

# South African Apartheid in Spite of or Because of Capitalism

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Economics 700  
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February 26, 2020

# Apartheid because of or in spite of capitalism?

**Option 1:** Apartheid was a National Party policy that was not in the best interest of businesses. → Ended because of economic crisis

**Option 2:** Capitalism allowed the apartheid system to raise profits by controlling a low wage labor force, and therefore providing businesses with a favorable labor discipline environment. → Ended because of worker mobilization

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- South Africa during the apartheid period
- Labor model (Wood, 2000; Winthrobe, 1998)
- Model analysis
- Extensions

## Pass Laws and Apartheid

- Instrument for segregation in the workforce
- In some form existed throughout South African history
- Limited the freedom of movement of non-white South Africans



## Pass Law Arrests

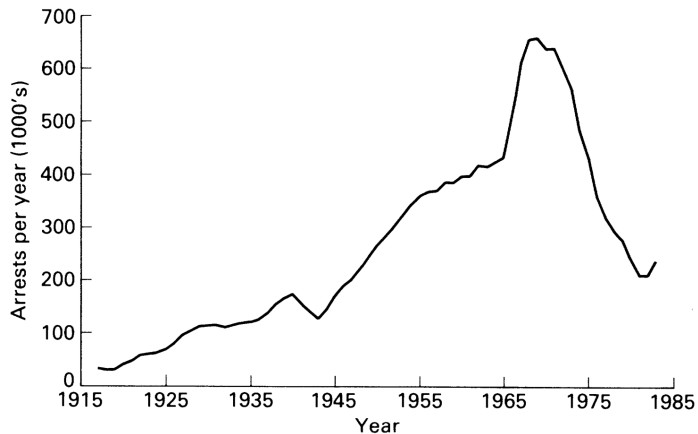


Figure: Pass Law Arrests (3 yr moving average) Source: Savage (1986)

## South African Population by Race, 1987

Race	Population	Percentage
African	26,313,898	74.7%
Asian	913,000	2.6%
Colored	3,069,000	8.7%
White	4,911,000	14.0%
Total	35,206,898	100.0%

Table: Source: South African Institute of Race Relations (1988)

# Bantustans / Homelands

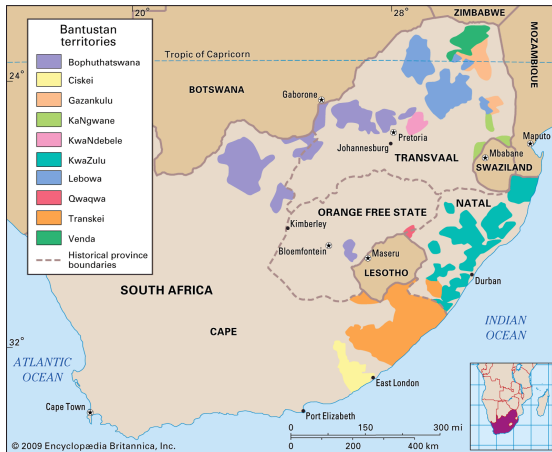


Figure: Bantustans, South Africa

- Served as a large pool of labor for the cities
- About half of the black South African population lived in a homeland in 1987.
- Could not legally leave without a pass
- Land poorly suited for agriculture or mining – limited economic opportunity

# Townships



Figure: Alexandria, South Africa

- Racially segregated urban areas where non-white South Africans could live
- Chronically underfunded and overcrowded
- Black urban population threatened white “divide and rule tactics”<sup>b</sup>

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<sup>b</sup>Mandela (1994)



# Zulu Songs from Johannesburg

I

Take a visit to  
Johannesburg:  
You will see big crowds  
Of people imprisoned for  
Special Pass.  
Forward... Onward... to  
Marshall Square!  
*'Produce your Special Pass!'*  
It was a sad sight to see  
our people like that,  
Caught for Special Pass.

