



# Economic Growth in South Africa under Apartheid: Drivers and Consequences of Institutionalized Inequality

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## Abstract

This paper aims to deeply explore the economic growth dynamics during the apartheid era in South Africa and its long-term consequences on social inequality. In terms of research methods, by reviewing the historical background and implementation of apartheid policies in detail, this paper adopts various means such as literature research, historical analysis, data analysis, and case studies to analyze how this policy strengthened the economic disparity between whites and blacks through key areas such as land distribution, educational resources, the labor market, and capital flows. The paper further discusses its specific impact on South Africa's economic growth, particularly in the mining, agriculture, and manufacturing sectors. Meanwhile, this paper will also study how institutionalized inequality further exacerbates social inequality through channels such as the labor market, income distribution, and social security systems. In addition, this paper focuses on how these inequalities continue to influence South Africa's economic structure and social development after the end of apartheid, assessing the economic structural challenges faced by South Africa in the post-apartheid era and exploring the far-reaching impacts of these challenges on modern South African economic development and social equity issues.

## Subject Areas

Anthropology, Culture

## Keywords

Apartheid, Economic Growth, Institutionalized Inequality, Social Stratification

## **1. The Origins and Development of Apartheid Policies**

### **1.1. The Historical Background of Apartheid**

The origins of South Africa's apartheid policies can be traced back to the colonial era. In 1652, the Dutch East India Company established a colony in the Cape, marking the beginning of the construction of a white-dominated power structure. Through land seizure and the control of indigenous labor, colonizers gradually established social and economic inequalities between races. During British colonial rule, the foundations of apartheid were further reinforced through legislation. The Native Land Act became a pivotal milestone in this process, severely restricting black people's rights to acquire and own land [1].

### **1.2. Institutionalization of Policies**

With the establishment of the Union of South Africa in 1910, apartheid policies evolved from fragmented colonial practices into a systematic governance framework. In 1948, the joint government led by D.F. Malan's Reunited National Party and the South African Party formalized apartheid policies and reinforced their institutionalization through a series of laws. These laws primarily strengthened control over black populations through racial classification, spatial segregation, and economic division.

#### **1.2.1. Racial Classification System**

The Population Registration Act of 1950 classified South African residents into racial groups: White, Coloured, Indian, and Black. This classification provided the legal foundation for apartheid policies, enabling targeted restrictions on the rights of black populations.

#### **1.2.2. Spatial Segregation Policies**

The Group Areas Act designated residential areas based on race, forcibly relocating black populations to so-called "Bantustans." These regions were situated in remote and infertile areas that lacked resources and were unsuitable for agriculture or industrial development. This spatial segregation further restricted black communities' economic activities and reinforced their marginalized status in the labor market.

#### **1.2.3. Labor and Education Segregation**

Apartheid policies strictly regulated the roles of different racial groups in the labor market. Black individuals were confined to low-skill industries, while high-paying and skilled jobs were monopolized by whites. Additionally, racially segregated education policies limited black people's access to higher education, depriving them of opportunities to acquire advanced skills and achieve social mobility at its root.

These laws confined black populations to designated reserves and prohibited them from purchasing or leasing land in white areas, thus legally entrenching the apartheid system. This pattern of land distribution directly marginalized black communities economically while consolidating the monopoly of resources by the white elite [2]. Unable to participate in the land ownership system, black individuals were

forced into a labor market dominated by the mining industry, taking on low-wage, low-skill jobs. This land-based inequality laid the economic and social foundation for subsequent apartheid policies, marking the starting point of deep class divisions within South Africa's economic structure [3].

## **2. Apartheid and the Economic Structure of South Africa**

Apartheid policies in South Africa not only created profound social inequalities but also had long-term negative effects on the economic structure. Specifically, the control over land and labor of the black population severely restricted their opportunities for economic development. By systematically controlling resources and labor markets, apartheid policies reinforced the economic dominance of the white elite while keeping black individuals in a state of economic oppression and exploitation.

### **2.1. South Africa's Mining Industry**

South Africa is one of the world's most important exporters of mineral resources, particularly renowned for its gold and diamond production. During the early 20th century, South Africa became the world's largest gold producer, and this industry rapidly became the backbone of the national economy. Since the 1880s, South Africa's gold industry has produced over 52,000 tonnes of gold, accounting for as much as 60% of global gold production. Gold exports became a critical source of government revenue [4].

