

PROPERTY RIGHTS AND RENT SEEKING IN SOUTH AFRICA

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Introduction

Competition for resources existed in South Africa long before the arrival of Europeans. Ethnic groups fought each other for control of land use rights. The fighting was centered around the right to use the land for hunting, gathering, and the grazing of cattle. The introduction of European settlers to the area in the mid-1650s intensified the struggle for resources. European colonists brought with them large-scale, or plantation, farming that required large tracts of land. In addition, the new farmers preferred land ownership under private property rights to the common access approach that was prevalent in most of the country. The introduction of private ownership rights in land intensified black-white strife and set the stage for a bitter struggle between the two groups for the control of property rights. That struggle became an important part of the history of the region.

In the struggle for political control of property rights in modern South Africa, one recognizes two major groups, whites and non-whites. The former is made up of Afrikaners and South Africans of British descent. The latter consists of Africans (usually referred to as blacks), Asians, and coloreds (coloureds). Afrikaners are white South Africans of Dutch-German-French descent. They currently make up about 60 percent of the white population but only 10 percent of the population of the country. The rest of the white population consists primarily of people of British descent. In South Africa, only whites have full civil and political rights. Afrikaners dominate the political life of the country and use the policy of apartheid, or separate

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development, to protect their privileged political and economic positions through the subjugation of blacks, Asians, and coloreds. Afrikaners also dominate law-making, the police, the army, the judiciary, the educational system, and many other aspects of life in South Africa. Coloreds, who currently make up about 10 percent of the population of the country, are inhabitants of South Africa who are officially recognized as being of mixed origin and partly white. The colored population of South Africa dates back to 1657, when white settlers or colonists took African (mainly Khoi-Khoi and San) and Asian women as partners because of a shortage of white women. Most coloreds speak Afrikaans, the language of the Afrikaners, and live primarily in western Cape Province (Phillips 1984, pp. 35–36, 42–43; Williams 1989, pp. 1–2).

Blacks in South Africa are members of several ethnic groups that are exclusively of African ancestry. Until 1978, the government of South Africa usually referred to them as Bantus. Asians are mainly descendants of people brought from Asia by the British in the 19th century as contract laborers. Most Asians in South Africa today are of Indian descent. They live primarily in Natal and southern Transvaal.

It must be noted that none of the different racial groups in South Africa are homogeneous. Blacks, for example, consist of many ethnic groups, each with a distinct language and culture. Major black ethnic groups include the Zulus, the Xhosas, the Sothos, the Tswanas, and the Tsonga (Williams 1989).

Although coloreds and Asians have also been affected by government regulation of political and economic markets in South Africa, this study is limited to an examination of the exploitation of blacks. Blacks represent over 70 percent of the population of South Africa and have suffered greater indignities than any other ethnic group in the country. In addition, blacks remain at the bottom of the economic ladder. Although coloreds and Asians have been granted limited access to political and economic markets, blacks continue to be denied most forms of political participation.

When industrialization began in South Africa at the turn of the century, many rural farmers, primarily Afrikaners, migrated to the urban areas in large numbers. The exodus was precipitated primarily by declining returns on farming and the promise of a better life in the urban industrial sector. The migrants brought with them skills that were essentially useless in the urban sector. In addition, they were unwilling to do menial tasks, the only jobs for which they were qualified. Also, they were overwhelmed by a culture that was essentially alien to them. While most of urban South Africa spoke English at the time, most Afrikaners spoke primarily Afrikaans. They

were unable to compete with other ethnic groups for jobs in the South African industrial sector. Afrikaners were universally thought to be lazy and unreliable workers who suffered from a "high rate of absenteeism and a tendency to quit unexpectedly" (Fredrickson 1981, p. 231; Hazlett 1988, p. 89; Hutt 1964, pp. 32-37). The most threatening competitor of the new immigrants in urban South Africa was black labor. Afrikaners believed that the only way they could successfully compete with black labor was through labor market regulation (Hazlett 1988, pp. 90-91).

Another participant in the emerging economic conflict was non-Afrikaner white labor, mostly of British descent. They, too, faced competition from black labor and, like Afrikaners, were determined to use legislation to fight black competition in the labor market.

