

Colonial Institutions and South Africa: A relationship analysis

BY

Erica Nowlan

A thesis submitted to the
Department of International Relations
in partial fulfillment of the requirements for the
Bachelor of Arts degree with Honours

April 13, 2023

Table of Contents

Introduction.....	1
Section 1: Literature Review	3
Section 1.1: Competing Theoretical Frameworks.....	3
Section 1.2: Theoretical Framework.....	11
Section 1.3: Terms.....	15
Section 1: Conclusion.....	22
Section 2: South Africa.....	24
Section 2.1: Historical Analysis	25
Section 2.2: Dual Economy and Separate Development.....	37
Section 2.3: Dependant Variable – Poverty Rates	42
Section 2.4: Contemporary Outcome Results and Discussion.....	44
Section 2.5: Discussion	56
Conclusion: South Africa.....	58
Section 3: Conclusion	59
Bibliography:	61

List of Tables

Table 1: Extractive versus Inclusive Economic Institutions.....	19
Table 2: Colonial and Apartheid Acts 1856-1995	29
Table 3: The dimensions, indicators, and deprivation cut-offs for SAMPI.....	43
Table 4: Poverty Headcount by province and by race	46

List of Figures

Figure 1: Bantustans and contemporary provinces	46
Figure 2: Poverty Headcount in Eastern Cape municipalities 2011	49
Figure 3: Poverty Headcount in KwaZulu-Natal municipalities 2011	50
Figure 4: Poverty headcount in Western Cape municipalities 2011	51
Figure 5: Poverty Headcount in Mpumalanga Municipalities 2011	52
Figure 6: Regional Poverty 2011 Regression	53
Figure 7: Regional Poverty 2016 Regression	54
Figure 8: Regional Poverty Rate Combines 2011 and 2016 Data Regression	54
Figure 9: Poverty Headcount by population group (Upper Bound Poverty Line) – 2006, 2009, 2011, 2015.....	55

Acknowledgements

First and foremost, I would like to thank my thesis advisor and supervisor Dr. Frank Strain for his endless support and patience throughout this past year of work. I appreciate him always taking the time to sit down with me and go over all of my questions and concerns throughout the entire process. I have learned a great deal from him, and I sincerely thank Dr. Strain for his knowledge, critiques, and feedback throughout. Secondly, I would like to extend my gratitude to my second-reader Dr. Shaukat Ansari for his support and feedback throughout my writing as well. I appreciate him taking the time to walk me through his advice and critiques over the past year. As well I would like to thank Dr. James Devine for his preliminary help with the structure and ideas surrounding my paper, and his support throughout the outlining and preparation process.

I would also like to express my deepest appreciation to my friends and family for their constant support over this past year. I would not have been able to make it through this journey without each and every single one of you. To my roommates and friends for working through structure and late-night writing I can not express how much your moral support has been appreciated throughout this time. To my friends abroad, I would also like to thank you for always keeping my spirits high and helping me smile through every difficult moment. As well, to my family and loved ones I cannot thank you enough for keeping me motivated and strong-minded throughout not only this past year but also my entire degree.

I have learned so much in this writing as well as my degree as a whole. Mount Allison University has given me the chance to grow as an individual and a scholar. I appreciate the opportunity to expand my knowledge and critical thinking and I am excited to continue to expand my ideas, thoughts and education in my future ventures.

Introduction

Understanding underdevelopment, its causes, and its history improves our knowledge of the world order today. To understand the positions of states in the global order you cannot simply look at their current statistics and growth rates. Instead, we must look at history, individuals, groups, and institutions. Moreover, the story that emerges should contribute to the search for solutions to development issues that apply to individual states given their unique circumstances.

Today, we have a more connected economic global landscape than ever before. Global supply chains often draw from underdeveloped and deliver to the developed of the world.¹ Economics are what drive development, in a capitalist-centered global economy, how well your state does economically as a whole determines your standing in this chain. If there is any hope in closing inequality gaps on a global stage, understanding the narrative of underdevelopment is deeply important. Therefore, this paper will be examining underdevelopment under the microscope of colonialism, the institutions it created, and how it has affected contemporary economic standing. What is hypothesized is that extractive economic institutions implemented in the colonial period will lead to an increase in poverty levels in their respective region. This hypothesis will be examined and explained through a literature review section (section 1), followed by the case study of South Africa (section 2), and concluded in the paper's conclusion (section 3). Through this examination, we hope to build a greater understanding of how colonial history may affect contemporary underdevelopment. This will provide us with a better background to build solutions to improve countries status today.

Section One is a literature review mainly outlining the framework for the theses work. The first portion goes over a variety of competing frameworks that aim to explain the concepts of global inequality and underdevelopment. These are intertwined with critiques which lead us to the second section which outlines the main theoretical framework which is a mix between dependency theory and the ideas of institutionalism. The third section discusses the main terms found throughout the analysis, specifically as it pertains to the theoretical framework of

¹ Terence K. Hopkins, and Immanuel Maurice Wallerstein, *World-systems analysis: theory and methodology*, Vol. 1. (SAGE Publications, 1982): 43.

institutionalism. We first look into the definition of institutions followed by the specific definition of economic institutions. Further, we compare and contrast extractive and inclusive economic institutions and how they are conceptualized both in theory and throughout history. The purpose of this section is to understand the theoretical basis for the working hypothesis and the purpose behind its conclusions.

Section Two looks into the specific case study of South Africa and its relationship with extractive economic institutions over time and how they affect contemporary poverty rates. One of the most interesting development cases in the world is that of Africa. Africa is a continent that has been deeply affected by colonialism and development policy making it a key place of interest in terms of how institutionalism may play out in the contemporary context. This section is split into six sub-sections to draw conclusions surrounding the working hypothesis. The first sub-section introduces South Africa and the reasoning behind its choosing as the case study. Second, we look into a historical analysis of the state itself, stemming from British colonialism into the Apartheid colonial period. This section in particular draws from a table outlining a series of legislation that can be described under the extractive economic institution category. Third, we look at the theoretical ideas behind Apartheid and how it led to a split in development within the country itself, leaving the potential for higher poverty rates in the future. Fourth, a brief look at the dependent variable of poverty and how it is conceptualized in the South African context. Fifth, a look at and interpretation of the empirical evidence surrounding poverty headcount rates in relation to both Black Africans and Bantustan areas within the country. To note, this evidence is centrally based on empirical data from the 2011 census. Sixth, a discussion section based on the empirical evidence found, its relation to the hypothesis, and potential reasonings behind its outcomes. This section is then wrapped up with a concluding section outlining the main points regarded within this case study section.

Section Three concludes the thesis as a whole, discusses its key points and draws the main conclusions that can be made from this paper. As well, it adds how this thesis can be taken further with greater research in the future.

Overall, the purpose of this thesis is to seek insight and understanding on underdevelopment and the economic inequalities that come alongside it. The hope is to find at least a partial explanation for these disparities to work towards some solutions in the future. In

other words, with an understanding we can figure out comprehensive ways to write our wrongs and raise underdeveloped economies up and lower global poverty and inequality as a whole.

