

Peter Lewin

The Prohibitive Cost of Apartheid

THE BASIC ingredients of South Africa's social problems are the same today as they were a century ago. We are witnessing the slow unfolding of an inevitable human drama. Only the degree of violence is uncertain. The conflict is fueled by cultural, economic, demographic, and political factors. But the establishment of the system of apartheid (loosely translated "separate development," but more accurately, segregation) in 1948 must be seen as a fork in the road. In theory this system was designed to allow for the separate development of the various population groups in South Africa. This was to be done by setting aside certain geographic areas for the nine tribal groups of black people (constituting about 80 percent of the population) within which they would, in time, be able to realize their "national" aspirations. The remaining non-white groups, the Coloreds (people of mixed race), and the Indians, until they were loosely incorporated into a type of federal parliamentary structure, were left out in the cold. Their position remained to be defined. The whites (composed primarily of the two major language groups, English and Afrikaans) constituted the remaining "tribe." They would provide the necessary leadership for the peaceful advancement of all South Africa's separate peoples.

The apartheid system was the invention of Afrikaner intellectuals. Presumably they were responding to the very real problems that such a culturally heterogeneous population as South Africa's presented. They were undoubtedly motivated by a heartfelt desire to preserve the Afrikaner identity. The Afrikaners are a deeply religious, disciplined people who have overcome centuries of adversity, including the formidable suffering

inflicted on them by a grasping British establishment. This suffering culminated in the brutal Boer War at the turn of the century during which Afrikaner civilians languished in appalling "concentration camps." The Afrikaners remember how the British attempted to destroy their language, their culture, and their independence. This memory is responsible for the continuing tension between English- and Afrikaans-speaking whites. The English, who have traditionally dominated the commercial life of South Africa, have been identified as "liberal" while the Afrikaners, the inventors of apartheid, have been seen as right-wing. Political divisions have reflected cultural divisions.

Even this very superficial characterization of the situation reveals its complexity. One question which often arises concerns the sincerity of the planners and practitioners of apartheid. Do (did) they really believe the doctrine of "separate but equal"? Do (did) they really believe in the viability of the system? Or is apartheid merely a smokescreen for the exercise of a basic racial prejudice? There is no need to speculate about the motives of the leaders and intellectuals. No doubt some of them were sincere. Growing up in South Africa, however, one cannot but be aware of the vicious racial intolerance that pervades its white society.

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Whatever the theory of apartheid might say, the vast majority of South African whites, of all social strata, possess a deep-seated bigotry. It can be easily seen—in the racial epithets that are common currency even in polite conversation, in the way in which whites relate to non-whites, and in the openly expressed cynicism concerning the official policy line.

These attitudes have also been evident in social conventions and in "unofficial" policy. Apartheid cannot explain why a black taxi should be labeled a "second class" taxi, why first class accommodations on the railways were reserved for whites, why theatres and sports stadiums should have inferior facilities for non-whites, and many other manifestations of social prejudice. It is clear that South Africa is a racist society. In more neutral terms, it is a society where most of its whites (and perhaps many non-whites) would apparently want to discriminate by race even in the absence of the apartheid laws.

Most commentators see this as a prime explanation of apartheid. In this they are wrong. The persistence if not the existence of racial discrimination and of discriminatory attitudes is the *result*, not the cause, of apartheid—the result of an unfree society. This will become clear upon an examination of the effects of apartheid. It is also to these effects that one must look for an explanation of its origins.

The Economic Illogic of Apartheid

There is a tendency to see in apartheid an economic advantage for white South Africans. By reserving for themselves control of the most productive resources they keep down the cost of abundant black labor. In this way whites appropriate the bulk of the benefits of the phenomenal economic growth that South Africa has experienced. Blacks are seen as the victims of capitalism. The solution is to dismantle apartheid and to dismantle the capitalist system that it represents.

The truth is more logical and more simple.

Apartheid is the antithesis of capitalism. The economy has been seriously hampered by it. Members of all population groups have paid the price.

The practical implementation of apartheid has implied the regulation of black labor. Black worker mobility has been seriously curtailed in two ways. First, black workers are not allowed to move from one geographic region to another without official permission. In particular, movement from the rural "black" areas to the urban "white" areas has been restrained. Workers have to be petitioned for and once attached to a particular employer may not leave to work for another. Separation from the original employer theoretically implies return to the "homeland" from which the worker originally came. Secondly, black worker mobility is restricted vertically—their upward movement in the job hierarchy is officially restricted by reserving certain jobs for whites.