The third and fourth participants in the conflict that was to engulf the country for most of the 20th century were white capitalists and, of course, black labor. White capitalists sought ways to minimize production costs and preferred an unregulated labor market. They were attracted to the ultra-cheap black labor that existed in the country. That preference eventually led to a bitter confrontation between white capital and white labor (Fredrickson 1981, p. 222).

One should not be led to think that South Africa had a free labor market in the early years of industrialization. Although the labor market at the time was relatively free of regulations, black workers were harassed continuously by white labor, white farmers, and even the police. In addition, "pass laws" limited black mobility and, as a result, significantly affected the competitiveness of the labor market. White mining capital, represented by the Chamber of Mines in the Transvaal, campaigned for a reform of the pass laws to increase black mobility and help black workers "travel freely and securely" (Hazlett 1988, p. 91; Doxey 1961, pp. 55ff). Afrikaners in the Transvaal mining district opposed such reforms, and the mining companies were unable to improve the mobility of black workers (Hazlett 1988, p. 91; Doxey 1961, pp. 55ff).

Afrikaner interests and white labor came to rely more and more on state regulation for help in the attempt to develop a competitive edge over black labor. Both groups believed that their welfare lay in the exclusion of blacks from productive positions in the South African economy. Exclusion of blacks was to be undertaken through the political control of property rights, a process that would eventually lead to white control of most of the land in the country and of the labor market. In this article, I shall argue that South Africa is a "rent-seeking society" in which white labor and Afrikaner farming interests extract rents from the economy through their political control of

property rights assignments. Below, I present a further development of the political economy of rent seeking in South Africa by examining regulation from a property rights perspective. Specifically, this paper will attempt to show that the black-white conflict in South Africa has its origins in the political competition of interest groups for control of property rights.

Property Rights and Rent Seeking

The relationship between rent seeking and property rights has been recognized by many researchers. Buchanan and others have shown that the process of assigning property rights can lead to rent seeking, which usually occurs when the state controls property rights or “can easily assign and transfer rights that are supposedly in private hands” (Benson 1984, p. 396; Buchanan 1980a; Buchanan 1980b; Buchanan 1980c; Buchanan 1983).

An individual who attempts to capture a given property right has three options. First, he can negotiate to buy the right from its owner in a voluntary private exchange. Second, the individual may get the government to seize the right from its present owner and reassign it to him. Finally, the individual can resort to theft. The economic agent will usually choose the method that allows him to minimize his costs of capturing the existing right. When the government is brought into the game of capturing and reassigning property rights, opportunities for the political manipulation of rights arise. Rent-seeking activities of that sort involve attempts by interest groups to “define, reassign, modify, or attenuate property rights” (Benson 1984, p. 398).

The political competition for property rights involves several options. First, the politically dominant interest group may have the government seize the property rights from the owners and reassign those rights to group members. That can be accomplished by passage of legislation that results in a direct transfer of rights. For example, the Natives Land Act, passed by the Union Government in South Africa in 1913, transferred a significant number of black rights in land directly to whites. Second, the state may create new rights and assign them to members of the dominant group; state-created new rights that benefit the dominant group abound in segregation laws in South Africa. For example, color bar legislation in South Africa, which reserved most skilled positions in industry for white labor, created new property rights that benefited the latter group.

Third, the state can put restrictions on the exercise of rights by certain groups within the economy, making those rights valueless to their owners. The dominant group may then assume ownership of

those rights since the legislation usually does not prevent that exercise by members of the dominant group. Fourth, the state may pass laws improving the security of the property rights of members of the dominant group, while at the same time, weakening the security of rights held by minority group members. All those actions are taken to increase rents accruing to members of the dominant group.

The political struggle for the control of property rights in the Republic of South Africa has involved two major areas: land ownership and the industrial labor market. We shall begin the analysis of the political allocation of resources in the country by examining the struggle between whites and blacks for control of employment opportunities in the industrial sector.

Color Bar Legislation and Political Competition for Resources

The era of color bar legislation was ushered into South Africa with the events of 1907. That year, violent strikes occurred in the Rand mining district, and the government responded by bringing Afrikaners into the mines as trainees. Incumbent miners, primarily whites of British descent, regarded the new miners as scabs. The skilled miners expressed great anger at a government they had helped bring to power and demanded that the Afrikaner trainees be removed from the mines. In response to pressure from the Miners' Association, and to retain the skilled miners' political support, the government passed the Transvaal Ordinance no. 17 of 1907. The new law was designed to protect white miners against skilled competition from the Chinese. That legislation paved the way for the two color-bar acts that were to follow (Hutt 1964, pp. 61-63).

