, with the exception of those in the mining industry, where they remained in place until 1988. Although white wages had been significantly above black wages for decades, the gap started to close in the 1970s because of the shortage of labour. Yet, Feinstein (2005:230) notes that black wages began to rise at the same time as labour supply began to outstrip labour demand. Real black wages rose by more than 40 per cent between 1970 and 1976, and the gap continued to close after that (Feinstein, 2005:231).

The ANC-led government elected to victory in the first democratic elections of 1994 chose to follow what is sometimes referred to as a neo-liberal democratic capitalism approach. In essence, the ANC shifted gear from proclaiming socialist and communist policies before the election to opening up the economy and promoting free enterprise and economic growth as the main vehicles of poverty alleviation. The Growth, Employment and Redistribution (GEAR) programme, released in 1996, captured the government’s commitment to economic growth through trade liberalisation, privatisation and macro-economic stability. Although it did not achieve the high growth rates it aimed for, it did succeed in stabilising government debt, bringing down the budget deficit and opening up the economy. Despite this emphasis on correcting macroeconomic imbalances, the government also shifted spending to a number of key social areas, including education, social welfare, housing and basic infrastructure services. A new initiative, ASGI-SA, which was launched in 2005 with the help of a group of international specialists, again highlighted the need for higher economic growth in the context of efforts to achieve the Millennium Development Goal of halving poverty by 2015.

The new constitution of 1996 also made provision for the introduction of legislation to address the racial imbalances of the past. This culminated in the implementation of the Department of Trade and Industry’s

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<sup>16</sup> Primarily two reasons can account for this sensitivity. First, the Carnegie-report released in 1932 emphasised the severity of the poor white problem. Secondly, D.F. Malan split from the coalition of Smuts and Hertzog and formed the Purified National Party. The Party’s nationalistic propaganda emphasised injustices against the Afrikaners and the need to solve the poor white (Afrikaner) problem.

Strategy for Broad-based Black Economic Empowerment, which later formed the basis for the Broad-based Black Economic Empowerment Act (2003). The BEE Act combines the Employment Equity, Skills Development and Preferential Procurement legislation into a comprehensive strategy to empower “all black people, including women, workers, youth, people with disabilities and people living in rural areas” (DTI Code of good practice: 2004). The policy, akin to Verwoerd’s policy of temporary discrimination, hopes to fast-track black economic revival. Although the reasons for introducing the BEE charter are evidently more nuanced, one should be skeptical regarding the ability of labour policies operating against market forces to benefit the majority of poor in the country.

## LESSONS FROM THE PAST

### Education

During the beginning of the Second Carnegie investigation into poverty in South Africa, Le Roux (1984:1) noted that government attempts to address poverty in the 1980s should take cognisance of what was done to eliminate the poor white problem. This statement is as relevant today.

An important contributor to the alleviation of white poverty was the improvement in education. According to Malherbe (1925:401-411), between 1909 and 1920 school attendance for the total population increased by 92 per cent. However, Malherbe (1925) notes that this increase was mainly due to compulsory school attendance for whites. De Villiers (1996:191) notes that in the first decade after unionisation in 1910, the number of teachers in the Union more than doubled. Even more important, argues De Villiers (1996:191), is the increase in the number of teachers in possession of tertiary qualifications over the same period, from 59 per cent to between 73 and 80 per cent. These changes in education were primarily brought about by government’s shifting stance on education. According to Malherbe (1925), 26,4 per cent of government expenditure was dedicated to education in 1921/22, an exceptionally high percentage in those years.

Any long-term strategy to improve the welfare of black households in South Africa will need to include a strategy for improving the quality of their education (Fiske and Ladd, 2004:12). However, as argued before, although government has attempted to improve education outcomes by increasing government expenditure on formerly black schools, the results have not been satisfactory. Various authors have proposed a multitude of solutions to the problem. These include smaller pupil/teacher ratios (Case and Deaton, 1999), better qualified teachers, more resources and better school management. Unfortunately, there is presently little indication that these proposed solutions can be implemented.

However, important practical lessons arise from the success achieved in addressing the poor white problem in the 1930s. The first of the interventions to address the poor education of whites at the start of the century was to make education compulsory up to the current Grade 6 for whites in 1905 (Giliomee, 2004:274). Secondly, higher government spending on teacher salaries ensured that higher qualified teachers entered the school system. Thirdly, non-profit organisations and churches, in many cases funded by the state, played an important part in building institutional and infrastructural capacity in schools. The Dutch Reformed Church (DRC) with its many organisational arms, such as the *Afrikaanse Christelike Vrouevereniging* (ACVV), built and managed many industrial and agricultural schools between 1894 and 1922 that provided education to more than 1500 students, as well as 160 boarding homes that served more than 7000 rural children between 1917 and 1932 (Giliomee, 2004:274).

