

UNIVERSITY OF KWAZULU-NATAL
HISTORY AND AFRICAN STUDIES SEMINAR

WORK IN PROGRESS! PLEASE DO NOT CITE!

“Towards a History of African Unemployment in South Africa:
Bringing Political Economy ‘Back In’ to South African Historiography”

WORK IN PROGRESS! PLEASE DO NOT CITE!

By

Michael R. Mahoney
Fulbright Fellow, University of KwaZulu-Natal
Ripon College, Ripon, Wisconsin, USA
Lawrence University, Appleton, Wisconsin, USA

5 June 2013

Unemployment is a severe problem in South Africa. The official unemployment rate in South Africa rose from 24.9% to 25.2% in the first quarter of 2013. Since 2000, this rate has varied between 31.2% in March 2003 and just under 21.9% in December 2008.¹ For the sake of comparison, during the same period, among South Africa's peer BRICS nations, the rate in Brazil has varied from 4.6% to 13.1%, in Russia from 4.9% to 14.1%, in India from 3.8% to 9.4%, and in China from 3.9% to 4.3%. Out of the 200 countries in the world, South Africa had the 14th-worst unemployment rate. The only countries to have higher peak unemployment rates during this period were Angola (35%), Bosnia (46.1%), Burundi (35%), Congo (66.9%), Djibouti (59.5%), Haiti (40.6%), Kenya (40%), Kosovo (57%), Lesotho (39.3%), Macedonia (37.3%), Mauritania (32.8%), Namibia (37.6%), and Palestine (35.6%).² The all-time record high for unemployment in the United States was 24.9% in 1933, when the Great Depression was at its worst. The South African labor force has been experiencing its own Great Depression, except to an even greater degree and for an even longer time.

How long has this been the case? This is just one of many issues surrounding South African unemployment that economists have debated for many years. Others include the causes of this unemployment, its most effective remedies, and even the very reliability of unemployment statistics for the present moment, let alone historically. One objective of this paper is to introduce historians to the historical and descriptive/analytical, as opposed to policy-prescriptive, aspects of this debate.

¹ "South Africa Unemployment Rate," *Trading Economics*, <http://www.tradingeconomics.com/south-africa/unemployment-rate>, accessed 30 May 2013.

² "List of Countries by Unemployment Rate," *Trading Economics*, <http://www.tradingeconomics.com/country-list/unemployment-rate>, accessed 30 May 2013. Of course, these are official figures and must always be approached with caution. The same sources list Zimbabwe's peak unemployment rate since 2000 as 10.8%.

Another purpose of this paper is to urge historians towards a far greater re-engagement with the very political-economic issues that were once the bread and butter of South African historiography. Especially during the 1970s and 1980s, the nature of the relationship between capitalism and white racial supremacy provoked heated debate but also generated vast amounts of historical research and sophisticated theoretical frameworks. Even many historians of pre-colonial (then often referred to, significantly, as “pre-capitalist”) southern Africa were very much concerned with political economy. Since then, for various reasons, historians of South Africa have shifted their attention to issues of culture and consciousness. Moreover, too many historical works being produced about South Africa today eschew any commitment towards a collective project of theory-building among social scientists and scholars in the humanities. The historiography of political economy in South Africa has atrophied severely from the neglect.

With very few, but notable, exceptions, such as UKZN’s own Bill Freund, recent South Africanist scholarship on economic history has *not* come from scholars trained and employed within the discipline of history. Economists, sociologists, and political scientists have filled the void, often very admirably, but history has suffered and historians find themselves increasingly isolated from and irrelevant to developments in political-economic research. The Economic History Society of South Africa, founded in 1980, still exists, as does its journal (formerly the *South African Journal of Economic History*, but since 2010 titled *Economic History of Developing Regions*). However, most of the members of the EHSSA and most of the contributors to *EHDR* are non-historians. Meanwhile, the marginality of political economy to mainstream South African historiography can be seen in the recently released *Cambridge History of South Africa*, vol. 1, dealing with South African history to 1885. Of the seven chapters, only two deal with economic issues in any substantive way. Of those two chapters, the one by John Parkington and Simon Hall is

