

# The pre-colonial roots of structural unemployment

DIETER VON FINTEL<sup>1</sup> AND JOHAN FOURIE<sup>2</sup>

The reason South Africa has the world's highest unemployment rate for a middle-income country is attributed to everything from poor education to union wage premiums, from collective wage bargaining to inflexible labour laws, from low productivity to high barriers to entry in the formal sector. This paper takes a historical approach. It argues that South Africa's high unemployment rate is as much the result of these contemporary policies as a volcano that erupted on an Indonesian island in 1815. That is because unemployment has deep spatial persistence. We argue that environmental fluctuations following the eruption of Tempura limited the available resources to black societies in eastern South Africa. This disruption caused what historians have called the 'Mfecane' or 'Difaqane', a period of violent warfare often attributed to the rule of Shaka. This episode of warfare forced some blacks to migrate into more rugged areas (for protection) of high rainfall (to sustain their standard of living). But these conflicts also reduced the military strength of blacks in some parts of the interior, which allowed opportunistic whites to move into the South African interior. These whites did not move into the more favourable agricultural areas where black density was highest – the Mpondoland, Basotoland, Zululand (where they did try, they were defeated). Instead, they cordoned off land that was relatively easy to claim. Here they would establish the market-enabling institutions of property rights and rule-of-law, institutions that would benefit from the discovery of diamonds and gold during the second half of the nineteenth century. In the densely-populated black areas, in contrast, the traditional institutions of communal land and traditional rule, evolved to fit the traditional economy, would continue to be upheld. These two sets of institutional rules would be set in stone in the Land Act of 1913, but by that stage 80% of South Africa's spatial disparities, observed so evidently in contemporary unemployment figures, already existed. Although South Africa's racist twentieth century segregation and apartheid policies did exacerbate the discrepancy by not allowing blacks to benefit from the pro-growth institutions in 'white' regions, most of the inequalities we observe today (like differences in unemployment) is a consequence of South Africa's nineteenth century settlement patterns caused by an Indonesian volcano. Any policy response that is serious about addressing inequality and unemployment today must therefore address these long-run spatial inequalities.

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<sup>1</sup> Department of Economics, Stellenbosch University, South Africa.

<sup>2</sup> Department of Economics, Stellenbosch University, South Africa. E-mail: johanf@sun.ac.za