It should be noted that the main objective of Afrikaner politicians at that time was to improve living standards for Afrikaners, many of whom lived in extreme poverty in the urban areas. A very large number of Afrikaners, displaced from their farms, migrated to the urban areas and lived in crowded, unhealthy quarters. Their leaders were determined to improve living conditions and bring them up to par with those of the English-speaking, white South Africans. It was the method chosen to effect changes in the living standards of these poor whites that legalized what had previously been tradition and custom among the Afrikaners—hatred of nonwhites. Had Afrikaner leaders chosen to solve the problem of white poverty through reliance on free markets, the color bar might never have developed, at least not to the extent to which it exists in South Africa today. In its attempts to improve the quality of life for poor whites, the

government was quite inept. That objective could have been achieved more efficiently and at less cost if the government had relied more on free markets and less on state intervention (Omond 1986, Hutt 1964).

Since the government had decided to confront the problem of white poverty through labor market regulation, it was inevitable that its policies would conflict with those of capitalists who were interested in low-cost production. The latter preferred an unregulated labor market. The government believed that unless black participation in the industrial sector was limited by law to the performance of unskilled tasks, white workers and their unions would use private violence to effect such exclusion.

On the eve of independence from Great Britain, severe labor conflicts ravaged South Africa as white labor continued to pressure mine operators to exclude blacks from the majority of skilled positions in the mines. White labor was determined to use force (private or state) to serve its interests. With the support of Afrikaners, labor unions pressured the new Union Government to pass the Mines and Works Act of 1911. Also known as the Color Bar Act, that law was designed as a concession to socialists and labor unions. The government also hoped to appease Afrikaners, many of whom were violently opposed to black competition in the industrial sector. The new law called for the government to issue work certificates for most mining jobs, supposedly to improve employee safety. Most certificates of competency, however, were issued only to white workers. In fact, in Transvaal and Orange Free State, the issuance of such documents to nonwhites was specifically prohibited by the Mines and Works Act of 1911 (Hutt 1964, Williams 1989).

That law did several things. First, it created new property rights for white labor, allowing white workers to receive significant rents from the economy through the higher wages that accompanied the labor market regulation. Second, the law placed significant restrictions on black property rights—denying blacks the right to enter certain job categories created an implicit tax on their labor and a direct transfer of wealth from them to white labor. The law also improved the security of white property rights and weakened that of black property rights. In addition to black labor, white capital also suffered a loss in wealth as a result of the legislation. It should be recognized that residents of South Africa ended up with a lower average standard of living as a result of that and other color bar laws. The laws constrained the proper functioning of the market and resulted in lower production and lower national income. It is interesting to note that the most ardent supporters of the establish-

ment of an industrial color bar were workers who had not bothered to upgrade their skills and had to rely primarily on union action and political pressure for high wages. The capitulation of the government to union pressure paved the way for the establishment of a political resource allocation system.

Until 1922, cooperation between white labor and Afrikaners was on an informal basis, deriving primarily from the realization that both groups had similar goals. There was a desire, on the part of both to restrict black economic activities. That was to be achieved either by putting significant restrictions on the exercise of property rights belonging to blacks or by seizing those rights and reassigning them to whites. In 1922, South Africa was faced with extremely violent labor strikes, sponsored by the all-white Mine Workers' Union that protested the mine operators' decision to raise the ratio of blacks to whites in the mines. The strikes were led by English socialist William Henry Andrews, who was to play an increasingly important role in the fight to preserve white privileges. Most of the rebelling miners were Afrikaners, but socialists (primarily workers of British descent) also participated in the revolts. The 1922 strikes bolstered the image of the South African Labor party, which formed a coalition with the Afrikaner-dominated Nationalist party to win the election of 1924 and form what is usually referred to as the Labor-Nationalist "Pact" Government. The new government supported the principle of white supremacy and permanent nonwhite inferiority. The capture of the apparatus of state power by white labor and Afrikaner farmers set the stage for massive state intervention in the labor market. Such intervention was to take place through influx control laws and color bar legislation. That coalition of convenience came to dominate the Republic of South Africa for most of this century (Nattrass 1981, pp. 75-76; Van der Horst 1965, p. 177; Hutt 1964, pp. 68-70; Williams 1989, pp. 37-38).