II

There comes the big van.  
All over the country  
They call it the Pick-up  
Van.  
There is the Pick-up,  
There, there is the big van.  
*'Where's your pass? Where's  
your tax?'*

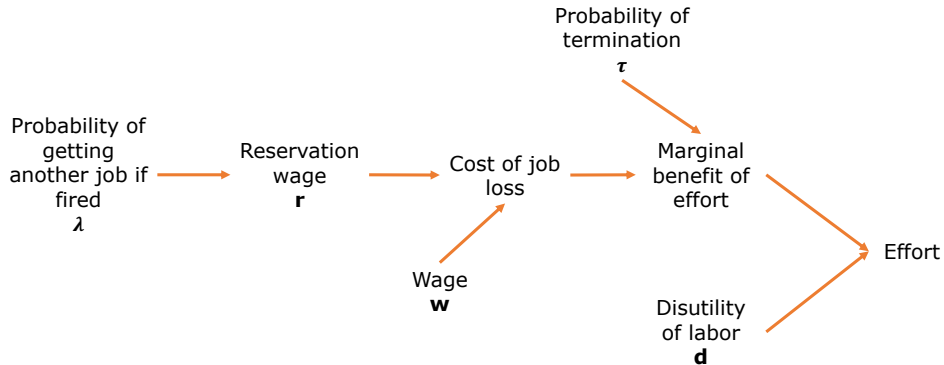
III

*Take off your hat!*  
*What is your home name?*  
*Who is your father?*  
*Who is your chief?*  
*Where do you pay your tax?*  
*What river do you drink?*  
We mourn for our country.

# Application of Labor Discipline Model

Based on Wood (2000) and Winthrobe (1998)

# Labor Discipline Model



# Labor Discipline Model (Liberal Market)

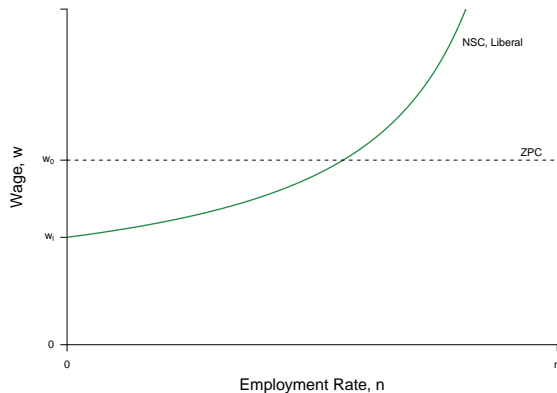


Figure: Liberal Market

## No Shirking Condition

$$w - d \geq (1 - \tau)w + \tau[\lambda w + (1 - \lambda)r]$$

$$\implies w = r + \frac{d}{\tau(1 - \lambda)}$$

## Notation

- $w$  = Wage
- $d$  = Disutility of labor
- $\tau$  = Probability of being caught and fired if shirking
- $\lambda$  = probability of getting another job if fired
- $r$  = Reservation wage