Section 1: Literature Review

The Following literature review will outline the main literature, theories, and terms surrounding the discussion of underdevelopment and poverty. To reiterate, we are examining the effects of extractive economic institutions in the colonial period on contemporary poverty rates. First (1.1), we will be looking at competing theories and their critiques. Second (1.2), a look into the working theoretical framework, and despite its critiques, why it is the prevailing theory in this case. Third (1.3), a look into specific terms which tie into the aspects of the theoretical framework. Specifically, this section explains the concept of an extractive economic institution and the role it plays within institutionalism and dependency theory.

Section 1.1: Competing Theoretical Frameworks

There are numerous conflicting theories which can potentially explain global inequality and underdevelopment. Prior to going into the paper's main theoretical framework used in this paper, it is important to examine the competing theories in this case. In *Why Nations Fail*; Acemoglu and Robinson (2012), they outline three competing theories which might explain why global inequality exists: the geography hypothesis, the culture hypothesis, and the ignorance hypothesis. The following section will be examining the arguments for and against these three hypotheses along with their relationship to the main competing theory of *Modernization Theory*.

First, the geography hypothesis stems from the ideas of eighteenth-century philosopher Montesquieu who argued that global inequality was based on geographical climate. Montesquieu's ideas are seen in the realm of determinism; where human behaviour is based on previous conditions, as well as extreme environmentalism; where human life is a direct consequence of their natural environment.² Montesquieu's *Magnus opus, The Spirit of Laws* (1749), examines the relationship between government and laws and how these affect the morals, manners, and customs of a state.³ In short, his hypothesis stated that physical environment affects

² R. S. Platt, "Determinism in Geography," *Annals, Association of American Geographers*, 38 (1948): 126.

³ Karl Marcus Kriesel, "Montesquieu: Possibilistic Political Geographer," *Annals of the Association of American Geographers* 58, no. 3 (1968): 558.

behaviour and by extension economic prosperity. Essentially, Montesquieu stated that those in a more northern atmosphere are more “active, brave, unified with his fellows, cognizant of external affairs and desirous of maintaining a secure hold on his liberty.”⁴ In contrast, Montesquieu states that those in warmer climates are “lazy, cowardly, introspective, lacking the energy to contend against oppression and clinging loosely to liberty.”⁵ Moreover, he goes on to state that the general character of nations is based by not only on physical causes like climate but also moral causes (like laws, religion, manners and so forth).⁶ Jeffery Sachs and others, create a modern version of the geography hypothesis, by adding concepts from the modernization theory. Sachs et al. (1999) examines the global map of GDP per capita, and he notes that nearly all the countries in the sub-tropics are defined as poor, whereas those in the high latitudes are defined as rich.⁷ As well, he notes that there is a general statement with few outliers. The main outliers Hong Kong and Singapore (two tropical countries) are among the richest countries but are city states with relatively small populations.⁸ Although he admits institutions play an important role, Sachs argues that geography is still the key exogenous player in inequality. The reason for geography’s importance in Sach’s work is not the same as Montesquieu’s. For Sachs it is not the affect of climate on productivity and/or behaviour as Montesquieu suggests but instead it is the existence of tropical diseases and infertile tropical soils that do not allow for productive labour nor agriculture, posing a disadvantage for tropical countries economic development.⁹ This draws parallels to Rostow’s ideas of a traditional agrarian society, in whom without comprehensive labour and lands, nations cannot begin their transitions to economic enlightenment.¹⁰ Note, authors such as Adam Smith, Fernand Braudel (1972) and E.L. Jones (1981), have all backed the importance of geography being part of the global inequality narrative.

⁴ Karl Marcus Kriesel, “Montesquieu: Possibilistic Political Geographer,” *Annals of the Association of American Geographers* 58, no. 3 (1968): 558.

⁵ Karl Marcus Kriesel, “Montesquieu: Possibilistic Political Geographer,” *Annals of the Association of American Geographers* 58, no. 3 (1968): 558.

⁶ Karl Marcus Kriesel, “Montesquieu: Possibilistic Political Geographer,” *Annals of the Association of American Geographers* 58, no. 3 (1968): 558.

⁷ John Luke Gallup, Jeffrey D Sachs, and Andrew D Mellinger, “Geography and Economic Development,” *International Regional Science Review* 22, no. 2 (1999): 180

⁸ John Luke Gallup, Jeffrey D Sachs, and Andrew D Mellinger, “Geography and Economic Development,” *International Regional Science Review* 22, no. 2 (1999): 181.

⁹ John Luke Gallup, Jeffrey D Sachs, and Andrew D Mellinger, “Geography and Economic Development,” *International Regional Science Review* 22, no. 2 (1999): 184.

¹⁰ Nils Gilman, “Modernization Theory Never Dies,” *History of Political Economy* 50, no.1 (2018): 133–51.

While the geography hypothesis creates a compelling argument, there are competing critiques which counter the idea of geography being the basis for global inequality. Acemoglu and Robinson (2012), argue that global inequality cannot be explained simply by geography and climate as it is too general an idea and cannot explain many important historical cases.¹¹ Targeting Montesquieu's argument first, it is important to note that Montesquieu's ideas are outdated and based on pseudoscientific ideas of 'inferior cultures and races and deeply Eurocentric views of euro-superiority which use outdated language such as "savages".¹² Furthermore, Acemoglu and Robinson note that the tropics have not always been poorer. For example, the Inca and Aztec civilizations had substantial wealth for long periods of time whereas the aboriginal people who occupied what is now Canada and the United States were relatively poor. Of course, today peoples occupying Canada and the United States are much richer than the peoples of Central and South America. Acemoglu and Robinson call this the Great Reversal and given geography is unchanged the reversal can not be caused by with geography but must be caused by something else. Acemoglu and Robinson argue the cause is institutions created because of a difference in the way they were colonized.¹³ This argument also holds true within works for Asia and Oceania, where China and India were both prosperous throughout most of history but today the regions we call, Australia and New Zealand are now more prosperous.¹⁴

To counter Sachs geography theory, Acemoglu and Robinson deconstruct the connections between tropical diseases and inefficient tropical soils. First, they equate tropical diseases to a lack of public health and government institutions to solve this rather than the geography itself.¹⁵ Second, while inefficient soils in the sub-tropics have some merit, the two authors point to ownership structures and colonial institutions affecting agriculture productivity over that of geographical variables. Authors like Rodrik et al. (2002) and Easterly and Levine (2002), back these critiques presented by explicitly testing the geography theory against

¹¹ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 49.

¹² Karl Marcus Kriesel, "Montesquieu: Possibilistic Political Geographer," *Annals of the Association of American Geographers* 58, no. 3 (1968): 558.

¹³ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 50.

¹⁴ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 50-51.

¹⁵ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 51.