The coalition's interest in politics was based primarily on the realization that lobbying had not been very effective in getting legislation passed to attenuate or abrogate black property rights. It knew that the most effective way to ensure that the apparatus of government was used to help its members control property rights was to capture it. The new government immediately proceeded to pass laws that effected changes in the structure of property rights. The legislative agenda of the Pact Government was designed to help whites (Afrikaners and white labor) win against black labor and white capital in the competition for control of property rights.

Shortly after it took power in 1924, the Pact Government immediately proceeded to pass laws to limit black participation in the

economy. That year, the Industrial Conciliation Act was passed. It established wage councils (whose membership came from employers and white trade unions) that were to “establish ‘rate for job’ pay levels across individual occupational categories in major sectors of the economy” (Hazlett 1988, p. 93; Natrass 1981, p. 76).

In 1925, the Pact Government passed the Wage Act and extended minimum wages, established by the Industrial Conciliation Act, to non-unionized industries. The two pieces of legislation reduced competition of relatively unskilled and uneducated black workers in the labor market, fulfilling what had been white labor’s original intent when it sought government protection. Despite those tremendous gains, white labor continued to press the government for additional laws. In 1926, the government decided to resurrect the provisions of the Mines and Works Act of 1911, which had been killed by the courts in response to a challenge by the Chamber of Mines. The Mines and Works Act of 1926, also called the Second Color Bar Act, was supposedly designed to “counteract the force of economic advantages at present enjoyed by the native,” as stated by the government’s Mining Regulations Commission (Doxey 1961, p. 160). The 1926 legislation was a reflection of the belief of most whites, especially labor, that the presence of blacks in the labor market represented unfair competition and that the welfare of whites would suffer significantly if blacks were not legislated out of the market. The law strengthened the barriers against nonwhite advancement provided for in the 1911 act. The Industrial Conciliation Act no. 11 of 1924, the Wages Act no. 27 of 1925, and the Mines and Works Amendment Act no. 25 of 1926 “legally entrenched the concept of White labour supremacy” in South Africa (Natrass 1981, p. 76; Williams 1989).

Civilized Labor Policy

The welfare of poor whites in urban areas, many of whom were unable to benefit from existing labor market regulation because of their lack of skills, remained an important problem for legislators. Interestingly enough, much of the restrictive labor market legislation actually had a negative effect on many poor whites because they did not possess the minimum skills needed to qualify for apprenticeships and other protected job categories. To confront the problem of white poverty, the government introduced its civilized labor policy that effectively set aside certain jobs in the public sector for whites. The policy also gave preferential treatment to industries that hired a significant percentage of civilized labor (Natrass 1981, p. 76). The new policy allowed the government to use parastatal agencies as

income transfer schemes to allow significant rents to accrue to poor whites. As a result of the promulgation of that policy, a large number of blacks were dismissed from their jobs (Nattrass 1981, p. 76). Although designed primarily to prevent a fall in the living standards of whites, the policy was also used to ensure that the differential between whites and nonwhites was maintained, making certain that whites would continue to retain special privileges.

Since it did not impose any overt color bar, the civilized labor policy was easily approved by those who felt socialism implied some form of equality. It relied on four major pieces of legislation; two laws, the Factories Act of 1918 and the Apprenticeship Act of 1922, had already been enacted. The new government used the provisions of those laws as the foundation for the new labor policy and passed two additional pieces of legislation to strengthen it. The Factories Act permitted the minister of labor to withdraw customs duties exemptions on raw materials for firms employing nonwhites when it was determined that whites were available to perform the tasks in question. In addition, the act required that separate facilities be provided whites and nonwhites in restrooms, canteens, and other common areas. The law significantly raised the cost of employing nonwhites for the first time (Hutt 1964, Williams 1989).