# Labor Discipline Model (Apartheid Market)

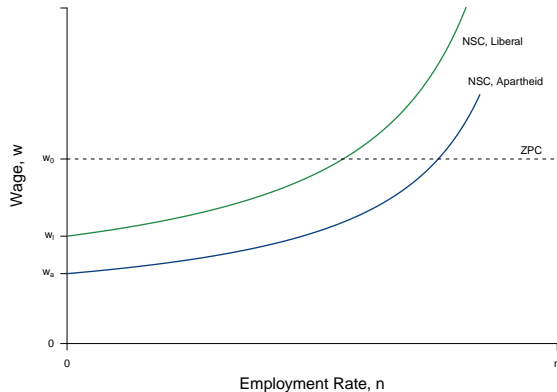


Figure: Apartheid Market

## No Shirking Condition

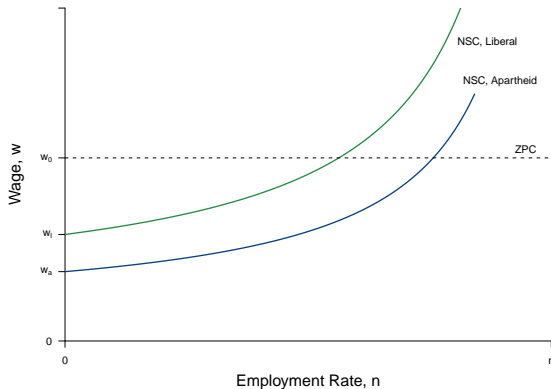
$$w_a - d_a \geq (1 - \tau)w_a + \tau[\lambda_a w_a + (1 - \lambda_a)r_a]$$

$$\Rightarrow w_a = r_a + \frac{d_a}{\tau(1 - \lambda_a)}$$

## Observations

- $d_a > d$
- $\lambda_a \ll \lambda$
- $r_a \ll r$

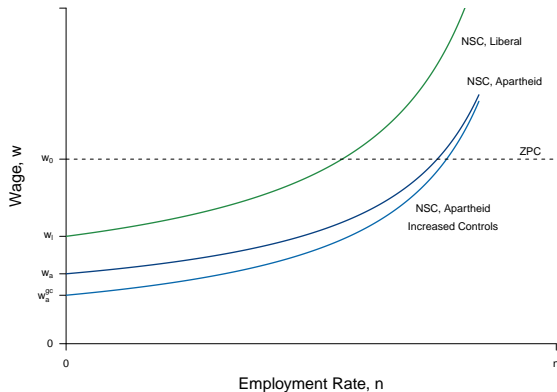
# Apartheid Market vs Liberal Market



Apartheid secured the economic conditions for a low-wage labor force

So, why did apartheid end?