Acemoglu and Robinsons institution hypothesis.¹⁶ They conclude that geographical characteristics have ‘at the most’ indirect effect on economic growth, thus rejecting the ideas of the geography hypothesis altogether.¹⁷ Advocates of the geography hypothesis counter argue that institution-based theory is too focused on European colonialism and fails to explain the emergence as the dominant region which they attribute to geography¹⁸ However, while geography played a role, Europe’s great divergence had more to do with technology, capital-intensive production and institutions which helped build its infrastructure up to support its growth.¹⁹

The Second theory proposed to explain global inequality is the culture hypothesis, which states that growth is based on the values, beliefs and ethics.²⁰ Culture can be defined as a “system of basic common values that help shape the behaviour of people in a given society.”²¹ Note that the culture hypothesis, like the geography hypothesis, draws parallels with the modernization theory by stating that those with ‘less developed’ or ‘less modern’ cultures and lands are at the beginning stages of development and so have not modernized economically and consequently have less growth.²² The Culture hypothesis was originally coined by Max Weber in the early twentieth century but then resurfaced in the beginning stages of the post-colonial era (1960’s) by Rostow (one of the leaders in modernization theory), Hoselitz and Kuznets.²³ Moreover, Putnam (1993), Fukuyama (1995) and Harrison and Huntington (1993) also argued that culture played a

¹⁶ Sebastian Ahlfeld, Hans-Rimbert Hemmer, and Andreas Lorenz, “The Economic Growth Debate- Geography versus Institutions: Is There Anything Really New?,” *Justus Liebig University Giessen Institute for Development Economics*, 2005: 10.

¹⁷ Sebastian Ahlfeld, Hans-Rimbert Hemmer, and Andreas Lorenz, “The Economic Growth Debate- Geography versus Institutions: Is There Anything Really New?,” *Justus Liebig University Giessen Institute for Development Economics*, 2005: 10.

¹⁸ Sebastian Ahlfeld, Hans-Rimbert Hemmer, and Andreas Lorenz, “The Economic Growth Debate- Geography versus Institutions: Is There Anything Really New?,” *Justus Liebig University Giessen Institute for Development Economics*, 2005: 10.

¹⁹ Anand V. Swamy, “Book Reviews: The Great Divergence Reconsidered: Europe, India, and the Rise to Global Economic Power; State, Economy, and the Great Divergence: Great Britain and China, 1680s-1850s,” *The Journal of Economic History* 77 no. 2, 2017: 606.

²⁰ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 57.

²¹ Jim Granato, Ronald Inglehart, and David Leblang, “The Effect of Cultural Values on Economic Development: Theory, Hypotheses, and Some Empirical Tests,” *American Journal of Political Science*, 1996, 607–31.

²² Matteo Marini, “Cultural Evolution and Economic Growth: A Theoretical Hypothesis with Some Empirical Evidence,” *The Journal of Socioeconomics* 33, no. 6 (2004): 767.

²³ Matteo Marini, “Cultural Evolution and Economic Growth: A Theoretical Hypothesis with Some Empirical Evidence,” *The Journal of Socioeconomics* 33, no. 6 (2004): 767.

role in determining development and economic growth.²⁴ The main idea is that different cultures, with different values and people create different behaviours which shape their economic development path.²⁵ Moreover, these authors view ‘modern’ culture as western Europe culture, i.e. capitalistic innovation and capitalistic modes of success.²⁶ By extension, they look at places like Sub-Saharan Africa and blame their lack of development on their culture which has different spiritual beliefs, and resistance to western technology which they state supposedly lowers work ethic.²⁷ Moreover, Culture theorists argue that it is the fixed determinant or the ‘habits of national heritage’ which create economic success.²⁸ As well, that culture can be used to explain institutional differences, based on the ideas of modernization theory, the authors mentioned above would explain that under-developed cultures shape poor functioning institutions widening the gap of inequality.²⁹

While culture has the potential to play a role in economic development there are some key critiques which cause us to reject its hypotheses as the dominant explanation. At the outset of this discussion, it is important to note that there is a clear ethnocentric bias surrounding the cultural hypothesis itself.³⁰ Ha-Joon Chang (2007) presents a number of problems and argues that culture is very dynamic and is continuously changing. Moreover, it is ignorant to view a country as one cultural unit, based on the fact that there are so many different cultures found within a single individual.³¹ Amartya Sen (2006), would agree to this point. Assuming individuals can neatly fit in any categorization of culture, holds tremendous bias in itself.³² How can we define

²⁴ Matteo Marini, “Cultural Evolution and Economic Growth: A Theoretical Hypothesis with Some Empirical Evidence,” *The Journal of Socioeconomics* 33, no. 6 (2004): 767.

²⁵ Ha-Joon Chang, *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (London: Random House Business, 2007): 170.

²⁶ Matteo Marini, “Cultural Evolution and Economic Growth: A Theoretical Hypothesis with Some Empirical Evidence,” *The Journal of Socioeconomics* 33, no. 6 (2004): 769.

²⁷ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 57.

²⁸ Ha-Joon Chang, *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (London: Random House Business, 2007): 171.

²⁹ Matteo Marini, “Cultural Evolution and Economic Growth: A Theoretical Hypothesis with Some Empirical Evidence,” *The Journal of Socioeconomics* 33, no. 6 (2004): 767-780.

³⁰ Ha-Joon Chang, *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (London: Random House Business, 2007): 180.

³¹ Ha-Joon Chang, *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (London: Random House Business, 2007): 174.

³² Michael Blake, “Identity and Violence: The Illusion of Destiny,” *Ethics & International Affairs* (New York: Cambridge University Press, 2007): 259, 260.

an entire continent, like Africa, under one concept of ‘laziness culture’, when it clearly home to an extremely vast set of cultures. Chang also notes historical evidence of cultural theorists having been very wrong in the past. For example, the British believed in the early 1800’s that Germans were a closed off, individualist, ‘slow-witted’ culture and thus did not have the capacity to economically develop. Chang also notes that smart Western observers of Japanese culture were very wrong. In the early 1910’s economists like Beatrice Webb described the Japanese as having “objectionable notions of leisure and a quite intolerable personal independence’ and in Japan ‘there is evidently no desire to teach people to think.”³³ Both Germany and Japan experienced great economic growth and many believe they work to hard.³⁴ Still culture theorists would argue that for Japan it was *Confucian culture* which drove growth, with an emphasis on education, co-operation hard work and so forth.³⁵ But again, this does not lead to a conclusive statement, in that Confucianism had been previously blamed for under-development as it discourages business and engineering ventures which are staple points of economic growth.³⁶ Again, pointing to the loosely defined ideas of culture and what is defined as a productive culture versus a non-productive culture. What Chang concludes is that economic development is based on economic condition rather than culture.³⁷ In other words, culture changes with development, pointing to the fact that they are intertwined, but that culture is not the causational factor in development, but it is in fact the other way around.³⁸ Moreover, the behaviours that are supposedly run by culture (education, investment, organization...) are more likely shaped by development than a states culture.³⁹ This brings us into Acemoglu and Robinson’s critiques where they argue, like Chang, that while culture plays a role, culture does not explain the entire

³³ Ha-Joon Chang, *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (London: Random House Business, 2007): 168.

³⁴ Ha-Joon Chang, *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (London: Random House Business, 2007): 167.

³⁵ Ha-Joon Chang, *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (London: Random House Business, 2007): 175.