However, this prosperity came at the cost of extreme exploitation of black workers. In mining areas, black workers lived in extremely poor conditions, confined to small dormitories, earning meager wages, and working long hours. The working conditions were particularly hazardous, especially in deep mining operations, where many workers died due to inadequate safety measures. Despite creating immense wealth, black workers saw little to no corresponding benefits. Instead, white mine owners and foreign investors reaped the majority of the profits and economic gains through their control of mineral resources. This unequal distribution of wealth reinforced the structural disparities that persisted throughout the apartheid era and beyond.

### **2.2. South Africa's Agriculture**

South Africa's agricultural production was also profoundly affected by apartheid policies. Under the Native Land Act, South Africa's land was severely fragmented, with white farmers occupying the vast majority of fertile land, while black populations were confined to limited areas for cultivation [1].

In the agricultural sector, white farmers not only controlled the means of production but also exploited black labor through low wages and poor working conditions. Black farmers faced not only a scarcity of land but also poverty and a lack of access to modern agricultural technologies. This forced dependence on low-paying agricultural work limited the ability of black communities to achieve

economic mobility or build intergenerational wealth.

Through this institutionalized inequality, white farmers and capitalists were able to amass wealth, while the black population remained in a state of poverty. The prolonged existence of this economic system led to deep social stratification in South Africa, resulting in a growing divide between the rich and the poor. Over time, these patterns of inequality became deeply entrenched, contributing to the long-term trend of systemic economic disparity.

### **3. Inadequate Compensation and Lacked Social Security**

During the apartheid era, South Africa experienced significant economic growth, particularly in mining and industrialization. However, this growth was not driven by a comprehensive improvement in social productivity but rather by the exploitation of Black labor and resources.

#### **3.1. Inflows of Foreign Investment and Economic Support**

South Africa's economic growth was closely tied to the influx of foreign investment, especially in the extraction of gold, diamonds, and other mineral resources. Foreign capitalists played a pivotal role in South Africa's mining sector. In the mid-20th century, substantial foreign capital flowed into South Africa from Britain, the United States, and other capitalist countries, fueling the prosperity of the mining and industrial sectors. According to the Economic History of South Africa, the export of gold and diamonds generated substantial foreign exchange revenue, further solidifying South Africa's position in the global economy [5].

These investments also supported the construction of key infrastructure, such as railways and ports, which are crucial for resource extraction and export. However, these foreign investments did not achieve a fair distribution of wealth within South African society. The development of this infrastructure primarily served industries owned by whites and foreign investors. Living conditions or access to public services in black communities saw almost no improvement. For example, during the apartheid era, strict racial segregation measures were enforced within the railway transportation system, with black and white passengers required to ride in separate carriages, and even waiting rooms and platforms were segregated by race. This disparity further exacerbated economic and social inequalities [6].

#### **3.2. Industrialization and Social Impacts**

Industrialization played a pivotal role in South Africa's economic development, particularly in key sectors such as steel, fertilizers, chemicals, and machinery manufacturing. Through import substitution policies and support for local enterprises, the South African government facilitated the expansion of the industrial sector. However, the apartheid policies profoundly influenced the industrialization process, ensuring an extremely unequal distribution of its benefits among racial groups.

Apartheid policies not only imposed structural restrictions on Black communities

but also served as a mechanism to advance industrialization. Specifically, these policies limited Black people's access to education and career opportunities, providing industries with a vast supply of cheap labor. This directly contributed to the industrialization process centered around mining and spurred rapid development in manufacturing. Between 1912 and 1948, South Africa's industrial output increased from £89 million to £1.82 billion, making industrialization a major driver of economic growth [7].

Nevertheless, Black workers were largely excluded from high-skilled, high-value-added industries, with most confined to low-skilled, low-wage jobs [8]. In contrast, white workers dominated high-paying, high-skilled sectors, creating a stark racial division of labor.

Policies such as the Bantu Education Act and the Job Reservation System explicitly linked industrial growth to racialized labor exploitation. These policies systematically excluded black workers from high-skilled, high-wage jobs, reserving such positions for white workers. For example, black workers were primarily engaged in unskilled or semi-skilled labor, such as factory workers, while management and technical positions were monopolized by white workers.