# Was it the effects of general crackdowns via Pass Laws?



**Figure:** Worker discipline in liberal and apartheid economies with general crackdowns

## Crackdown

$$w_a^{gc} = r_a + \frac{d_a}{\tau(1 - \lambda^{gc})}$$

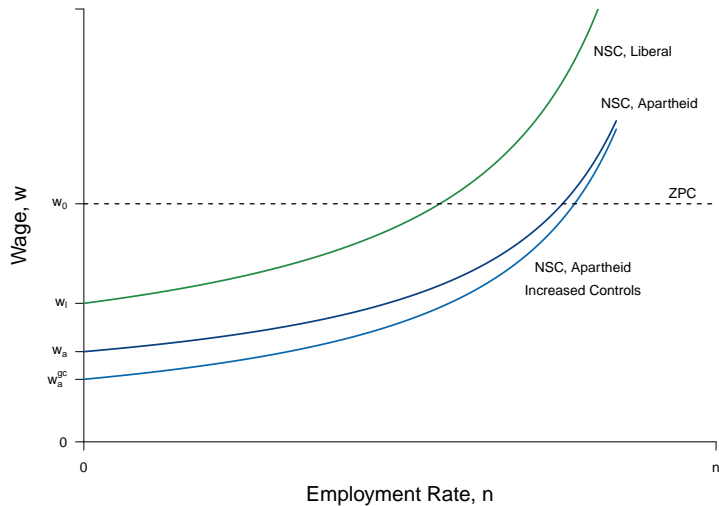
$$\implies w_a > w_a^{gc}$$

$$\implies \lambda_a > \lambda_a^{gc}$$

**Answer?** No, apartheid model is still better for employers.



# Effects of general crackdowns



# Effects of mobilization?

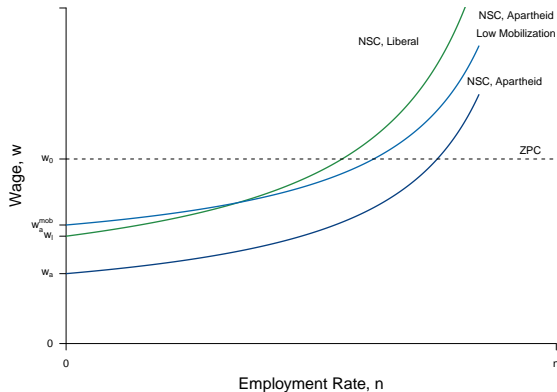


Figure: Effects of low mobilization

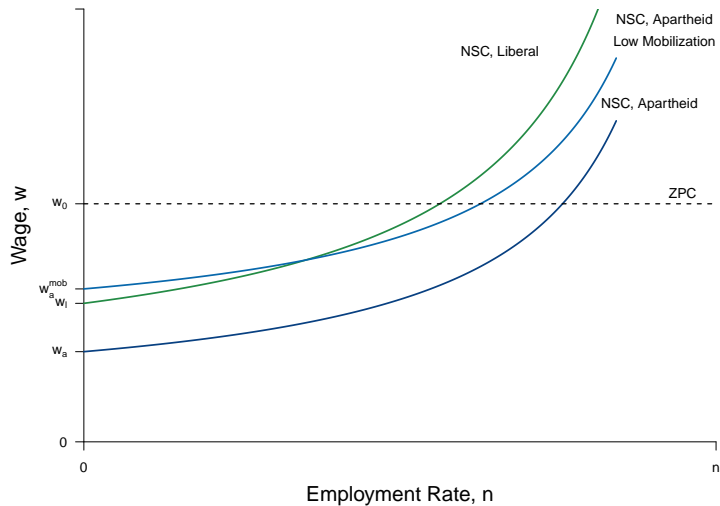
## Two effects by black workers

Recall:  $d_a$  is disutility of labor under apartheid

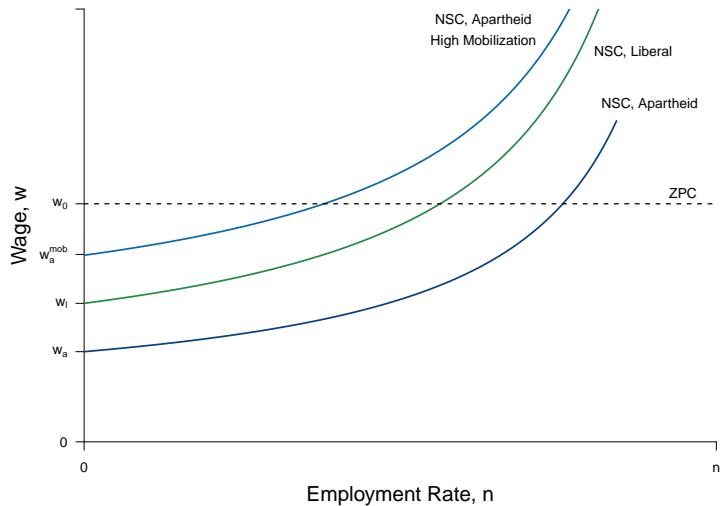
$$w = r_a + \frac{d_a}{\tau(1 - \lambda)}$$

1. If mobilization is widespread  
 $\Rightarrow d_a^{\text{mob}} > d_a$
2. Alters investment priorities and choice of technology