archaeological, leaving just one chapter on economic history by historians, the one by Robert Ross and Martin Legassick. It is perhaps unsurprising therefore that the current president of the Economic History Society of South Africa, Johan Fourie, is himself an economist, and he and Stefan Schirmer (also a non-historian) have lamented the historical discipline's neglect of the field.³ As Fourie and Schirmer note, part of this neglect comes from the mistrust that historians have both for econometrics and for the neoclassical hegemony within economics. This mistrust is not entirely justified, for over the last couple decades econometrics has become far more supple and capable of engagement with issues like culture, change over time, social power and inequality. Not coincidentally, a shift is underway within economics, away from the varieties of neoclassicism that are particularly disingenuous about those same issues. To take just one example of this shift, the period since 2000 has seen the emergence of the “real-world economics” movement, once known by the unfortunate name of “post-autistic economics.”⁴ More prominent and mainstream research, such as Joseph Stiglitz's on the significance of information asymmetries, has opened the door for just the sort of particularistic yet holistic research that historians specialize in.⁵

This essay, then, is just one contribution towards a wider effort to bring economics back to the historians. It also marks the beginning of what I intend to be a major research project into the history of African unemployment in South Africa. This is of course a vast and complex subject, so in this particular essay I would like to focus on the historiography of unemployment in

³ Johan Fourie and Stefan Schirmer, “The Future of South African Economic History,” Stellenbosch Economic Working Paper 06/12 (April 2012).

⁴ The movement's journal is the *Real-World Economics Review*, <<http://www.paecon.net/PAERreview/>>.

⁵ Joseph Stiglitz, “Information and the Change in the Paradigm of Economics,” Nobel Prize Lecture, 8 December 2001, <http://www.nobelprize.org/nobel_prizes/economics/laureates/2001/stiglitz-lecture.pdf>, accessed 30 May 2013.

South Africa. “Historiography” is in this case something of a misnomer, for virtually none of the scholarship that I will be citing was written by historians, and the economists who did write almost all of it all too often engaged very little, if at all, with history. But there is no alternative, for if economists have neglected history, historians of South Africa have neglected economics in general, and unemployment in particular. This paper is one step towards rectifying both situations. A history of unemployment in South Africa could address many different aspects of this problem, such as timing, extent, causes, and consequences. I will touch briefly on all of these issues, but my focus here will be on identifying when and why African unemployment first became a major issue for researchers studying South Africa.

In the twenty-first century, unemployment has loomed large in South African economics research. In 2005, two of the most significant works ever on the economic history of South Africa were published: *An Economic History of South Africa* by the University of Cambridge economist Charles Feinstein, and *Class, Race, and Inequality in South Africa*, by the economist Nicoli Nattrass and the sociologist Jeremy Seekings, both of the University of Cape Town. Feinstein was born and raised in South Africa, but his publications did not deal with South Africa prior to his 2005 book, which was released just after his untimely death. One of his most important contributions in this book was an effort at determining the evolution of the unemployment rate from the 1950s to the 1990s. As we shall see, the relevant government statistics have always been controversial, and a fair amount of research on this subject has been dedicated to coming up with a more adequate dataset. Feinstein saw the unemployment rate as starting from a rather low point in the 1950s, rising to a moderate plateau in the 1960s and 1970s, and then exploding in the 1980s and especially the 1990s:

1951: 3.9% 1960: 7.3% 1970: 6.7% 1980: 7.0% 1991: 18.0% 1996: 33.1%

Feinstein identified several factors behind this shift. First, rapid population growth increased the labor supply at unprecedented rates. Second, the ability of the labor market to absorb this population growth declined greatly. The 1980s and 1990s saw particularly anemic average annual growth rates – often less than 1% – for real per capita GDP, mainly because of political instability and, to a much smaller extent, economic sanctions, boycotts, and disinvestment, both of which led to declines in international trade and especially investment. Apartheid-era economic policy exacerbated the situation by discouraging the employment of black labor and artificially raising the price of labor relative to capital, thus encouraging the widespread adoption of mechanization and capital-intensive production in agriculture, mining, and industry. Third, increased labor activism, and government and business efforts to buy off worker discontent, led to rises in black wages that outstripped rises in labor productivity. This provided even further impetus to mechanization and capital intensification and also made South African products less competitive internationally: South African labor costs more and produces less than labor in much of Asia and even Latin America. Fourth, Feinstein argued that low African wages have hindered the development of a domestic consumer market,⁶ although he did not acknowledge how this at least superficially contradicted his argument that unemployment existed because African wages were too high.