³⁶ Ha-Joon Chang, *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (London: Random House Business, 2007): 175.

³⁷ Ha-Joon Chang, *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (London: Random House Business, 2007): 181.

³⁸ Ha-Joon Chang, *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (London: Random House Business, 2007): 181.

³⁹ Ha-Joon Chang, *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (London: Random House Business, 2007): 171.

narrative. Specifically, these authors look at institutions as a causal factor rather than culture in inequality, and that it is not culture that shape the disparities in institutions.⁴⁰

Instead Acemoglu and Robinson would point to historical structures, infrastructure and power balances which impact institutions, and those institutions are what determine your economic status.⁴¹ As we venture into the case study of South Africa we will look specifically at the historical/ infrastructural effects of colonialism and their role on effecting institutions rather than culture. What the critiques found is that places with similar cultural frameworks can have drastically different economic growth outcomes. They point to disparities within the previous Spanish empire, where Argentina and Chile, and Peru and Bolivia despite all having similar cultural framework pasts have great economic disparities.⁴² Others like Granato et al. (1996), point to North and South Korea, which despite having similar cultures, South Korea is drastically more economically prosperous.⁴³ Based on this analysis, while culture does play a role in economic growth it ultimately is not the whole narrative. Conversely, the culture hypothesis is based on ethnocentric ideas of modernization which do not consider ideas of colonization and institutions.

The third hypothesis used to explain world inequality is the ignorance hypothesis. This theory states that the poverty of nations is based on policymakers' lack of knowledge in fixing continuous market failures whereas rich countries have created better policies to avoid these market downfalls.⁴⁴ By extension, it is said to be the leader's ignorance of policy to lift themselves out of poverty and into a stage of economic growth. As well, the ignorance hypothesis presents solutions, essentially that if ignorance led us down the path of failure, then it is enlightenment that will push nations to 'engineer' prosperity.⁴⁵ Again drawing from modernization theory concepts, the ignorance hypothesis would point to leaders never choosing

⁴⁰ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 57.

⁴¹ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 58.

⁴² Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 63.

⁴³ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 63.

⁴⁴ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 64.

⁴⁵ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 67.

to ‘take off’, and thus staying in the traditional societies which are described as; “inward-looking, inert, passive toward nature, superstitious, fearful of change, and economically simple.”⁴⁶ As opposed to the rich countries which would be categorized as modern and; “cosmopolitan, mobile, controlling of the environment, secular, welcoming of change, and characterized by a complex division of labor.”⁴⁷ To prosper, the ignorance theory suggests that a better understanding of economic institutions and growth is needed in order to kickstart their path to enlightenment. While this may describe a few cases of downfall, as a collective theory, the ignorance hypothesis does not explain the origins of prosperity or the history surrounding that of the failures of government.⁴⁸ Moreover, if this path to enlightenment were correct and simply more knowledge would lead to more comprehensive policy, intervention from more developed nations should solve the issue. Although historically speaking this form of modernization intervention has caused more harm than good and creates further instability.⁴⁹ Acemoglu and Robinson, point this out using out by looking at Kofi Busia, the prime minister of Ghana, who is often used as an example in the ignorance hypothesis. While his policies did cause massive economic strain, it was not his ignorance that caused him to expand poor policy, but rather the institutions which first left him vulnerable (removal of colonial support) and then international institutions which pushed him to devalue his currency and push for neoliberal economic reforms (IMF and WB).⁵⁰ Unfortunately, the ignorance hypothesis paired with the ideas of modernization remains too vague in its arguments and does not take into account history and national circumstances in attempting to take themselves out of poverty traps.

As seen, the geography hypothesis, culture hypothesis and ignorance hypothesis are all related to the ideology of modernization theory. Modernization theory believes in a linear approach to achieve economic enlightenment which combines the need for pre-conditions of territory, comprehensive leaders and global intervention, if necessary, in order to switch over to a

⁴⁶ Nils Gilman, “Modernization Theory Never Dies,” *History of Political Economy* 50, no. S1 (2018): 133.

⁴⁷ Nils Gilman, “Modernization Theory Never Dies,” *History of Political Economy* 50, no. S1 (2018): 134.

⁴⁸ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 67.

⁴⁹ Tormod K Lunde, ‘Modernization and Political Instability: Coups d’Etat in Africa 1955-85’, *Acta Sociologica* 34, no. 1 (1991): 14.

⁵⁰ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 66-67.

capitalistic extractive form of economy which supposedly leads to greater economic growth.⁵¹ This is in direct contrast to the theory discussed in the following section, dependency theory which arose as an opposing theory to modernization. It is important to look at both of their frameworks to determine which holds more validity and understand where the two theories take their ideas from.

Section 1.2: Theoretical Framework

The previous section outlined ideas which describe why global inequality exists. As mentioned, one of the most prevalent theories to explain this is the modernization theory. As a direct critique of modernization, dependency theory was born to create a counter-narrative to why certain nations are developing where others are not. Note, this theory stems from the ideas of class analysis, rooted in Karl Marx's *Communist Manifesto*, presenting an inherently socialist approach to its theories as opposed to modernization's pro-capitalist approach.⁵² We will be examining the originator of the theory Andre Gunder Frank followed by the more contemporary version of world systems theory from Immanuel Wallerstein.

Generally speaking, there is a cycle of extraction between what is known as periphery countries to core countries, and the world system theory has a semi-periphery category which is also controlled by the core but is moving up in terms of economic growth.⁵³ It is important to note that this paper is viewing dependency and world systems theory, not for its solutions to global inequality but rather its explanation of where global inequality is rooted and why it has been created. The reason for this is that dependency theory calls for the overthrowing of capitalism whereas world systems theory offers a position where there is fluidity between a core, a semi-periphery and periphery state as solutions, therefore to keep consistency we are using both approaches.⁵⁴ As opposed to modernization theory, Frank's dependency theory blamed global inequality and underdevelopment on the consequences of historical capitalism,

⁵¹ Nils Gilman, "Modernization Theory Never Dies," *History of Political Economy* 50, no. S1 (2018): 132-136.

⁵² Terence K. Hopkins, and Immanuel Maurice Wallerstein, *World-systems analysis: theory and methodology*, Vol. 1. (SAGE Publications, 1982): 84.

⁵³ Terence K. Hopkins, and Immanuel Maurice Wallerstein, *World-systems analysis: theory and methodology*, Vol. 1. (SAGE Publications, 1982): 43.