# Effects of low mobilization

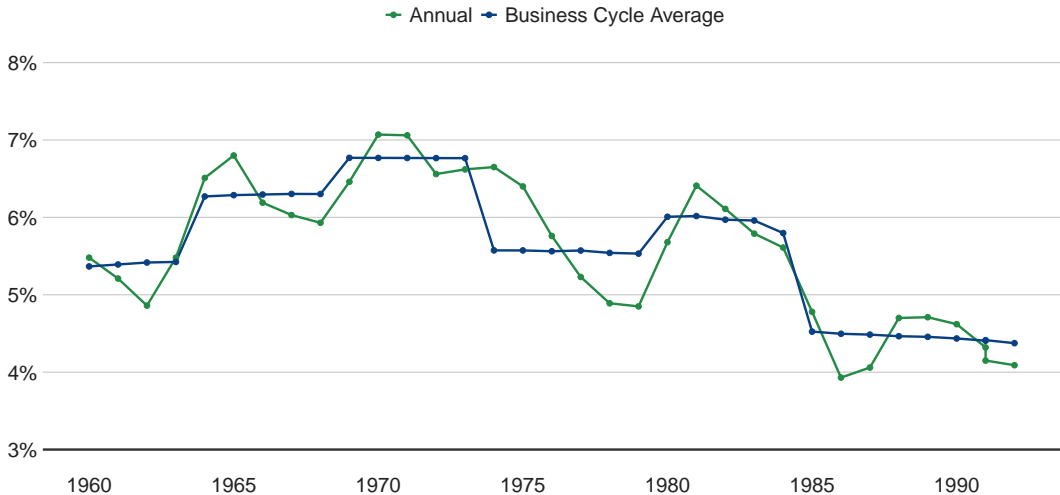


# Effects of high mobilization?



# Private Investment in South Africa, 1960 – 1993

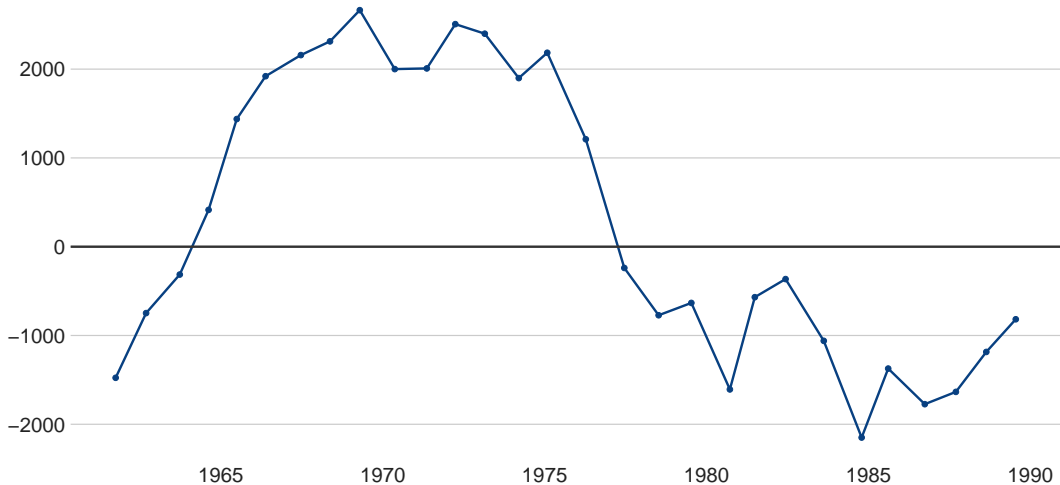
Percentage of Capital Stock



Source: Wood (2000)