These horizontal and vertical constraints on the movement of black workers predate the apartheid system, though they have found their most complete implementation within it. The effect, to the extent that they are effective, is to reduce the supply of labor, especially skilled labor in the urban industrial areas, and to raise the price of labor there and depress wages in the rural areas. The true rationale for the system is to protect *white* labor. This is a prevalent theme in South African economic history. Since the unification of South Africa in 1910, no government has been able to stand against the interests of white workers. Restrictions on black labor protect white workers by keeping up the price of labor and by providing them preferential access to the acquisition of skills (for example, through apprenticeship and other training, and through formal education). This is clearly against the pure economic interests of white employers who would benefit from an abundance of cheap labor.

This conflict of interest has to some extent lined up with the basic English/Afrikaans conflict, particularly in the early years, less

so today. South Africa's commercial interests have been traditionally dominated by the English-speaking. The majority of white workers were Afrikaans-speaking and the Afrikaners have controlled the government since 1948. Apartheid can thus be seen as an uneasy compromise between the desire for cheap labor and the promise of "industrial peace." Until very recently there were no black trade unions. White workers have, in effect, used the machinery of government to establish a non-competitive group, a monopoly.

A number of important consequences of this system—sometimes referred to as the migrant labor system—need to be noted. First, it is of necessity incompletely enforced (complete enforcement would be prohibitively expensive). Even so, its incomplete enforcement creates considerable hardship. The influx control machinery is brutal and open to abuse. Blacks must at all times carry their "pass" (to be in the "white" areas) with them. They are subject to arbitrary inspection by police at any time. The absence of a "pass" for any reason will mean arrest and "deportation" back to the homelands or detention until a "pass" is produced. Nevertheless both the white employers and black workers have an incentive to evade the system. Workers want the jobs, employers want the cheap labor. (It is essentially the same situation as that which prevails in the southwestern United States *vis à vis* illegal alien workers.) The result is a large (no-one knows how large) illegal black population in the urban areas. These millions of people live and work in or near the urban areas but are not officially there. They have no claim to any social services and no right to rent space to live; they are non-people. Recently thought has been given to the use of sanctions against white employers, but the main enforcement still falls on blacks.

A second consequence of labor restrictions—to the extent that they are effective—is a chronic shortage of skilled labor. This is a result both of the restrictions on geographical mobility and the reservation of skill-acquisition facilities for non-blacks, but

mainly the latter. There is an internal dynamic. Certain skilled jobs are reserved for whites of whom there are a limited number. With economic growth the demand for skilled work rises, causing a rise in its price. Normally non-white groups would enter schools and training programs to upgrade their skills. Traditionally, however, most of these options have been closed to them. Eventually whites move further up the skill hierarchy to a point where they are no longer in a potentially competitive position with non-whites. The restrictions are then eased. Blacks, Indians and Coloreds then move in to fill the jobs that whites in general no longer want. In South Africa today for the first time in many decades we see non-white supermarket checkers, bank tellers, office clerks and so on. This is not evidence of liberalization. It is a rational response to increasing economic pressure. It is the natural outcome of changing political interest groups. For the most part white labor is now skilled and is a complement to, rather than a substitute for, unskilled or semi-skilled non-white labor. That part of apartheid has worked.

The Waste of Human Capital

Like all planned systems, however, it has its sore points. One is the coexistence of massive unemployment of unskilled labor with an endemic shortage of skilled labor. The labor force exhibits a chronic imbalance. This, in turn, has obvious social consequences.

A third result of this system is thus the raising of social tensions. Economists refer to the value of the skills that people possess to perform complex tasks, make decisions, and so on, as *human capital*. What separates the economically developed from the undeveloped world more than anything else is human capital. Natural resources count for almost nothing by comparison to the quantities and types of human skills and the existence of institutions that allow for their use and acquisition. By denying South African blacks the opportunity to acquire and use

human capital, the apartheid system has widened the social and economic gap between the races. (To be sure, in recent years this gap has narrowed in spite of the system. But this is a result of economic growth.) This has two effects. On the one hand it strikes a blow at the self-esteem of non-whites. Whites see blacks as uneducated, ignorant, and incompetent. Lack of training and lack of encouragement for non-whites reinforces this stereotype when performance indeed falls short. The expectations are self-fulfilling on both sides. The long term result is an enduring bitterness and resentment toward whites by non-whites. The removal of opportunities for personal betterment implies much more than the loss of economic benefits; it implies the deprivation of one's pride.