This racial division of labor not only exacerbated income disparities but also hindered broader social mobility within black communities. Although industrialization fueled South Africa's economic growth, it came at the cost of perpetuating systemic inequality and limiting the potential for inclusive development.

#### **4. Long-Term Consequences of Institutionalized Inequality**

The economic growth during apartheid not only affected South Africa's short-term economic performance but also had profound implications for its long-term social and economic structures. Through institutionalized inequality, apartheid policies created significant wealth disparities and exacerbated class divisions in South African society. These consequences continue to shape the nation's economic and social dynamics even after the end of apartheid.

##### **4.1. Unequal Distribution of Wealth**

A core aspect of apartheid was the racialized distribution of wealth. The white population, through legal and policy mechanisms, controlled the majority of land, mineral resources, and industrial capital, while Black communities were confined to impoverished rural areas, unable to benefit from these resources. According to the Economic History of South Africa, under apartheid, the disparity in wealth and living conditions between the white elite and the Black population was staggering.

Although South Africa experienced economic growth during apartheid, the benefits were overwhelmingly enjoyed by the white minority, with Black communities remaining at the bottom of the economic hierarchy. For instance, during the 1950s and 1960s, wealth was concentrated in the hands of a few white individuals, while the income levels of Black communities were extremely low, and their living conditions were dire. Even as modernization and industrialization spurred

economic development, the Black population derived little to no benefit from these advancements.

More critically, this wealth disparity became entrenched within South Africa's social structure, with access to economic opportunities being strictly regulated by racial lines. Economic benefits remained inaccessible to most Black people, solidifying a system of inequality that persisted well beyond the apartheid era.

## 4.2. Racialized Education and Labor Market

Another significant aspect of apartheid was the racialization of the education system. Educational opportunities for white South Africans far exceeded those available to Black citizens, who were relegated to substandard schooling. As a result, Black communities were less competitive in the labor market. As highlighted in *South African Social Inequality*, apartheid policies denied Black South Africans access to higher education, severely limiting their ability to enter high-paying, high-skill professions even when they possessed the potential to succeed [9].

By racially segregating educational resources, apartheid policies restricted social mobility for Black communities, placing them at a disadvantage in the labor market. Black workers were largely confined to low-skill, low-wage jobs across various industries, while white workers dominated management, technical, and innovation roles.

Over time, this racialized labor market structure remained largely unchanged, perpetuating economic stagnation and preventing black South Africans from achieving economic self-sufficiency. These entrenched inequalities in education and labor not only limited individual potential but also hindered broader societal progress in post-apartheid South Africa.

This phenomenon is not limited to the apartheid era of the 20<sup>th</sup> century; even today, South African society continues to face issues such as unequal access to educational resources and unequal employment opportunities. Although South Africa has implemented some reform measures in the post-apartheid era (since 1994), such as affirmative action policies including bonus points for Black students in exams, educational subsidies, and tuition waivers, these measures aim to address the injustices experienced by Black South Africans during apartheid [10].

However, due to the enduring effects of the apartheid system, these reforms have not immediately eliminated wealth disparities and social inequalities. For instance, although Black South Africans make up 80% of the country's population, only 9% of students in higher education are Black. Colored students account for 13%, Indian students make up 40%, and the majority of students (70%) are white.

This phenomenon is not confined to the apartheid era of the 20<sup>th</sup> century; even today, South African society continues to grapple with unequal access to education and employment opportunities. Despite introducing affirmative action policies in the post-apartheid era (after 1994)—such as additional exam points for Black students, educational subsidies, and tuition waivers aimed at redressing the injustices suffered by Black South Africans under apartheid—the long-lasting

effects of institutionalized racial segregation have hindered these reforms from effectively eliminating wealth gaps and social inequalities. For example, while Black South Africans comprise 80% of the population, only 9% of students in higher education are Black, compared to 13% for colored students, 40% for Indian students, and 70% for white students [11].

### **4.3. Social Instability and Conflict**

The institutionalized inequality of the apartheid era manifested not only in economic disparities but also in profound social issues. These inequalities gave rise to significant social unrest in South Africa, particularly tensions and conflicts between white and Black populations. While apartheid policies sought to maintain racial segregation through stringent legal measures, grassroots-level racial animosities continued to escalate. Acts of resistance and uprisings, such as the 1960 Sharpeville Massacre and the 1976 Soweto Uprising, exemplified the deep-seated social anger and protests fueled by systemic inequalities [12].