While Nattrass and Seekings agreed with much of Feinstein’s analysis of the history of unemployment in South Africa, they differed on some key points. For one thing, where Feinstein saw the big shift in South African unemployment taking place in the 1980s, Nattrass and Seekings located it in the 1970s. Moreover, in addition to the causative factors listed by Feinstein,

⁶ Charles Feinstein, *An Economic History of South Africa*, (Cambridge: Cambridge University Press, 2005), pp. 237-240, 244-251, 274.

Nattrass and Seekings added some more. In particular, they argued that subsistence agriculture in the homelands collapsed in the 1970s, effectively “undisguising” what had up to that point been disguised unemployment, or at least underemployment. They also famously recommended tackling what might be called the “wages too high-wages too low” paradox by introducing greater labor market “flexibility” while at the same time greatly increasing the government’s redistribution of income from the wealthier to the poorer strata.⁷

Frederick Fourie has offered the most recent literature review on unemployment in South Africa. He identifies three main discourses within this literature that all too often talk past one another owing to the very different assumptions they start from. The first is what Fourie calls the “labor market discourse,” to which the most notable contributors have been Geeta Kingdon and John Knight. This discourse focuses on why the supply of labor is so high and the demand so low and why labor markets have failed to clear. The second is what Fourie calls the “poverty and development discourse,” including the work of such scholars as Haroon Borat, Andries du Toit, and Nattrass and Seekings. This discourse focuses on promoting economic development and growth in order to address both inequality and the alleviation of absolute and relative poverty. It also considers how poverty and inequality hamper development, and how all these phenomena relate to unemployment. Ultimately, it demonstrates how structural factors (education, location, social capital, and poverty and unemployment themselves) exclude a large segment of the population from the labor market in the first place. The third discourse that Fourie discusses is what he calls the “macro and macro/sectoral discourse,” which is focused on national aggregate and sectoral analyses. Fourie identifies Abhijit Banerjee and Duncan Hodge as the most

⁷Jeremy Seekings and Nicoli Nattrass, *Class, Race, and Inequality in South Africa* (New Haven: Yale University Press, 2005), esp. ch. 5.

prominent economists working within this discourse. It is particularly concerned with government policy and how it is shaped by struggles between and within sectors: business, labor, and the government itself. While in principle there is nothing about this discourse that would preclude radical political-economic critiques or fine-grained appreciations of factors like socioeconomic class, in practice it has been the least attentive to these issues. At the same time, it has gotten far and away the most attention in media and in the highest levels of government policy-making. While Fourie identifies some commonalities in these three discourses – like a basic recognition that segmentation and various structural barriers limit the efficient operation of the labor market – he nevertheless argues that the lack of synthesis between them is hampering both academic research and government policy.⁸

Of course, as separated as these three discourses might be, Fourie barely even refers to a fourth discourse, as marginalized from mainstream academic and policy discourse as South Africa's chronically unemployed are from the South African labor market. I am referring here, of course, to more radical approaches to South African political economy that have been offered by such scholars and activists as Patrick Bond, Martin Legassick, and Bill Freund. This reflects the utter marginalization of heterodox economic approaches within the field of economics itself. In a world where Keynesianism, quite liberal and non-radical and from the 1940s to the 1970s hegemonic in the economics field, struggles to get a hearing, Veblenite institutional economics and Marxian economics (just to name the two most important varieties of heterodox economics on the left) are utterly beyond the pale. Fourie only refers to Marxian economics in one passage,

⁸ Frederick Fourie, "The South African unemployment debate: Three worlds, three discourses?" Southern Africa Labour and Development Research Unit Working Paper no. 63 (Cape Town: SALDRU, University of Cape Town, 2011).

as one of the “factors that may obscure and fragment” debate in this field,⁹ but Fourie himself effectively obscures the Marxist contribution to that debate and fragments it off completely from the rest.

A 2007 special issue of the journal *Africanus*, put out by the UNISA Centre for Development Studies, brought together seventeen scholars of South African political economy, most of them Marxian or quasi-Marxian in their approach but almost none of them economists, to comment on the current economic situation in South Africa. Of the *Africanus* contributors, only Charles Meth, Andries du Toit, and David Neves had work that was cited in Frederick Fourie’s review of the literature on South African unemployment. While much of this clearly reflects the exclusion and marginalization of Marxian economics, one might also fault the Marxians themselves for marginalizing unemployment in their own analyses. Indeed, most of the *Africanus* contributors made only passing reference to unemployment, if they referred to it at all, and none made it a central factor in his or her analysis. Instead, the focus was on critiquing the notion of “two economies,” articulated most notably by former President Thabo Mbeki. Mbeki and others’ rhetoric about “two economies” is a lineal descendant of the old “dual economy” theory first developed by Julius Boeke in 1953. Essentially, the argument is that two economies, one capitalist and one non-capitalist, exist side by side and the poverty of the latter stems from its separateness and lack of capitalism. This theory created a great divide within Marxian approaches. Orthodox Marxists agreed that large sections of the world economy, especially in the “third world,” had not yet reached the capitalist stage of development, while dependency theorists argued that there was in fact only one capitalist world economy, and that capitalism, not the lack of capitalism,