Perhaps the most important consequence of labor restrictions involves the destruction of the black family. Nothing is more conducive to efficient accumulation of human capital than a stable, nurturing family life. The first six years of life have been found to be crucial in determining one's ability to acquire skills and to cope generally later in life. The migrant labor system, since it prohibits families from accompanying migrant workers to the urban areas (indeed it is a crime to bring one's family along), breaks up families. Fathers spend most of their lives away from their wives and children. This is not only devastating for the families left behind; it also encourages promiscuity, alcoholism and general recklessness. The rural areas remain populated by the young and the old as many young women also leave in search of work. The destruction of family life further strengthens the cycle of bitterness and resentment. And so does the much publicized forced removal of entire neighborhoods from "white" to "non-white" areas.

These then are some of the (unintended) effects of a system driven basically by economic interest. To say that whites don't care is not to say that these effects have been designed. Any system that attempts to engineer social outcomes against the natural

interests of the individuals involved must have unfortunate consequences. This the South African government has recognized. It has tried to mitigate and reverse them through an ambitious and costly program of economic decentralization.

The economic decentralization program is seen as an alternative to influx control. Take the jobs to the workers so the workers won't have to come to the jobs. In addition, force black entrepreneurs out of the white areas by denying them the right to own property there. (Indeed, while a U.S. businessperson may own property in Johannesburg a black South African may not.) It's a classic case of controls breeding controls.

Numerous tax-subsidy incentives have been introduced in order to attract white businesspeople to establish enterprises in the so-called "border areas"—areas adjacent to the homelands—and many have followed this carrot. Not enough, however. The economic decentralization program has failed. It is not only that it is an incredibly costly program that has to be financed by crippling taxes and inflation. It is more fundamentally doomed to fail because of its scope—it is a policy of national economic planning every bit as ambitious in its way as the infamous Soviet economic plans and sharing the same shortcomings. The plan by implication calls for the economic partition of the entire country in a manner that corresponds closely to the political partition conceived under apartheid. Critics are fond of pointing out that this partition would leave blacks in possession of about 13 percent of the most unproductive land. But this criticism misses the fundamental point—it concedes too much. For it suggests that if only the blacks were allotted more of the land, or the most productive land, the scheme could somehow work.

All national economic planning involves *by its very nature* the concentration of immense political and economic power in a governmental agency. This agency must have the power to mobilize the vast resources of the nation. Such concentration of power must be expected eventually to

lend itself to abuse. It does not matter who is initially given the authority. The power it entails will attract the power hungry—black or white—who will serve their own political and economic ends. The net result will be escalating expenditures falling more and more heavily on the private sector to no avail.

If one examines the South African record one sees this very clearly. A number of black leaders have become quite wealthy and have succeeded in erecting impressive monuments in their "homelands." One or two even have some profitable industries—by virtue of providing something different for white South Africans like gambling casinos (outlawed in "white" South Africa) or tax havens. There is no likelihood of creating the economic viability that will reverse the flow of workers to the cities.

But, even if it could be assumed that the concentration of economic power has not led to abuse, that the system was run by honest public-spirited individuals, it would still fail. The problem then would be not that people would not want to do the right things, but, much more fundamentally, that they cannot know what the right things are. An economy is a giant, self-generating organism. It grows as individuals respond to what they see as opportunities for private profit. Sometimes they make mistakes for which they bear the cost. In a growing economy there are more profits than losses, more successes than failures, as entrepreneurs use their special knowledge of time and place to pursue their hunches. This specialized knowledge *cannot be centralized*. There is no way for a single mind to visualize the overall effects of these individual profit decisions and to duplicate them through a planning agency. The areas (geographical and industrial) that have proved to be profitable in South Africa are not a result of government planning but of individual opportunism. In the long run only those economic activities that can be sustained without continued special support—that is, through market-oriented opportunities—will prevail. Bureaucratic mistakes are more costly than private

mistakes because they are disguised and then sustained through further subsidies. The bureau that is charged with identifying and supporting the most profitable border-area and homeland industries is faced with the hopeless task of having to know ahead of time what normally would only be revealed through the market process.

Thus, paradoxically, the economic decentralization program must fail because of its highly centralized decision making nature. It is a pipe dream, but an expensive one that promises to ruin the economy.

The Western Response: Principle vs. Ideology

I will not attempt here to fully evaluate the response of the world in general, or of the U.S. in particular, to the South African situation. I wish only to point out some of the relevant issues involved in some of these responses.