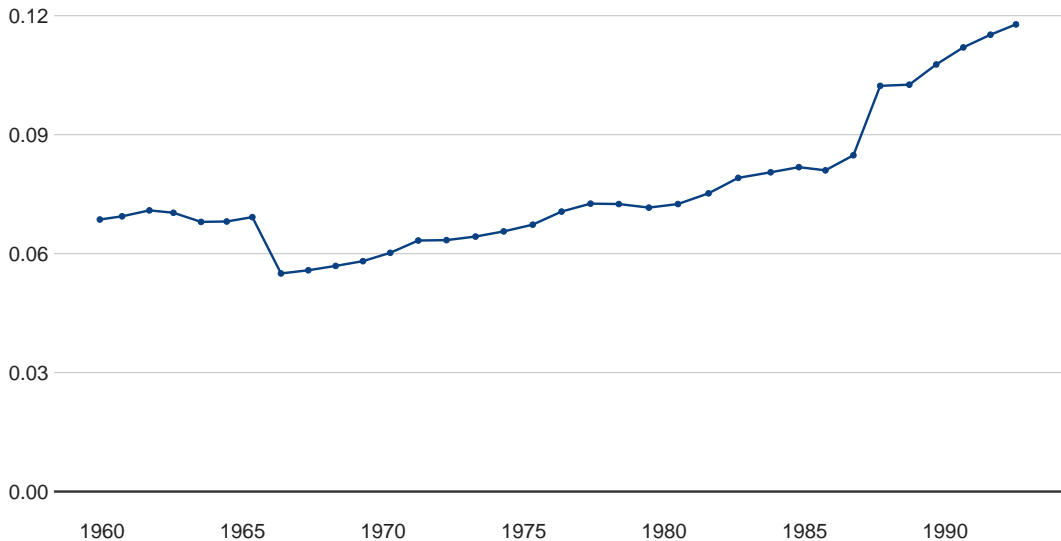
# Long-term private capital inflows to South Africa, 1962–1990

Nonmonetary private inflows, five-year moving average



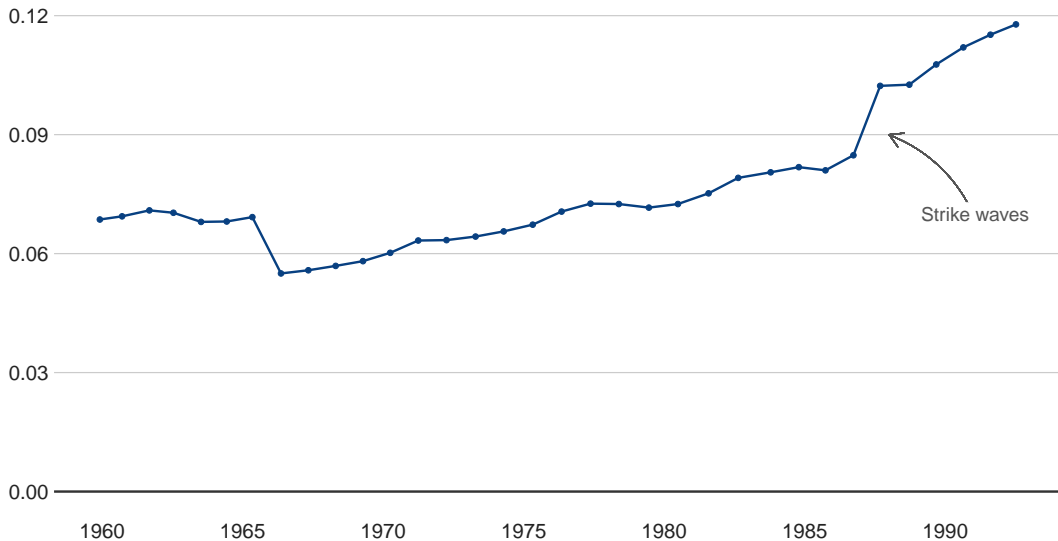
Source: Wood (2000)

## Capital-to-Labor ratio in South Africa's Private Sector, 1960–1993



Source: Wood (2000)

## Capital-to-Labor ratio in South Africa's Private Sector, 1960–1993



Source: Wood (2000)



# Extensions

- This model could be applied to many cases of labor movement restrictions
- Immigration to the U.S. from Central America
- Refugee immigration in Europe
- Restrictions on movement within China (the Hukou system)

# Conclusion

**Question:** Did the apartheid system, through the passage of the pass laws, raise profits by providing businesses with a favorable labor discipline environment?

- **YES** — for a time it was in the interest of capital to maintain the policies of Apartheid
- $\lambda_a \ll \lambda$
- $r_a \ll r$
- Mobilization increased the disutility of labor ( $d_a$ ) such that liberal markets became more profitable