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The Apartheid System in South Africa

The best example of ethnically based systematic discrimination can be found in the recent history of South Africa. Discrimination had been applied, in various forms, in the country since the beginning of the European colonization in the mid-seventeenth century until the early 1990s, when the system was officially abolished.

Racial discrimination created a situation that, at times, to a great extent was reminiscent of Arthur Lewis’ well-known ‘dualistic’ growth model, which is based on a division of the economy into a stagnating traditional sector and an expanding modern sector. The growth in the latter sector is explained by unlimited access to labour at a low and stable wage level. This ‘unlimited’ (infinitely elastic) supply of labour was partly created through denying Africans the property rights to land. Consequently, the Africans had to find work in the European sector. Imports of casual labour from the neighbouring countries contributed, too, increasing competition in the labour market. Over time other types of discrimination emerged as well, particularly in the form of control of geographical mobility and quotas in the labour market, allotting the least qualified jobs to the Africans.

The process can be divided into three stages. The first stage lasted from the beginning of the colonization period until the latter part of the nineteenth century. Both Europeans and Africans practised agriculture using unskilled labour and land. Typical for this stage was immigration from Europe and transfer of land from Africans to Europeans. Traditional African property rights to the land were not honoured and the Africans could not put up effective armed resistance against the intruding immigrants. Gradually the number of immigrants increased and the European sector expanded. Production techniques in European agriculture remained largely unchanged, however. Consequently, more and more land was needed when the number of Europeans increased. The Africans could move between the traditional sector and European agriculture according to the incentives created by, for example, wage differences. Since the Africans were deprived of land the
traditional sector slowly declined and income per capita in that sector decreased over time.

Stage two lasted from the great mineral discoveries, of diamonds in 1867 and gold in 1886, until the end of the First World War. A mining and manufacturing sector had now emerged. This sector also needed capital and skilled labour. During this period the transfer of land to the European sector continued. The standard of living in the marginalized traditional sector fell while the European agriculture continued expanding. At this stage land as such was not the most important consideration for the Europeans. The point now was to secure a sufficient supply of African labour. This could be achieved only if the alternatives were few and unattractive.

In the manufacturing sector (including mining) some of the unskilled jobs were reserved for whites. The background to this was the fact that Europeans were now expelled from the agricultural sector, a process which paralleled the increasing urbanization. The reasons for this were an increasingly obsolescent agricultural technology, erosion and subdivision of farms into smaller and smaller units as a consequence of inheritance. The result was the so-called civilized labour policy, which was designed to take care of the ‘poor whites’ (i.e., those who were forced out of the agricultural sector but were unqualified for jobs requiring skills). This group had to compete with the Africans for unqualified jobs in mining and industry. Finally, all jobs requiring skills were reserved for whites. (The fact that little education and only education of low quality was available for blacks had a similar effect. In 1990, when the apartheid system, which had systematically brought about differentiation of education, broke down, 25 per cent of the whites had a tertiary education, while the corresponding figure for the Africans was less than 1 per cent.)

During the third stage the transfer of land from the Africans to the Europeans had come to an end. The Africans were allotted special areas, ‘homelands’ or bantustans, which they could not leave without permission. European agriculture was gradually mechanized and thus also used capital to an increasing extent. The problem of ‘poor whites’ was now solved. The whites worked as skilled labour in the manufacturing sector and had priority access to those jobs. Few Africans qualified for skilled jobs, even if they had been allowed to take them, because only low-quality education was available to them as a result of the apartheid system.

In the rest of this chapter we will analyse – with some simplifications – the effects of the discriminatory policies using our model. The three stages of the apartheid policy will be studied separately.

**Segregation of the land market**

During the first stage the South African economy consisted of two sectors, an African one and a European one. Both produced agricultural goods,