The Political Economy of Migration Restrictions under Apartheid

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Abstract

Non-democratic states often promote the development of strategic industries while simultaneously restricting internal migration. While such restrictions come at an aggregate efficiency cost due to the spatial misallocation of labor, they divert labor to sectors of the economy the regime considers strategically important to remain in power. Such sectors may be fiscally important, in that they represent a large share of the regime's revenue, or politically important, in that they disproportionately represent the regime's political base. In this paper, we study the case of Apartheid South Africa, where internal migration restrictions were imposed on the black population from 1923 until 1986. One key objective for the ruling regime was to divert captive labour to the mining and agricultural sectors, which were important sources of fiscal revenue and political capital, respectively. First, using micro-data from historic South African censuses, we show dramatic changes in migration patterns before and after restrictions were removed. Second, we complement our migration data with labor demand data, which we construct from mine-level archival records and historical agricultural censuses. Third, we estimate a multi-sector migration choice model, which we use to study how migration restrictions are endogenously chosen by the regime as complementary to the broader industrial policy context. Like many other developing countries during the postwar period, import substitution industrialization (ISI) was central to South African industrial policy, benefiting urban manufacturing at the expense of rural export-oriented sectors such as mining and agriculture. We argue that what makes the South African context unique is how such distributional tensions across sectors were resolved: migration restrictions on the disenfranchised were used to partially compensate the losers from ISI, white farm owners and miners. In this sense, distortions to the domestic labor market are complementary to distortions to the international terms of trade. Hence, migration policy and industrial policy can be complementary, especially for non-democratic governments that rely on the support of a few key industries to remain in power, and where restricting internal migration is a feasible policy tool.

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