⁹ Fourie, “The South African unemployment debate,” p. 8.

explained the poverty of the putatively “non-capitalist” economy.¹⁰ Most of the *Africanus* contributors operated within a dependency theory framework that saw the “second” economy of South Africa as part of, functional to, and exploited by the “first” economy. The one to deal most directly with unemployment, Isobel Frye, argued that the large numbers of South African unemployed were functional to the capitalist economy because they 1) constituted a “reserve army of the unemployed” that kept labor costs down by keeping labor supplies high, and 2) provided the sort of hyper-casualized labor upon which the South African economy was increasingly depending.¹¹

But it is not adequate to explain the existence of unemployment as stemming from its functionality in relationship to capitalism. For one thing, unemployment is functional to capitalism in some ways, but not in others. For another, the unemployment rate does not always develop in the same direction and at the same rate. Instead, it ebbs and flows over time and varies from place to place. Thus historical and social-cultural-geographical contingency must be taken into account in order to explain, even from a Marxian perspective, the particular history of unemployment rates in South Africa.

Nevertheless, the work of heterodox researchers is a useful counterweight to the idea that unemployment is severe in South Africa because, among other things, labor unions are too strong and confrontational, wages are too high, labor regulations are too burdensome, or social welfare spending is too generous. Even in this case, however, it is not as though more orthodox economists are unanimous on this point. Frederick Fourie points out that different researchers

¹⁰ For a critique of *both* the dual economy thesis *and* dependency theory from a Marxian standpoint, see Frederick Cooper, “Africa and the World Economy,” in Frederick Cooper et al. (eds), *Confronting Historical Paradigms* (Madison: University of Wisconsin Press, 1993), pp. 84-204.

¹¹ Isobel Frye, “The ‘second economy’ as intellectual sleight of hand,” *Africanus*, vol. 37, no. 2 (2007), pp. 175-190.

have found real wages to be rising, falling or stagnating since the 1990s. As he puts it, “Linking employment and unemployment episodes in South Africa to real wage changes is, and has been, fraught with difficulties.”¹² The idea that unemployment will evaporate if wages are low enough, or even if workers are educated enough or are healthy enough, is often based on the implications of the highly controversial Say’s law, but the necessary empirical support is just as often lacking. A large supply of cheap but qualified workers does not guarantee that there will be demand for them.¹³ Similarly, already in the 1930s, Keynes argued, against Say and Arthur Pigou, that wage inflation did not necessarily cause a rise in unemployment, and that wage deflation would not necessarily cause a decline, because real aggregate demand – including that of employers for workers – would tend to rise or fall in tandem with wages.¹⁴ Thus even mainstream economists must look at factors besides the high cost of labor in explaining the causes of unemployment in South Africa, causes such as mechanization, deagrarianization, chronically low aggregate demand, and the legacy of influx control, all referred to briefly above.

If the debate over causes is very much in the air, the debate over the timing of the unemployment crisis is rather more settled among mainstream economists, but perhaps more than it should be. This consensus about timing comes out particularly clearly with the frequent use of 1970 as a starting point for diachronic analyses of the problem.¹⁵ Such a chronology works

¹² Fourie, “The South African unemployment debate,” p. 58.

¹³ Alice Amsden, “Say’s Law, Poverty Resistance, and Employment Neglect,” *Journal of Human Capabilities*, vol. 11, no. 1 (2010), pp. 57-66.

¹⁴ Robert Skidelsky, *Keynes: The Return of the Master*, Kindle ed. (New York: Public Affairs, 2010), pp. 93-94.