⁵⁴ Terence K. Hopkins, and Immanuel Maurice Wallerstein, *World-systems analysis: theory and methodology*, Vol. 1. (SAGE Publications, 1982): 43.

specifically based on core states, their large corporations and agencies which promoted capitalistic free trade in the world economy.⁵⁵ As discussed in the previous section, modernization viewed underdevelopment as a consequence of internal factors which authors like Maurice Dobbs confirmed in looking at the transition of feudalism to capitalism in England.⁵⁶ What dependency theorists are arguing is that it is external and historical factors that create this underdeveloped rather than internal ignorance. Frank and Wallerstein took inspiration from authors like Braudel, Polanyi and Prebisch who discussed the ideas of unequal exchange which favoured core-like production processes.⁵⁷ Moreover, where modernization advertises the “free market” as a capitalist motive towards economic growth, dependency theorists would argue that the current form of monopolistic capitalism has created more of an “anti-market” rather than a free one which stagnates growth from the periphery and only benefits the extractive core.⁵⁸ In other words, Dependency theory argues capitalism creates exploitation and slow development through “decapitalization, unequal exchange and subordination to external controls in a competitive system.”⁵⁹ An important part of the theory is the cycle of dependency it creates. Different phases of colonialism as “social actions and conditions of those social actions which organizationally create continuous consequences”.⁶⁰ In other words, colonialism has created a pattern of dominance, where the end of colonial rule did not end dependency but rather was replaced by neo-colonialism which again helps the interference and extraction to continue based on the originating colonial institutions that were created.⁶¹

By drawing on the theories of Acemoglu and Robinson, they believe it is institutions which determine your status in dependency. To be specific, dependency theorists point to a distorted division of labour for periphery countries, which with the implementation of colonialism and foreign investment was structured in a way of exportation and lack of

⁵⁵ Christopher Chase-Dunn, ‘The Effects of International Economic Dependence on Development and Inequality: A Cross-National Study’, *American Sociological Review*, 1972: 722.

⁵⁶ Immanuel Wallerstein, *World-Systems Analysis* (duke university Press, 2004): 14.

⁵⁷ Immanuel Wallerstein, *World-Systems Analysis* (duke university Press, 2004): 18.

⁵⁸ Immanuel Wallerstein, *World-Systems Analysis* (duke university Press, 2004): 18.

⁵⁹ Christopher Chase-Dunn, ‘The Effects of International Economic Dependence on Development and Inequality: A Cross-National Study’, *American Sociological Review*, 1972: 722.

⁶⁰ Terence K. Hopkins, and Immanuel Maurice Wallerstein, *World-systems analysis: theory and methodology*, Vol. 1. (SAGE Publications, 1982): 43.

⁶¹ Terence K. Hopkins, and Immanuel Maurice Wallerstein, *World-systems analysis: theory and methodology*, Vol. 1. (SAGE Publications, 1982): 51.

development of domestic infrastructure.⁶² In relation, Acemoglu and Robinson examine that this distortion towards exportation was due to the implementation of extractive economic institutions. As well, the cycle of dependency created keeps income in the hands of the small wealthy elite which adheres to the core states, which is a key concept in the definition of extractive institutions.⁶³ The idea of dependency and institutions are closely knit within the literature found, creating an opportunity for dependency to be a key theoretical framework in the explanation of global inequality and development.

While dependency theory presents compelling arguments for the status of global inequality, some authors offer critiques of its concepts. As mentioned, modernization theory is a direct counter to this theory, stating that this unequal exchange is a flow of resources from advanced to ‘backward societies’ presenting only modernization as a solution to remove themselves from this narrative.⁶⁴ As well, they point to the transfer of advanced technology and aid as an opportunity for countries to develop, and it is the ignorance hypothesis which is used to back up where development does not occur. Although based on the critique previously mentioned intervention does the opposite to development as well as ignorance does not consider the history and the many actors at play. As mentioned previously, other theorists believe that inequality is based on a lack of transition from the traditional sector to the non-traditional sector. Authors like Peer Vries examine this argument using the Lewis model, where he pointed out that although colonialism played a role in creating competitive inequality it was ultimately technology change and capital-intensive production which allowed the ‘core state’ to move forward.⁶⁵ Vries is arguing that the reason inequality exists is that states have not adapted to capitalistic production and have not ‘modernized’ to keep up with the global economy. On contrary, dependency theorists are stating that states have in fact adopted capitalistic modes of production under colonial economic institutions, but they have in fact inhibited growth through dependency rather than compelled it forward. While Vries dismisses these claims stating that the

⁶² Christopher Chase-Dunn, ‘The Effects of International Economic Dependence on Development and Inequality: A Cross-National Study’, *American Sociological Review*, 1975: 723.

⁶³ Christopher Chase-Dunn, ‘The Effects of International Economic Dependence on Development and Inequality: A Cross-National Study’, *American Sociological Review*, 1975: 724.

⁶⁴ Christopher Chase-Dunn, ‘The Effects of International Economic Dependence on Development and Inequality: A Cross-National Study’, *American Sociological Review*, 1975: 724.

⁶⁵ Eric L. Jones, “England as the Source of the Great Divergence.” *Tijdschrift voor Sociale en Economische Geschiedenis* 12 no.2, 2015: 83-88.

argument around institutions is underspecified, his writings stem from simple inducement models which state the vast assumptions that with the right set of prices and rationality, growth will follow, meaning it ignores much of the other sides of the story that are included in the institutional dependency framework.⁶⁶ A second author who negates the ideas presented by dependency theorists is Robert Brenner. Prior to diving into Brenner's argument, it is important to note that Frank points out that when colonial powers entered countries, they entered with the ambition to specifically support the class of producers and surplus extractors which restricted economic growth. Furthermore, the colonized country itself backed the established class supported, as they were dependent on their profits from those reactionary enterprises backed by said imperialists.⁶⁷ As mentioned, Both Frank and Wallerstein argued that capitalist expansion was based on developing the underdeveloped to adhere to the core's ideals.⁶⁸ Brenner argues that if we are basing the failures of states on the incorporation of capitalist expansionism and that its expansion is 'squeezing the third world dry' then it is autarky, of self-sufficiency that will solve this not socialism.⁶⁹ Rather it is free market capitalism that would push states towards economic growth. As well, this continuous dependence Brenner argues does not explain the evidence that capitalism had helped push forward a forge revolutionary movement in working classes which are leading towards greater international solidarity.⁷⁰ While it is true that capitalism is pushing economic growth further, the question of for whom, arises for dependency theorists. Brenner makes note of this when looking at feudal societies and claims that class differences in this period were based on *Social Property Relations*.⁷¹ Brenner adds that the only way to emerge out of the lower status is through capitalist social property relations, where all economic actors have been freed from "ruling class surplus extraction by extra-economic compulsion and separated

⁶⁶ Eric L. Jones, "England as the Source of the Great Divergence." *Tijdschrift voor Sociale en Economische Geschiedenis* 12 no.2, 2015: 82.

⁶⁷ Robert Brenner, 'The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism', in *Introduction to the Sociology of "Developing Societies"* (Springer, 1982): 90.

⁶⁸ Robert Brenner, 'The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism', in *Introduction to the Sociology of "Developing Societies"* (Springer, 1982): 90.

⁶⁹ Robert Brenner, 'The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism', in *Introduction to the Sociology of "Developing Societies"* (Springer, 1982): 91.

⁷⁰ Robert Brenner, 'The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism', in *Introduction to the Sociology of "Developing Societies"* (Springer, 1982): 91.