Education is now compulsory for all South Africans up to Grade 9. More recently, government has showed its commitment to improving teacher quality by signing the Improved Career Pathing and Accelerated Salary Progression agreement, whereby teacher salaries are substantially raised. The quality of education received by blacks today still falls far short of that received by poor. Furthermore, little is being done to address the shortage of institutional capacity at the micro-level. This is possibly an area where non-profit organisations can play an important role in addressing issues such as school security, offering training for science and math teachers, providing management and consulting services, encouraging the exchange of teachers between schools, and providing boarding facilities and financial assistance to students from poor backgrounds.

### Urbanisation

The urbanisation of the poor whites and the poor black in the respective periods took divergent paths. Migrant labour played no role in the case of the poor whites –poor farmers sold or abandoned their holdings (mostly to wealthier farmers), moved to the cities with their families and started a new life. By contrast, rural black families usually remained on subsistence farms in the black reserves, with the men migrating to the city to find employment. Government projects to alleviate the poverty in the townships of the 1930s proved successful, whereas attempts to address the urbanisation of black workers - by building townships where houses could be rented from the government - did little to alleviate the plight of the poor.

The major difference is that urbanised whites could purchase and own land in the city, whereas the migrant black worker could not, as residence was seen as temporary. Ownership brings many benefits, including access to credit facilities, better living conditions and incentives for further improvement and maintenance of the residence. According to Gelderblom and Kok (1994:92), the availability and security of land for the urbanising poor was the main difference between the increase in income for the poor white and the persistence of black poverty today. To address black poverty today, a rapid process of property right allocation should be undertaken in urban areas, especially in settlements where the land is owned by the government<sup>17</sup>.

### Government policies

The labour laws of the Hertzog government did little to alleviate long-term white poverty. Although affirmative action policies did force industries to hire more white workers and public works programmes increased employment for whites, these strategies did not succeed in reducing white poverty in any meaningful way. However, together with state welfare programmes, these policies did alleviate poverty for some of the poorest in the cities, by offering them the chance to earn a minimum income. According to Feinstein (2005:89), the economic interests of the white workers who could vote had triumphed over the economic interests of the country as a whole (since many other South Africans could not vote). Although the major contributor to lowering poverty levels was the high economic growth rate in South Africa over the period spanning 1932 to the end of the 1960s, which was driven predominantly by the rise in the gold price and greater protectionism as a result of the Second World War<sup>18</sup>, even higher economic growth was constrained by the need to accommodate the interests of the politically active white working class. Yet some government policies during the early 20<sup>th</sup> century did contribute to building capacity to take advantage of the high economic growth in the decades after 1930. The improvement in education and health for the poorest of the poor improved the trickle-down effect of economic growth to these groups: an important lesson for policy makers in contemporary South Africa.

More than a decade after the first democratic election, analysts have begun to assess the success or failure of the post-Apartheid approach. According to Van der Berg et al. (2005:22), although the trend in poverty immediately following the transition is not that clear, recent evidence suggests that poverty has been on the decline.

	1993	2000	2004
Using poverty line of R3000 per capita per year			
Headcount ratio (P <sub>0</sub> )	0.406	0.413	0.332
Poverty gap ratio (P <sub>1</sub> )	0.200	0.205	0.146
Squared poverty gap ratio (P <sub>2</sub> )	0.126	0.127	0.085
Number of poor (million)	16.2	18.5	15.4
Number of non-poor (million)	23.7	26.2	31.0

Table 8: Poverty indicators for total population post-1994

Source: Van der Berg et al. (2005:17)

Whereas poverty headcount numbers first increased after the 1994 elections (Table 8), the trend reversed after the turn of the century as the impact of poverty reduction strategies rose above the natural tendency

<sup>17</sup> This is different from the process of land redistribution to blacks. Property right allocation refers to obtaining property rights to land where the holder already lives on the property. Land redistribution refers to obtaining property rights to land where the holder does not live on the property.

<sup>18</sup> For an extensive discussion of the growth period in these early years, see Fedderke and Simkins (2006)

of an increase in the population to exacerbate poverty (Van der Berg et al. 2005:22). In particular, the rapid expansion of the social grant system since 2002 has been a very effective weapon in the fight against poverty. Further, Van der Berg et al. (2005:22) argue, the income of blacks above the poverty line is rising considerably, with blacks now constituting half of the growth in the upper end of the consumer market. Although – as in the case of affirmative action for whites – BEE has contributed to the growing income levels of blacks in South Africa, BEE will not succeed in reducing black poverty altogether. Rapid job creation is the next hurdle, according to Van der Berg et al. (2005:23), as the social grant system is currently nearing the limits of its poverty alleviation capacity. For rapid job creation, a robustly growing economy is a necessity. The official growth goal set out in ASGI-SA suggests that the government is on the right track regarding its macroeconomic policy framework.