Although South Africa undertook political and social reforms after the end of apartheid, abolishing racially discriminatory laws, the lingering structures of inequality continue to profoundly affect societal harmony and stability. The enduring wealth gap, the racialized distribution of educational and employment opportunities, and historical racial conflicts still contribute to strained race relations and class divisions in contemporary South Africa.

### **4.4. Unequal Development of Infrastructure and Environment**

The apartheid regime not only entrenched economic and social disparities but also exacerbated divisions in the realms of infrastructure and environmental development. White communities enjoyed high-quality infrastructure, including well-maintained roads, water systems, electricity, and medical facilities, while Black communities were forced to live in impoverished areas lacking these basic services. The stark contrast between white cities and Black townships highlights the racialized urban structure. This segregation restricted Black residents' access to housing and economic opportunities and created a dual urban framework: city centers were predominantly white, while peripheral areas became Black townships [13].

In agricultural and industrial zones, the allocation of environmental resources similarly reflected the deep impacts of apartheid policies. White farmers controlled fertile lands and advanced agricultural technologies, while Black farmers were relegated to arid areas with minimal access to modern tools and technical support. This unequal distribution of resources not only hindered agricultural productivity at the time but also sowed the seeds for persistent social inequalities in subsequent generations.

## **5. Countermeasures and Suggestions**

In response to the far-reaching impacts of the apartheid system that still exist in South Africa, this paper proposes the following comprehensive countermeasures

and suggestions:

The government should comprehensively strengthen economic empowerment for black people by implementing and optimizing the Black Economic Empowerment (BEE) program, providing a full range of support measures including financial assistance, tax incentives, financing facilitation, and entrepreneurial guidance, to help the black community enhance their economic strength and social status. At the same time, the government should encourage black-owned enterprises to actively participate in investments and operations in key national industries, promoting economic diversification and inclusive development through policy guidance and market mechanisms. To enhance the professional competence and market competitiveness of black entrepreneurs, the government should also strengthen relevant training and capacity building.

In terms of education, the government should significantly increase investments in black education, especially at the basic education level, to ensure that black students can enjoy high-quality educational resources. At the same time, more equitable education policies should be implemented to eliminate educational barriers left over from the apartheid era and ensure fairness in educational opportunities. To enhance the employability of black students, the government should also strengthen the alignment of vocational education and higher education with market demands, providing more specialized courses and training opportunities that are compatible with economic development.

In terms of social security, the government should establish and improve a social security system, providing basic livelihood support, medical assistance, unemployment insurance, and other benefits to impoverished and unemployed black individuals. At the same time, the government should also provide services such as vocational training and employment guidance to help the black community improve their employability and better integrate into socio-economic development. The government should also pay sufficient attention to the housing issue of the black community, providing housing subsidies or constructing affordable housing to improve their living conditions.

## 6. Conclusions

Although apartheid has officially ended, South Africa still faces significant economic and social challenges. In the post-apartheid era, the South African government introduces various reform measures, such as the Black Economic Empowerment (BEE) program, and improvements in education and healthcare, to promote equity and inclusivity.

The implementation of the BEE policy has brought about some positive results. Firstly, the policy has significantly enhanced the economic participation and management rights of the black community, enabling them to engage more in South Africa's economic activities. Through equity transfers, corporate collaborations, skills training, and other means, the black community has gradually gained more economic resources and opportunities, thereby improving their economic status.

Secondly, the BEE policy has promoted the diversified development of South Africa's economy. Driven by the policy, cooperation between white-owned and black-owned businesses has become closer, forming a more diversified economic landscape. This diversification of the economic structure has not only enhanced the resilience of South Africa's economy but also injected new vitality into its economic development.

However, despite the positive achievements of the BEE policy, the deep-seated economic disparities and social divisions rooted in historical injustices remain difficult to eliminate. These challenges require the South African government to continue pushing for comprehensive social and economic reforms to further promote equity and inclusivity and achieve a more equitable and prosperous future. Only through sustained efforts and reforms can South Africa truly overcome the legacies of the past and move towards a better future.

### Conflicts of Interest

The authors declare no conflicts of interest.

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