⁷¹ Robert P. Brenner, "The Low Countries in the Transition to Capitalism," *Journal of agrarian change* 1, no. 2 (2001): 169.

from direct, non-market access to their full means of subsistence.”⁷² This statement by Brenner draws parallels to those of Acemoglu and Robinsons concept of institutions. Meaning, with insufficient institutions, or social property relations, that are extractive to some economic actors, states and individuals are placed in the periphery status. As well, when certain classes are favoured under colonialism those institutions and social property relations lean into the extractive side, bringing in dependency to the concepts discussed above.

Vries’s critiques of a lack of capitalist adaption and Brenner’s critiques of comprehensive capitalist systems push forward dependency theory when we combine these into how inclusive and extractive institution’s function. Moreover, we can reject the ideas of modernization and the other theories presented in the previous section based on the arguments presented above. Dependency theorists believe that colonialism has led to overall dependency and underdevelopment. Although using the lens of the critiquing authors and those of Acemoglu and Robinson it is plausible that extractive institutions were to blame for dependency rather than inclusive institutions which may have led to a more comprehensive and functioning capitalist framework.

Section 1.3: Terms

With our theoretical framework established we can now dive into a variety of terms discussed throughout this paper and how they are defined. Based on our institutional dependency theory framework we need to first look at and understanding the concepts of institutions. The term institution can have many definitions. For example, some authors like Calvert, define institutions as a form of equilibrium in a societal coordination game.⁷³ Whereas author Geoffrey Hodgson would describe institutions as long term embedded social rules and conventions that structure interactions and reject the idea of equilibrium.⁷⁴ Other authors like Roger King and M.K Nabli see institutions as rules, norms and behaviours which are repeated to undertake certain functions over time.⁷⁵ As well, Tuomela and Miller see institutions as action systems

⁷² Robert P. Brenner, “The Low Countries in the Transition to Capitalism,” *Journal of agrarian change* 1, no. 2 (2001): 173.

⁷³ Claudius Gräbner and Amineh Ghorbani, *Defining Institutions-A Review and a Synthesis*, 2019: 2.

⁷⁴ Geoffrey M. Hodgson, *how economics forgot history: The problem of historical specificity in social science*. (Routledge, 2001).

⁷⁵ Mustapha K. Nabli, and Jeffrey B. Nugent. “The new institutional economics and its applicability to development.” *World Development* 17, no. 9 (1989): 1333-1347.

which are constituted by norms and social practices.⁷⁶ Some authors such as, Richard Langlois, go even further to say that institutions are consistently agreed upon by all members of society which then specifies the long-term behaviour.⁷⁷ Langlois's position however can be up for debate, as institutions may have a general consensus but may not be agreed upon by all members of society per se but rather a vast majority or a powerfully spoken minority.⁷⁸ That being said, it does ring true that the more widely recognized the better the institutions themselves will function.⁷⁹ This controversy is particularly important to note as we venture later into the subject of colonialism and the re-enforcement of institutions and whether they are truly accepted by every member of society (see section 2: South Africa). Moreover, these 'rules' are defined formally and informally. Formal institutions would be through things such as laws or contracts, in other words deliberately designed to enforce the ideas mentioned above.⁸⁰ Whereas informal institutions are more surrounded by the ideas of evolving social norms and conventions, which emerge from repeated social interactions.⁸¹ Ostrom's definition is that institutions are a set of rules in use which create repetitive norms and conventions which produce outcomes which affect themselves and others.⁸² Ultimately institutions influence behaviours and incentives of a society which in turn formulates the success or failure of said society.⁸³ These behaviours and incentives create a framework for society which lead to either poverty or prosperity.⁸⁴ It is important to note that the use of the word society is purposeful as institutions vary within countries and regions and more often than not, they are not encompassing the nation as a whole. While there are a wide variety of definitions surrounding 'institutions' it is important to note that the variety allows

Roger King, "Cooperative policy and village development in Northern Nigeria," in *Rural development in tropical Africa* (Palgrave Macmillan, London, 1981): 259-280.

⁷⁶ Claudius Gräbner and Amineh Ghorbani, "Defining Institutions-A Review and a Synthesis," 2019:6.

⁷⁷ Richard Langlois, ed. *Economics as a process: Essays in the new institutional economics*. CUP Archive, 1986.

⁷⁸ Steve Wiggins and Junior Davis, "Economic Institutions," *London: Research Programme on Improving Institutions for Pro-Poor Growth, IPPG Briefing 3* (2006).

⁷⁹ Steve Wiggins and Junior Davis, "Economic Institutions," *London: Research Programme on Improving Institutions for Pro-Poor Growth, IPPG Briefing 3* (2006).

⁸⁰ Steve Wiggins and Junior Davis, "Economic Institutions," *London: Research Programme on Improving Institutions for Pro-Poor Growth, IPPG Briefing 3* (2006).

⁸¹ Steve Wiggins and Junior Davis, "Economic Institutions," *London: Research Programme on Improving Institutions for Pro-Poor Growth, IPPG Briefing 3* (2006).

⁸² Claudius Gräbner and Amineh Ghorbani, "Defining Institutions-A Review and a Synthesis," 2019.

⁸³ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 43.

⁸⁴ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012):3.

theorists to look at different angles of analysis and therefore the concreteness is not needed.⁸⁵ With this in mind, this paper will be looking at a combination of informal and formal institutions and using a definition combination of the authors discussed above. What is found in common between all the definitions is that institutions are rulers of social norms and behaviours therefore the following collective definition can be derived for this paper: long term embedded social rules which structure the rules, norms and behaviours within society and structure joint and individual action.

Two main forms of institutions drive societies: Political and economic. While the focus of this paper surrounds economic institutions it is important to define political institutions and their connection with economic institutions as they are deeply intertwined. In short, political institutions “are rules that govern incentives in politics. They determine how the government is chosen and which part of the government has the right to do what. Political institutions determine who has power in society and to what ends that power can be used.”⁸⁶ Economic institutions are created by society, meaning it is political institutions which create their establishment and choose the rules which govern them.⁸⁷ As a result, it is important to understand political institutions to understand the origins of our focus of economic institutions, and the interconnections between the two. While the connection is important, this paper will be holding political institutions constant to focus more on economic institutions and how they drive growth for the respective regions. Economic institutions follow a subset of multiple definitions which re-enforce the economic set of rules, behaviours and incentives as seen in the definitions of an institution above. Economic institutions are defined under two forms, formal and informal. The formal are the specific agencies both government and private which not only study economic data but also supply goods and services that drive forward the economy.⁸⁸ The informal would be the cultural arrangements which structure the economic norms in society, i.e. competitive market norms, a system of property rights and so forth.⁸⁹ Both of these forms are long term and embedded within

⁸⁵ Claudius Gräbner and Amineh Ghorbani, “Defining Institutions-A Review and a Synthesis,” 2019.

⁸⁶ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 79-80.

⁸⁷ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 79.

⁸⁸ Steve Wiggins and Junior Davis, “Economic Institutions,” *London: Research Programme on Improving Institutions for Pro-Poor Growth, IPPG Briefing 3* (2006).