¹⁵ See, for example, J. W. Fedderke and Martine Mariotti, “Changing labour market conditions in South Africa: A sectoral analysis of the period 1970-1997,” *South African Journal of Economics*, vol. 70, no. 5 (2002), pp. 830-864; Deepak Mazumdar and Dirk Seventer, “A decomposition of growth of the real wage rate for South Africa: 1970-2000,” *South African Journal of Economics*, vol. 70, no. 6 (2002), pp. 1076-1102; Christie Schoeman, Derick Blaauw, and Anmar Pretorius, “An investigation into the determinants of the South African unemployment rate, 1970-2002,” *Acta Academica*, vol. 40, no. 3 (2008), pp. 67-84.

well with arguments emphasizing too-high wages, since the 1970s saw the real birth of the modern labor movement in South Africa, especially in the 1973 Durban strikes and in the Wiehahn commission, the legalization of African labor unions, and the formation of FOSATU, all in 1979. The problem is that the idea of South Africa's unemployment crisis beginning in the 1970s is all too often asserted rather than proved or even sourced. Indeed, it is difficult to determine the precise origin of this idea and the consensus surrounding it.

Perhaps the most thorough elaboration of this thesis may be found in Seekings and Natrass's 2005 book,¹⁶ but they base their argument on other, earlier secondary sources, and still other works are premised on a 1970s starting date even before 2005. The likeliest explanation at this point is that Seekings and Natrass were articulating explicitly what was already a more tacit general understanding among economists. The secondary sources that Seekings and Natrass discuss from the late 1970s and early 1980s were debating the precise extent of South African unemployment. At this time, Charles Simkins, John Knight, and other economists came out with research arguing that unemployment rates in South Africa had been high for quite some time, a state of affairs that Simkins traced back to 1960 and Knight traced back to 1951. Neoclassical economists like Kantor and Gerson criticized Simkins and Knight for inflating the unemployment numbers by including those involved in subsistence agriculture and those who were voluntarily unemployed. Simkins, Knight, and others rather thoroughly dismantled the "voluntarily employment" argument, but the role of subsistence agriculture was more problematic for their arguments. While the state of subsistence agriculture was dire in the 1970s and getting worse, Knight and especially Simkins were essentially conflating unemployment and

¹⁶ Seekings and Natrass, *Class, Race, and Inequality*, ch. 5.

underemployment by considering such a large proportion of rural residents to be unemployed. Studies that separated the two categories more clearly, such as those by Loots and Hofmeyr, indicated that the truly unemployed (as opposed to underemployed) were largely a recent phenomenon, and the vast majority of the unemployed had been so for only a short period, usually less than a year.

The argument that the 1970s constituted a key turning point in the history of South African unemployment runs into two key problems, both of them present in the evidence that Seekings and Natrass themselves cite. First, while unemployment was certainly on an upward trend during the 1970s, it was rising from a baseline that was already quite high. For example, Loots, even using a more restricted definition of unemployment, gave a rate of 15.2% for “nonwhite” unemployment as early as 1960.¹⁷ Second, Simkins characterized African agricultural production in the reserves as “fragile productivity maintenance” from 1918 to 1954 and “rapid decline” from 1954 to 1969.¹⁸ In other words, the process of deagrarianization, which Seekings and Natrass identify as one of the main causes of both African unemployment and its transition from “disguised unemployment” and “underemployment” to “open” unemployment, was largely complete before the 1970s even began.¹⁹

¹⁷ Lieb Loots, *A survey of employment trends in relation to urbanisation in South Africa* (Bellville: Institute for Social Development, University of the Western Cape, 1982), cited as “Loots 1982” in Seekings and Natrass, *Race, Class and Inequality*, p. 180, though without a corresponding entry in the bibliography. I am assuming that this is the work by Loots to which they were referring.

¹⁸ Charles Simkins, “Agricultural Production in the African Reserves of South Africa, 1918-1969,” *Journal of Southern African Studies*, vol. 7, no. 2 (April 1981), pp. 256-283, cited in Nicoli Natrass and Jeremy Seekings, “The Economy and Poverty in the Twentieth Century in South Africa,” Centre for Social Science Research, working paper no. 276 (2010), p. 49. A revised and abridged version of this latter work will appear in the forthcoming second volume of the *Cambridge History of South Africa*. Note, again, that this yet another example of South African economic historiography being written by non-historians.

¹⁹ See also John Knight and Giovanni Lenta, “Has capitalism underdeveloped the labour reserves of South Africa?” *Oxford Bulletin of Economics and Statistics*, vol. 42, no. 3 (August 1980), pp. 157-201, which concurs with Simkins, “Agricultural production,” in the timing of the decline of African reserve agriculture.