The Apprenticeship Act reserved most high-paying jobs for whites and weakened the incentive for self-improvement among white workers. The Industrial Conciliation Act no. 11 of 1924 was the first law enacted by the Pact Government to strengthen the civilized labor policy. Next, the government passed the Wage Act no. 27 of 1925 that was designed to cover areas primarily not affected by trade unions. Its main purpose was to protect unskilled white workers from nonwhite competition. The exclusion of blacks from full participation in the South African economy decreased the level of overall development in the country and contributed to a lower standard of living for all groups, including whites.

The civilized labor policy had several effects. First, it benefited primarily skilled whites. Minimum wage regimes and apprenticeship laws established under the policy excluded nonwhites and a large number of unskilled whites (primarily poorly educated Afrikaners). Second, the laws significantly reduced labor efficiency and resulted in lower output levels. Third, businesses were forced to hire unskilled, white labor in protected areas, while nonwhite talent was wasted, which significantly lowered national output. Fourth, overcrowding was caused in occupations that were opened to nonwhites. Finally, that set of laws destroyed incentives for white labor to improve its skills. Many whites, shielded from the rigors of competi-

tion by government regulation, failed to improve their efficiency. In addition, the civilized labor policy also put significant restrictions on the profit motive and reduced its ability to improve the welfare of South African society. The Labor party had hoped that the civilized labor policy laws would keep blacks permanently out of the industrial sector. Profit-maximization by the private sector, however, forced a compromise that allowed the policy to ban Africans only from semi-skilled and skilled jobs. Africans were allowed to occupy positions in the unskilled trades. Had South African government authorities allowed markets to operate freely by giving blacks unrestricted access to the economy, national production would have been considerably higher and the quality of life for all South Africans would have been much higher than it has been (Hutt 1964).

Thanks to the efforts of the Pact Government, by the end of the 1920s, South African whites were receiving significant transfers from the economy through two distinct systems. First, wage fixing and occupational licensing protected skilled and semiskilled whites in the private sector from nonwhite competition, which allowed the former to receive significant rents. Second, the civilized labor policy provided employment for poor whites in public agencies at wages higher than prevailing wages for labor with similar skills. The only jobs left for most blacks were the menial ones, all of which paid very little (Van der Horst 1965, p. 121; Hazlett 1988, p. 94; Nattrass 1981, p. 76).

Competition for Rents and the Abrogation of Black Property Rights in Land

Formal abrogation or attenuation of black property rights in land may be said to have begun with the Natives Land Act no. 27 of 1913. The law limited African rights in land to those areas already occupied by them. It effectively froze the quantity of land available to African groups without taking population growth into consideration. In addition, the law prohibited Africans from buying land outside their reservations and outlawed the practice under which Africans had lived on white-owned farms either as sharecroppers or rent-paying tenants (Magubane 1979, pp. 80–82; Nattrass 1981, pp. 70–71; Williams 1989, pp. 29–30).

The 1913 legislation accomplished many things. First, it created new rights for whites, since most of the land was reserved for white use. Second, it made more land available to whites at prices that were significantly lower than they would have been with black competition. Third, it uprooted many Africans and forced them into wage

PROPERTY RIGHTS IN SOUTH AFRICA

labor either as field hands on white farms or as cheap labor in white factories. The areas reserved for Africans became labor reservoirs for white economic activities. From a property rights point of view, the Natives Land Act of 1913 created new rights for whites, abrogated African communal and private rights in land, and reassigned those rights to whites. Although the law was passed to deal with land problems, it served a double purpose. It provided whites with a cheap source of labor. In effect, the law transferred significant amounts of wealth from blacks to whites (Magubane 1979, pp. 81-82).

In 1936, the government passed the Bantu Trust and Land Act, which re-enforced the provisions of the 1913 law. The 1913 act and its 1936 amendment effectively limited African access to land (both tribal and private) in South Africa to about 13.7 percent of the country's total land area (Nattrass 1981, p. 191; Williams 1989, p. 30).