⁸⁹ Steve Wiggins and Junior Davis, “Economic Institutions,” *London: Research Programme on Improving Institutions for Pro-Poor Growth, IPPG Briefing 3* (2006).

society which structure economic norms and behaviours for both collective and self-action, following the concept of institutions as a whole. To add, going off North's (1990) new institutional economic theory, economic institutions can be described as structures that enable or inhibit the behaviour of economic agents which shapes the growth of the economy over time.⁹⁰ Authors such as Steve Wiggins and Junior Davis explore economic institutions through three different realms to illustrate what they look like and how they may function in society. This is First through the establishment and protection of property rights. Formally this addresses land and probate registries and patent offices, whereas informally would surround societal customs, oral histories and local authority figures.⁹¹ Secondly, facilitating transactions through things like civil courts, market agencies, bank regulatory agencies e.c.t and informally through elders and customary points of exchange and market hierarchies (i.e. power and authority holders).⁹² Third, Wiggins and Junior define economic institutions as the affiliation with economic cooperation and organization. Mac Junior Abeka et al (2022), also similarly describes economic institutions but under the criteria of (a) the size of government, (b) the legal system and property rights and (c) the freedom to trade internationally.⁹³ The two authors show similar links their only difference is the freedom to trade internationally. In this paper, economic institutions will be conceptualized as formal and informal bodies which drive or inhibit the overall growth of a region's economy.

While we are mostly focusing on the issues surrounding economic institutions to conceptualize its definition, we need to look through both forms: inclusive and extractive. To understand their impact, we need to understand their definitions and what they entail. Daron Acemoglu and James Robinson's *Why Nations Fail*, set up a coherent definition for both systems which is generally accepted across the various literature on this subject and therefore will be the basis definitions used throughout this paper. To conceptualize their definitions, it is important to note that they describe economic institutions as institutions which drive incentives, including

⁹⁰ Mac Junior Abeka et al., "Economic Institutions, Political Institutions and Renewable Energy Production in Africa," *Journal of African Business*, 2021, 1052.

⁹¹ Steve Wiggins and Junior Davis, "Economic Institutions," *London: Research Programme on Improving Institutions for Pro-Poor Growth, IPPG Briefing 3* (2006).

⁹² Steve Wiggins and Junior Davis, "Economic Institutions," *London: Research Programme on Improving Institutions for Pro-Poor Growth, IPPG Briefing 3* (2006).

⁹³ Mac Junior Abeka et al., "Economic Institutions, Political Institutions and Renewable Energy Production in Africa," *Journal of African Business*, 2021, 1051.

incentives to invest, adopt new technology, innovation and become educated.⁹⁴ In understanding their key differences we can refer to the following table which demonstrates some (there are many more) of its contrasts with some examples drawn from the South African Case study which will be discussed further in the second section of this paper.

Table 1: Extractive versus Inclusive Economic Institutions

Economic Institutions	Extractive Form	Inclusive Form	Example Extractive (see Table 2 for explanation)	Example Inclusive (see Table 2 for explanation)
Private Property	Excludes individuals from equal and free access to private property	Equal opportunity and access to private property, including ownership, leasing, and management.	Land Rights Act 1913, South Africa	Abolition of Racially Based Land Measures Act No 108, 1991, South Africa
Education	Unequal access and quality of education. Particularly surrounding training for high-skilled labour. Failure of institutional systems to incentivize children and others to reach higher quality educational systems.	Equal and accessible access to educational systems. Allow equal opportunity for training sectors that involve both low and high skilled work.	Bantu Education Act 1953, South Africa	Tertiary Education Act No 66, 1988, South Africa
Labour Rights	Un-equal access and opportunity to labour, including ownership and organization. And/ or lack of enforcement of these opportunities	Equal opportunity to work and free access to organization of labour (i.e. unions). As well as equal wages for equal work, and enforcement of these properties.	Mines and Works Act No 12, 1911, South Africa	Labour Relations Amendment Act No 57, 1981, South Africa
Living Standards	Un- Equal distribution, access and opportunity to proper living standards. Un-equal access to housing resources (heating, water, electricity...)	Access to comprehensive housing and land ownership (somewhat goes in line with private property). Equal opportunity and access to housing	Group Areas Act No 41, 1937, South Africa	Black Communities Development Act No 42, 1988, South Africa

⁹⁴ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 42.

		resources (heating, water, electricity...)		
Economic Activity	Un-equal exchange of goods and services. Lack of enforcement of equal access and opportunity for exchanges.	Freedom to contract and exchange of goods and services, and enforcement from state to uphold this freedom	Reservation of Separate Amenities Act No 49, 1953, South Africa	South African Citizenship Act No 88

Data Sourced: (i) Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012).

(ii) The Truth and Reconciliation Commission of South Africa, *The Report of the Truth and Reconciliation Commission*, Archbishop Desmond Tutu et al. Volume 1, 1998: 449-477.

Notes: Table compiled and written by Author.

Inclusive institutions encourage full participation in economic activities where their skills are maximized to allow individuals to have the freedom of choice.⁹⁵ Moreover, under their definition inclusive economic institutions must include private property, an unbiased law system, and public services which promote equity throughout economic exchange, contracts, and the entrance of new businesses.⁹⁶ The idea is that inclusive institutions foster productivity growth, healthy economic activity and economic prosperity. Robinson and Acemoglu go even further to say that inclusive economic institutions create the essence of inclusive markets which drive forward two prosperity entities; technology and education.⁹⁷ The economic growth which accompanies inclusive economic institutions consistently is partnered with technological improvements which drive forward economies even further as land, labour and capital can become more productive.⁹⁸ As well, education is also improved the same way technology is, thus advancing the competencies and skills of the workforce, which not only help adapt to the new technological improvements but also advance productivity.⁹⁹ With this combination, innovation as a whole rises and there is greater encouragement for private property.¹⁰⁰ Author Tommy Krieger (2022), tends to agree in this aspect that inclusive economic institutions include in a

⁹⁵ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 74.

⁹⁶ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 75.

⁹⁷ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 76-77

⁹⁸ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 77.

⁹⁹ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 78.

¹⁰⁰ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 77.

large part a comprehensive educational system which creates an incentive of productivity and allows more people to keep large shares of their revenue thus increasing productivity and growth as a whole.¹⁰¹ To go even further, inclusive economic institutions promote further income equality, again promoting greater growth, and economic prosperity this is confirmed through both Acemoglu and Robinsons model and further confirmed by Sunde et al (2008), Krieger and Meierrieks (2016) and Kotschy and Sunde (2017).¹⁰² Acemoglu and Robinsons definition of extractive institutions is that extractive institutions limit the freedom of some to benefit others. Extractive institutions are the opposite of inclusive ones, in that they are seen as those which fail to meet the criteria which foster the growth which inclusive institutions do. Although extractive institutions may benefit the extractors, they fail to encourage all to maximize their potential. Therefore, extractive institutions do not allow private ownership, nor do they promote access to markets which allow for all to choose a way of life they want given resource constraints.¹⁰³ By extension, the two forms of prosperity - technological improvement and education or incentive for education - are suppressed creating a cycle of poor functioning economies in non-inclusive institutions.¹⁰⁴ Furthermore, the two authors describe extractive institutions as having poor income equality, in other words, it limits prosperity by distributing wealth to the small wealthy elite.¹⁰⁵ Note, this is paired with the political centralization of political institutions, which while not the main focus of this paper is important to point out.¹⁰⁶ As well, playing off of Langlois's definition of institutions discussed previously, when the institution is concentrated, thus mainly accepted by a small elite it is difficult to create long-term growth which benefits all.¹⁰⁷ That being said it can be argued that non-inclusive or extractive institutions do not necessarily mean a failed economy. While income is placed into the hands of the small elite there is an historical

¹⁰¹ Tommy Krieger, "Democracy and the Quality of Economic Institutions: Theory and Evidence," *Public Choice* 192, no. 3 (2022): 359.