Before one can criticize Western reactions it is necessary to be clear about their aims. Americans feel that something "ought to be done" about South Africa. This concern is prompted not only by the current crises (in which many hundreds have died and around one thousand were arrested and detained), but probably also by the fact that it involves racial conflict as a result of racial oppression. There is an irony here. South Africa is a police state like Chile and the Soviet Union, arguably a little less brutal in its methods. However, it is much more of a political issue in the West simply because it combines totalitarian oppression with racism. It thus becomes a *cause célèbre* of the ideological Left. The politicization of the issue only emphasizes the urgent need for clarity in any official U.S. stand on South Africa.

The Reagan administration put itself into a bind by standing steadfastly against economic sanctions for South Africa while at the same time imposing them on Nicaragua. But why was the administration against sanctions and why is Congress in favor? Or, more to my point, what can one say for or

against sanctions? (I leave aside the very real question as to whether trade between individuals in different countries is ever the business of government.)

Economic sanctions appear to have two non-exclusive aims. First, by closing off valuable economic opportunities they may lead to such severe economic hardship as to force either the overthrow of the current government or else its capitulation to the imposition of the type of policies the world would like to see. Second, it may be thought that to trade with South Africans is *morally* unacceptable, so that, irrespective of the consequences, economic sanctions would bring about a state of moral purity. About the latter, nothing much can be said except that if trade with people living under evil regimes is unacceptable then that surely ought to be applied uniformly across regimes. The consequences of such a policy defy the imagination.

About the first aim, however, one can say that economic sanctions are extremely unlikely to achieve it. But if they did the suffering would be enormous. Many possible types of economic action have been suggested—the removal of all U.S. assets, the sale by U.S. holders of all South African securities, the banning of the sale of Krugers. None of these would hurt the South African economy very much. For every seller there must be a buyer. Others would step in where the U.S. moved out. South African gold would still find its way indirectly to U.S. markets. Only a complete economic boycott would work. And for this one would have to persuade the rest of the world to go along, an exercise in futility. But, for the record, if it could be done it could probably cripple the country and the sub-continent along with it. Those who would suffer most would be the unskilled, the less mobile (internationally)—in short, the black population. Mass unemployment, starvation, and violence are the likely results. Is this what the advocates of economic disengagement really want? Some of them have told me that blacks in South Africa are willing to pay this price for

freedom. How do they know this? How can we decide this for them? Perhaps it is fortunate that most of the talk about economic sanctions is of little consequence.

Yet it is harmful to the extent that it appears to be "doing something about South Africa." It may cause one to lose sight of the real issues. What should be the focus of attention in South Africa is quite simply the wholesale abrogation of *individual* human rights. Americans have become so obsessed with *group* rights (women's rights, black rights, gay rights, etc.) that they have been forced into seeing and debating the South African issue in these terms. And these are precisely the terms in which white South Africans see it. It has become a question of safeguarding group rights even if the rights of the individual are sacrificed in the process. After all, the blacks will have their own homelands, the income gap between blacks and whites has narrowed, there are nine tribal black groups and one white (on this reckoning the second most numerous). When you debate groups, the group limits and types are up for grabs. But individual blacks, whites, Indians, or Coloreds, are individuals. If they can be arbitrarily arrested and held incognito without a trial, if their property and person can be searched without a warrant, if they cannot sell their labor in the best market or live where they can afford to live, or go to school where they would be admitted, or write what they wish to write, or travel where they can afford to travel, or leave when they want to leave and take their wealth with them, then by most accounts their rights have been violated. What ends justify such means? And how will economic sanctions address these individual rights?

The South African government has not been officially called to account on these issues in the same way that the Soviet Union, for example, has. The conventional wisdom inside South Africa has always been that the ends justify the means—a matter of survival. There has never been much acceptance of the idea that individuals have rights that are called in this country "civil liberties" and this

surely is the root of the matter. For if individuals rather than groups were seen to be the ultimate units of the society, apartheid could never have got started. If Americans want something from South Africa they should ask for the establishment of normal human rights and due process of law based on the principle of individual liberty.

The prognosis is not good. The future appears poised on a knife's edge between reaction and reform. The Afrikaner government is caught between the extreme right and the reformist center. It has lost direction and may lose credibility. The country is losing many of its most able people. Obviously, the

simple arithmetic of group-specific population growth suggests that a resolution will eventually emerge as it did in Zimbabwe. But will it also come at the expense of a terrible civil war? And will it also involve the rejection of western political systems and the imposition of a one-party state? And will it also involve the rejection of capitalist economics in the mistaken belief that apartheid was an invention of white capitalism? To help avoid this the U.S. should take a new direction in the propaganda war, one that focuses clearly on the connection between western values and *individual* human rights.

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