It is interesting to note that South Africa is the only contemporary country in which property rights in land depend on one's skin color. Land ownership is, perhaps, one of the most complex issues in the political economy of South Africa. Land distribution in South Africa in 1980 shows how effective the Natives Land Act of 1913 and subsequent legislation were in abrogating black property rights to land. Of a total of 122 million hectares of land in the country, whites, who make up less than 20 percent of the population, occupied 81.2 percent by 1980. Blacks who are legally allowed to live in white areas occupied 3.6 percent; 12.8 percent of the land is reserved for black occupation and represents the reserves or homelands. It is important to note that in South Africa, although occupation usually implies land ownership for whites, coloreds, and Indians, occupation is not synonymous with land ownership for blacks in white areas. As a result, the 3.6 percent of the land occupied by blacks legally allowed to live in white areas does not actually belong to them since they cannot obtain freehold title to it. It belongs to whites. In terms of ownership, then, whites actually own 84.8 percent of the land (Daniels 1987, pp. 2-3).

During World War II, an adjustment was made in the structure of property rights to allow long-term occupancy of the land to blacks who were legally allowed to live in white areas. Under what was called the 30-year leasehold scheme, legal blacks could petition the government for land to build a house or a stand that included a house. The individual who held the lease for 30 years had the opportunity to request another 30-year extension. The program was designed to manage the extraordinary migration of blacks to urban areas after the war. The influx of blacks to urban areas created severe shortages in housing and resulted in overcrowding in many of the slums, in which blacks found themselves living. However, the leasehold program did

not help alleviate the housing problem. For one thing, financial institutions were unwilling to extend credit to blacks to build houses because the leases could not be used as collateral. In addition, in 1968, the government began to require that blacks who were interested in participating in the program must accept citizenship in a homeland as a precondition for acceptance. By 1975, more than two-thirds of the houses in most black townships were owned by the government, an indication of how poorly the leasehold program had performed.

In recognition of the failure of the 30-year leasehold program to meet the housing needs of urban blacks, the government introduced the 99-year leasehold scheme in 1978. The new law, called the Bantu (Urban Areas) Amendment no. 97 of 1978, made it possible for blacks legally allowed to live in white areas to lease land, make improvements on it, and transfer their rights to the land to other individuals during the 99-year period. The transfer could be accomplished through a sale, donation, exchange, or bequest (Daniels 1987, p. 4). Since the new law allowed leaseholders to use the rights in the lease as collateral for loans, the 99-year lease program was considered superior to the 30-year scheme. Many blacks, however, were unable to participate in the 99-year program because of the high costs associated with obtaining a leasehold. For example, in 1981, leasehold applicants were required to pay R6 as a processing fee, to pay R300 for surveying the property, and to be responsible for additional expenses that ranged from R450 to R2,000, depending on where the property was located. As a result of those obstacles, many blacks were unable to take advantage of the 99-year program, and, by 1981, many of them were still renting houses from the government (Davenport 1977; Daniels 1987, pp. 3–5).

To obtain greater insights into the extent of the abrogation of black property rights to land since whites first settled in South Africa, one can examine the land-to-man ratio. Data show that, in 1980, while each white had available to him, on average, 21.9 hectares of land, only 1.42 hectares of land were available to black South Africans living in the homelands and 0.43 hectare was available to those living in white areas during the same period. Also significant is that land ownership in the homelands is communal and does not provide for free leasehold title. In fact, residents regard that land as government reserves and have subsequently exploited it. Individuals are reluctant to make any investments in land improvements because of free rider problems that are prevalent in most communal rights systems. Although open access is a characteristic of African customs and is not a white creation, the government has not made any attempts to

encourage the development of private property rights that could benefit black communities. The open access approach, especially in the face of overpopulation, has contributed significantly to the destruction of the quality of the land (Daniels 1987, p. 5; Davenport 1977; Natrass 1981, p. 194).

The severe inequality in land ownership may be traced to the activities of white South Africans who have been able to use the coercive force of the government to dispossess blacks of their property rights to land. Manipulation of property rights has been the case since whites first arrived in the area in 1652. Europeans who arrived at the cape in the mid-1650s assumed that African land owned under common property rights did not really belong to anybody and, therefore, was available for immediate occupation. In 1880, Earl Grey, an English colonist, expressed the feelings of most whites toward the land question in South Africa. He remarked that most whites felt that when the interests of whites came into conflict with those of nonwhites, the needs of the latter should be disregarded. Choices made, many of them believed, should reflect an attempt to maximize the interests of the "superior race." For whites to continue to maintain an advantage over other races, they believed that "facilities should be afforded to the white colonist for obtaining the possession of land theretofore occupied by the Native tribes" (Magubane 1979, p. 71). That view of land ownership allowed whites to abrogate African communal property rights, eventually resulting in the severe inequality of land ownership that exists in the country today. Not only do whites own over 80 percent of the land, they also own the most cultivable land in the country. Land ownership patterns in South Africa, thus, have resulted primarily from government confiscation and reassignment of rights.