Perhaps the belief that African unemployment first became a major problem in the 1970s stems not from actual changes in the African unemployment rate at that time, but rather from the fact that it was first recognized by economists of South Africa as a problem at that time. As many scholars have pointed out, scholars, government policy-makers, and employers all consistently characterized South Africa as being in a labor shortage from at least the abolition of slavery in the Cape in the 1830s until the 1970s. Certainly this is a running theme in what was, from the 1940s to the 1970s, the standard text on the subject, Sheila van der Horst's *Native Labour in South Africa*.²⁰ Unemployment is hardly discussed at all in another standard work from this period, D. Hobart Houghton's *The South African Economy*.²¹ Then, in the mid-1970s, several works appeared that, for the first time, identified African unemployment as a major problem in South Africa.²² The convening of a conference on African unemployment at the University of Natal in Pietermaritzburg on March 18-19, 1977, demonstrated that the subject had become an object of analysis.²³

Ironically, though, one of the main points of the new scholarship in the mid-1970s on unemployment in South Africa was that the problem had already existed since the 1950s at least. So, for example, John Knight in 1976 argued that what he called "residual labor" as a

²⁰ Sheila T. van der Horst, *Native Labour in South Africa*, (London: Oxford University Press, 1942), esp. pp. 104, 167-172, 289, 200-5.

²¹ D. Hobart Houghton, *The South African Economy* (London: Oxford University Press, 1964).

²² J. A. Vermaak, *Die Vraag na en Aanbod van Mannekrag in die Republiek van Suid-Afrika: Deel 1* (Pretoria : Instituut vir Mannekragnavorsing, Raad vir Geesteswetenskaplike Navorsing, 1974); J. Maree and P. J. de Vos, "Underemployment, poverty, and migrant labour in the Transkei and Ciskei" (Johannesburg: SAIRR, 1975); Petrus Jacobus van der Merwe, *Black Employment Problems in South Africa* (Pretoria: University of Pretoria, Bureau for Economic Policy and Analysis, 1976); Charles Simkins, "Employment, unemployment, and growth in South Africa," SALDRU working paper no. 4, University of Cape Town (1976); John Knight, "Labour supply in the South African economy and its implications for agriculture," SALDRU Farm Labour Conference, University of Cape Town, 1976.

²³ Workshop on Unemployment and Labour Reallocation, Development Studies Research Group, University of Natal, Pietermaritzburg, March 18-19, 1977. The papers are all available in the University Archives on the Pietermaritzburg campus of the University of KwaZulu-Natal.

proportion of the total African labor force varied between 34% and 38% from 1946 to 1970, with no clear trend. He defined “residual labor” as the total African labor force in a “standardized and adjusted census” minus “converted employment excluding homeland agriculture.” This latter figure consisted of census non-farm employment plus both regular and casual labor on white farms. He contrasted this figure with official “census unemployment” that did not count homeland residents and was based on obvious undercounts of the African population generally. Even these official figures, however, had African unemployment going from a low 3.8% in 1951 to 8.4% in 1960 and 11.1% in 1970. The latter figures are low compared to later South African unemployment levels, but high when compared to earlier levels and levels worldwide at the time. The obvious question, which Knight did not thoroughly consider at the time, was whether this residual population should be considered unemployed or underemployed.²⁴ Simkins, also writing in 1976, argued that the unemployment rate for South Africans of all races was 8.9% in 1961, 12.1% in 1970, and 20.0% in 1976, figures not that different from what Knight derived from official census data.²⁵ Other research from the time indicated that prominent South African politicians, long conditioned for various reasons to denying the existence of African unemployment, were already identifying African unemployment as a major problem in 1970. That year, Prime Minister Vorster told Parliament,

[T]he greatest danger confronting South Africa is not so much the threat from outside the borders, serious though that may be, but mass unemployment and disturbed race relations.²⁶

²⁴ Knight, “Labour supply,” tables 10 and 11. Note that table 10 is on p. 24, but table 11 is on unnumbered pages between pp. 22 and 23, i.e., table 11 comes before table 10.

²⁵ Simkins, “Employment, unemployment, and growth,” p. 19.

²⁶ Quoted in Martin Legassick, “Legislation, Ideology, and Economy in post-1948 South Africa,” *Journal of Southern African Studies*, vol. 1, no. 1 (October 1974), p. 28.