The process of industrialisation during the 1930s was largely driven by the government, as evidenced by the establishment of first ESCOM, ISCOR and the Industrial Development Corporation in 1940. These institutions, through creating additional jobs, contributed to the development of technology and investment in human capital. Furthermore, expansion of the infrastructure network (power and rail) was crucial in bringing down transaction costs of economic activity, enabling economic growth. Today, the government is aiming to privatise most of the state-owned enterprises in the economy. Yet, the experience of the 1930s should not escape the government's attention. Investment in new areas of technology, rather than simply investing in job creating industries, may create positive spillovers into other sectors of production, thereby increasing economic growth. The current government is in the process of implementing an infrastructure development strategy (as found in ASGI-SA) as well as fine-tuning an industrial policy strategy for South Africa.

#### FINAL REMARKS

There is little question that black poverty today is of a much greater magnitude and severity than white poverty at the start of the previous century. Although both periods of poverty received widespread political, social and economic attention, the poor white problem seems to have been mostly a case of an increase in relative poverty. Whereas society was previously more equal and farmers' isolation made poverty less visible, the immigration of thousands of whites and the increase in wealth from the mines created for the first time a white underclass that was evidently poorer than the rest. Black poverty also concerns an increase in relative poverty; since the arrival of whites, black wealth was always subject to comparison with white wealth. However, the increase in white income levels, especially after 1930, caused white income to remain at far greater levels than those of blacks. Such inequality brought black poverty into the open, exacerbated by various discriminatory and repressive government policies. Although black poverty has started to decline after the transition (and more blacks are entering the middle-income groups), absolute black poverty is still much more severe than white poverty at the start of the previous century.

White poverty – caused mainly by a poor education system and conservative culture of the isolated farmer, fast urbanisation after the discovery of mineral deposits in the interior and a number of exogenous factors such as the rinderpest, the Anglo-Boer war and many severe droughts – was alleviated in less than five decades. An important conclusion from the investigation into white poverty is that government labour and welfare policies contributed very little to the long-term alleviation of white poverty. High economic growth rates in the four decades after 1933 – and the accompanying increase in employment – were the most important factors in eradicating white poverty. Thus, economic growth is still the key to combating poverty. Black poverty, although on the political agenda for a number of years, is still severe. Although economic growth should be the main driving force of poverty reduction, the government can assist through poverty alleviation. Therefore, an understanding of the factors that contributed to the alleviation of white poverty is of critical relevance for modern poverty strategies.

Firstly, this analysis suggests that improvements in education – through higher government spending but also improvement in teacher quality – can have a dramatic impact. Whereas the government has extended expenditure on education considerably since 1994, the quality of education – and especially the quality of outcomes – is not adequate. Private, non-profit organisations, such as churches and welfare organisations, can play a large role in improving the institutional and managerial capacity at the micro-level. Government emphasis and assistance to these organisations can create an awareness and community involvement that will go a long way to improving the outcomes of educational institutions.

Secondly, differences in property rights held by the urbanised poor formed the main difference between white urbanisation and the attempted “orderly urbanisation” of the rural black. Property rights create numerous positive externalities, primarily through granting owners the opportunity to acquire capital, and extending those rights to those presently occupying but not owning property should be on the policy agenda of the current government.

Thirdly, policies such as Black Economic Empowerment and the social welfare system will do little to alleviate long-term black poverty. Although many Afrikaner nationalists during the Apartheid years claimed that the Afrikaners “saved themselves” from impoverishment, this is not entirely true. Afrikaner policies to promote Afrikaner interests did not improve the welfare of the white population to any great extent. This does not mean government should not intervene; government should implement policies that promote economic growth or, rather, that eliminate the binding constraints to economic growth. Infrastructure investment that combat market failures and reduce transaction costs should be such a policy priority. Furthermore, the South African government can, through investments in new technologically intensive industries, encourage private investment that makes use of the externalities created by these industries, akin to the government investment in ESCOM, ISCOR and the IDC in the 1930s. Yet, the social welfare system has reached close to maximum capacity and, although it has evidently contributed to reducing severe poverty, it should not be considered the means to solving the problem of black poverty. Rather, the government’s focus on policies that promote higher economic growth and job creation is, as was the case for white poverty in the post-1930s, the only solution to black poverty in South Africa today.

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