Apartheid and the Political Struggle for the Control of Property Rights

By the start of World War II, the abrogation of black property rights in land and labor was nearly complete. In fact, the structures accounting for the labor situation and black destitution in South Africa today were completely in place by that time. Although many writers attribute the present condition of blacks in South Africa to apartheid legislation, a significant number of the laws that have contributed to the loss of most black property rights were enacted prior to 1948, the year apartheid was formally introduced into the country. What apartheid proponents did was build on existing legislation, pass other laws to strengthen and improve the security of white

property rights, and finalize the confiscation of black rights. After they returned to power in 1948, the Nationalists further restructured property rights to make white rights more secure and weakened the few rights that were left to blacks after the mass abrogation achieved through legislation passed between 1911 and 1948. In addition, the institutions responsible for controlling the flow of black labor were streamlined to make them more efficient. The restrictions placed on owners of capital by the government represented an infringement on their ability to maximize profits. Thus, a significant number of the laws designed to benefit white labor and Afrikaner farming interests actually put significant restrictions on the exercise of private property rights belonging to capitalists (Nattrass 1981, pp. 76–77).

Afrikaners and white labor knew that profit-maximizing capital would eventually opt for a colorblind labor market. There was fear among many Afrikaner Nationalists and white labor that white capital would eventually promote the passage of legislation permitting closer intergroup relations. The economic integration that would result from such a policy of racial coexistence, they felt, would threaten the welfare of whites. Many believed that the existing structure of property rights that provided them with a significant number of benefits could not be passed from generation to generation unless the strict separation of races was maintained. Olson writes that “the system could not possibly survive for many generations unless the demarcation between the races was preserved” (Olson 1982, p. 164). A significant amount of the legislation passed after 1948 was designed to put permanent social and geographic distance between racial groups in South Africa. The Prohibition of Mixed Marriages Act of 1949 strengthened the restrictions placed on interracial relations by the Immorality Act of 1929. Subsequent legislation, including the Group Areas Act of 1950 and the Separate Amenities Act of 1953, resulted in complete residential segregation and separation in public places (Brookes 1968, Williams 1989).

Despite the obstacles imposed on it by legislation, the profit motive has been responsible for most of the economic progress that has occurred in the Republic of South Africa since the 1930s. According to Hutt, “the whole prosperity and economic expansion of South Africa has been due to the use of non-white labour in occupations and grades of work which would have been prevented for all time if the restrictionist-minded Labour Party members of the ‘Pact’ Government of 1924 had had their way” (Hutt 1964, p. 85). In fact, most of the improvements in the living standards of poor whites were due primarily to the activities of capitalists, not to government regulation. Without the ability of capitalists to penetrate or by-pass government

restraints, the poor white problem would have been a permanent part of urban South Africa. The solution to that problem required more productive use of nonwhite labor. Government ineptitude, thus, has contributed significantly to the problem of poverty in South Africa. The functioning of free markets, although limited, has been responsible for most of the development that has occurred in the country.

Conclusion

The conflict in South Africa between blacks and whites had its origins in the activities of groups trying to protect their interests by politically controlling property rights assignments. With the help of the coercive force of the government, a coalition of white labor and Afrikaner farming interest groups abrogated black rights in land and labor. Most of the black rights in land have been transferred to whites and, through labor market regulation, significant restrictions have been put on the exercise of black labor rights. Those activities have resulted in a concentration of wealth in the hands of whites. The majority of blacks in the country are landless, cannot sell their labor services at market prices, and live in severely congested areas.

The current political and economic condition of blacks in South Africa can be traced to the successful abrogation and attenuation of their property rights by whites. Although the challenge South Africa now faces is how to dismantle apartheid, a bigger, and perhaps more explosive, problem is land reform. Only time will tell if black property rights to land will be restored once a democratic system is introduced in the country.

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