He also said, “The biggest danger in South Africa today is not terrorism but unemployment.”²⁷

Even earlier, in 1943, the United Party government had included African workers in South Africa’s first national government unemployment insurance program, although the National Party eliminated much of that coverage in 1949.²⁸ Already in 1942, at the same time that she emphasized the general shortage of African labor, Sheila van der Horst admitted that

The general absence of differentiation in occupation has combined with the traditional social organization, according to which hospitality is readily accorded, to mask unemployment and partial employment among Natives.²⁹

Most intriguing of all is a 1924 pamphlet by the historian (!) W. M. Macmillan entitled *The Land, the Native, and Unemployment*. In it, Macmillan argued that unemployment was not just a problem for South African whites, but for blacks as well. Like later researchers, Macmillan argued that this unemployment was disguised by the general issue of labor shortage and by the existence of what later scholars would call the “peasant subsistence option” for Africans. But Macmillan already saw this latter option dying out in 1924, and argued that a growing proportion of South Africa’s black population was completely dependent on wage labor for their subsistence.

²⁷ Quoted in David Yudelman, “Industrialization, Race Relations and Change in South Africa: An Ideological and Academic Debate,” *African Affairs*, vol. 74, no. 294 (January 1975), p. 82. Unlike Legassick, Yudelman does not provide a citation to show where Vorster made that comment.

²⁸ Seekings and Nattrass, *Race, Class, and Inequality*, pp. 84-85, 130; Legassick, “Legislation, Ideology, and Economy,” p. 18.

²⁹ Van der Horst, *Native Labour in South Africa*, p. 314.

Unfortunately, Macmillan's evidence for this unemployment problem among black South Africans was entirely anecdotal, not statistical.³⁰

The coexistence of unemployment with labor shortages has often been remarked upon by economists studying South Africa, but is not unique to that country or to markets for labor. This is "market failure," and there can be numerous reasons for it. In the case of South African unemployment, the most important factor has clearly been the fact that many unemployed people have not lived where the jobs are, and various legal, economic, and social barriers have made it difficult for them to move. Formal job reservation for whites has also been a factor, although one must not discount the additional practice of de facto job reservation. Workers' lack of education and training desired by employers is yet another factor. Mention must also be made of "queuing," whereby workers may prefer to remain unemployed, even when there are jobs available to them, while they wait for better-paying jobs.³¹

I would, however, like to suggest here another possible reason worthy of investigation, namely that rhetoric of "labor shortages" may tell us more about employers' attitudes about going wage rates than about the actual level of supply and demand. Given the shortcomings of available unemployment data in South Africa, scholars have often turned to wage rates as a proxy for unemployment, based on the simple logic that rising wage rates indicate labor shortages, while falling wage rates indicate labor gluts. But prices rise and fall based upon a whole host of factors other than simple supply and demand, and there are even basic logical and

³⁰ W. M. Macmillan, *The Land, the Native, and Unemployment* (Johannesburg: Council of Education, Witwatersrand, 1924).

³¹ For just two discussions of the coexistence of unemployment and labor shortages in South Africa, see John Knight, "Labour allocation and unemployment in South Africa," *Oxford Bulletin of Economics and Statistics*, vol. 40, no. 2 (1978), p. 96; Seekings and Nattrass, *Race, Class, and Inequality*, pp. 184-185.

mathematical problems with the “law” of supply and demand.³² Could it be that, despite the long-standing discourse of labor shortage, African unemployment in South Africa has been a problem for a very long time, perhaps for decades before the 1970s?

The history of unemployment in South Africa, as indeed anywhere, is thus very much tied to the decline of the peasant subsistence option, proletarianization, and the capture of the peasantry by the state and by markets, closely related processes that have been central to research into economic history. The exact timing of this process has been debated by historians of African agriculture. Colin Bundy famously argued that, far from being prisoners of a traditional culture inimical to capitalism, African farmers actually responded quite successfully at first to the expansion of capitalist agriculture in South Africa during the 1800s, but found themselves increasingly marginalized as they were expelled from white-owned land and excluded from markets and from government support for farmers.³³ Jack Lewis and Helen Bradford have since shown that, at least for African farmers in many parts of the Eastern Cape, the story was rather one of steady immiseration from the very beginning.³⁴ But as Lewis and Bradford themselves demonstrate, any assessment of the success or failure of African agriculture depends very much on class, gender, and geography. John Lambert’s description of African agriculture in colonial Natal largely corroborates Bundy’s thesis.³⁵ A large body of research even goes beyond

³² See Alan Kirman, “The intrinsic limits of economic theory: the emperor has no clothes,” *Economic Journal*, supplement, vol. 99, no. 395 (1989), pp. 126-139; Frank Ackerman, Alejandro Nadal, and Kevin P. Gallagher (eds), *The Flawed Foundations of General Equilibrium Theory* (New York: Routledge, 2004).

³³ Colin Bundy, *The Rise and Fall of the South African Peasantry* (Berkeley and Los Angeles: University of California Press, 1979).

³⁴ Jack Lewis, “The Rise and Fall of the South African Peasantry: A Critique and Reassessment,” *Journal of Southern African Studies*, vol. 11, no. 1 (October 1984), pp. 1-24; Helen Bradford, “Peasants, Historians, and Gender: A South African Case Study Revisited, 1850-1886,” *History and Theory*, vol. 39, no. 4 (December 2000), pp. 86-110.

³⁵ John Lambert, *Betrayed Trust: Africans and the State in Colonial Natal* (Pietermaritzburg: University of Natal Press, 1995).

Bundy to argue that relatively high levels of rural African prosperity outlasted even the 1913 Natives Land Act by several decades.³⁶ Indeed, a parallel could be drawn here between the massive white settler land alienation of the 1830s and 1840s and the 1913 Natives Land Act: both events are seen as key turning points in the dispossession of black South Africans from their land, but in practice African tenancy on white-owned farms persisted for decades after in each case. The explosion of African migrant labor during the South African mineral revolution was in many ways both cause and consequence of the decline of African agriculture, but this negative correlation is easily overstated. The more recent research cited above indicates that, at least until the 1950s, earnings from migrant labor actually enabled investments that improved African agriculture.

Much remains to be done linking the decline of black South African agriculture with the rise of black South African unemployment, as well as examining the timing, causes, and consequences of these closely related processes. Just to cite two examples of particular interest to me, it does not seem as if any scholars of these subjects have tried to do any comparative and theoretical work showing what light the South African case might shed on the debates spawned by the work of Robert Brenner for Europe or by the work of Goran Hyden on Tanzania,³⁷ although there have certainly been similar debates about economic dependency and

³⁶ Charles van Onselen, "Race and class in the South African countryside: Cultural osmosis and social relations in the sharecropping economy of the south-western Transvaal, 1900-1950," *American Historical Review*, vol. 95, no. 1 (1990), pp. 99-123; Jonathan Crush and Alan Jeeves, "Transitions in the South African Countryside," *Canadian Journal of African Studies*, vol. 27, no. 3 (1993), pp. 351-360; James Drummond and Andy Manson, "The Rise and Demise of African Agricultural Production in Dinokana Village, Bophuthatswana," *Canadian Journal of African Studies*, vol. 27, no. 3 (1993), pp. 462-479; Harvey Feinberg and André Horn, "South African Territorial Segregation: New Data on African Farm Purchases, 1913-1936," *Journal of African History*, vol. 50, no. 1 (2009), pp. 41-60.

³⁷ For an introduction to the Brenner Debate, see Trevor Henry Aston and Charles Harding English Philpin (eds), *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe* (Cambridge: Cambridge University Press, 1987). For an introduction to the Hyden debate, see the articles by Goran Hyden, Nelson Kasfir, Lionel Cliffe, and Gavin Williams in *Development and Change*, vol. 17, nos. 2 and 4 (1986) and vol. 18, no. 4 (1987).

underdevelopment in rural South Africa.³⁸ Unfortunately, what was once a voluminous flow of rich and theoretically sophisticated literature on the historical relationship between African agriculture, the wage labor market, and capitalist development in South Africa has dwindled down to an increasingly atheoretical trickle. There were certainly flaws in the work of Harold Wolpe, Martin Legassick, Francis Wilson, Giovanni Arrighi, and Immanuel Wallerstein on this subject, but at least they were engaging with scholars of other regions and other disciplines and being self-conscious about their theorizing. What was once a justified reaction of theoretical humility to the occasionally overweening theoretical ambition of scholars in the 1970s has since become a not so excusable theoretical disingenuousness. Such theorizing as exists today deals with issues of identity, culture, and consciousness, not, for the most part, with political economy. Given all the developments in political economy research over the last twenty years, it is perhaps time for more historians to devote attention to this neglected area.

³⁸ For just one example, see Nicoli Nattrass and Jill Nattrass, "South Africa, the Homelands, and Rural Development," *Development South Africa*, vol. 7, supplement (1990), pp. 517-534.