¹⁰² Tommy Krieger, "Democracy and the Quality of Economic Institutions: Theory and Evidence," *Public Choice* 192, no. 3 (2022): 359.

¹⁰³ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 74.

¹⁰⁴ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 78.

¹⁰⁵ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 149.

¹⁰⁶ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 149.

¹⁰⁷ Steve Wiggins and Junior Davis, 'Economic Institutions', *London: Research Programme on Improving Institutions for Pro-Poor Growth, IPPG Briefing 3* (2006).

example of growth being quite large. Acemoglu and Robinson state these examples through the Maya empire and the Caribbean plantation slavery system, both created mass amounts of economic growth on a grand scale over history.¹⁰⁸ Although it is stated that they were paired with mass political instability, as well that the growth was not as grand on a per capita scale as much of the labour in both cases was through slavery.¹⁰⁹ It is important to note that many authors borrow Acemoglu's definition of extractive institutions; non-inclusive and in the hands of the small wealthy elite, as basic definition to the study of economic institutions. Mizuno et al. (2017), goes even further to say that extractive economic institutions include when property rights are not protected, which if you look at the definition of an inclusive economic institution and flip it as an opposite also backs up this definition.¹¹⁰ Furthermore, institutions not only affect economic activity but also access to education, health care, living standards and so forth.¹¹¹ Under extractive institutions, only the elite, meaning not all citizens, have the opportunity to drive themselves out of poverty and into economic prosperity.¹¹² Therefore, to conceptualize extractive economic institutions they are seen as institutions which do not meet the criteria for the inclusive, thus centrally defined as a the non-inclusive institution which Robinson and Acemoglu believe are central to the stagnation of development and by extension an increase in poverty rates.

Section 1: Conclusion

This literature review has examined alternative theories attempting to explain global inequality and underdevelopment. It is predicted that extractive economic institutions established by colonial European powers will lead to greater levels of poverty in the respective region. This hypothesis stems directly from the ideas of dependency theory alongside the theoretical framework of institutionalism from Acemoglu and Robinson's *Why Nations Fail*. First, we dive

¹⁰⁸ Simon Martin and Nikolai Grube, *Chronical of the Maya Kings and Queens: Deciphering the Dynasties of the Ancient Maya* (Thames and Hudson, 2000).

¹⁰⁹ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 124-145.

¹¹⁰ Nobuhiro Mizuno, Katsuyuki Naito, and Ryosuke Okazawa, "Inequality, Extractive Institutions, and Growth in Nondemocratic Regimes," *Public Choice* 170, no. 1 (2017): 161.

¹¹¹ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 6. www.statssa.gov.za.

¹¹² Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 149.

into the historical theoretical frameworks which were previously used to explain global inequality and why certain countries have been able to thrive while others have not. The geography, culture and ignorance hypothesis carry too many flaws to be plausible. Moreover, these three hypotheses work their way into the framework of the modernization theory which has been a widely accepted theoretical framework. With an understanding of the base theories of global inequality, we then derive the main theoretical frameworks that help drive the main hypothesis. This hypothesis is based on a mix between dependency theory and Acemoglu and Robinson's institutional hypothesis. Essentially, we are taking the dependency ideas of patterns of dominance and extraction from the colonial period and combining them with the concepts of extractive and inclusive institutions. The reason for this is that based on the critiques of dependency theory, its framework on its own does not explain the specific narratives where colonialism may have created positive economic growth. With the added ideas of the implementation of institutions, we can further study how different interventions of colonialism had different impacts and did not always create a cycle of dependency.

With the theoretical framework established we then explored several terms which specifically outline the narrative of the working theory. The first is institutions which are defined as long term embedded social rules which structure the rules, norms and behaviours within society and structure joint and individual action. The second term is economic institutions which are described as formal and informal bodies which drive or inhibit the overall growth of a region's economy. Third, is inclusive versus extractive economic institutions. Inclusive economic institutions are described as institutions in which skills and choice are maximized through the encouragement of full participation in economic activities. Extractive economic institutions, also defined under non-inclusive institutions are defined as the opposite, institutions which inhibit growth and economic prosperity. The review then dives into understanding the impact of economic institutions past and present and how they can help us as a society have greater insight into the positives and negatives that institutions can create. As well, potentially how institutions can have insight into how to close the global income gap between states and within regions. Using the literature discussed above, we begin to have a greater understanding behind the theoretical relationship between extractive economic institutions and poverty rates as an indicator of underdevelopment. The following section will be putting the theory to test in the case study of South Africa, where we see whether their relationship holds true.

Section 2: South Africa

Africa is a fascinating case of underdevelopment as it is resource rich but income poor. It has a diverse set of histories and institutional establishments which represent both inclusive and extractive narratives. To examine the hypothesis further it is important to focus on a case study which holds certain aspects of African history constant. This is necessary since certain aspects of history could be a greater driver to present poverty rates rather than based on institutions. The case of South Africa presents a unique opportunity to analyze the effects of extractive economic institutions paired with said constants. For one, South Africa avoided many of the effects and possible consequences of the African slave trade and its related wars. To be specific, the original South African peoples - the Khoikhoi, Ciskei, and Transkei - avoided the Dutch colonizer slave traders by not interacting heavily with them, its coast was far removed from slaving, and being far enough inland to avoid its effects.¹¹³ The second constant is that there is evidence of both extractive and inclusive economic institutions established under the same colonial rule for two separate ethnic groups. By contrast, other African country's colonizers generally established one system making it difficult to compare these forms of institutions under one colonial ruler to keep consistency within a respective region. Whereas, South Africa has the unique standing of what is known as a 'dual economy' standing (specifics of which will be discussed in section 2.2).¹¹⁴ The British imposed government implemented different institutions within a country that had similar natural resources, geography, and regional groups of people.

This case study will examine the effects of economic institutions and work towards an understanding of how colonial institutions have the potential to affect contemporary regional poverty rates. To reiterate the original hypothesis, it is believed that colonial extractive economic institutions will lead to greater poverty rates in the contemporary context. It is important to note that this is one case study out of many, and we are examining how this hypothesis plays out within this region's context specifically and not all African nations. Although based on the findings, it may establish a potential understanding of the development of other African countries that may have similar colonial pasts and institutions.

¹¹³ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 260.

¹¹⁴ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 258.

This case study analysis will first be looking into a brief historical analysis of South Africa, to establish the context of British colonialism and the institutions established over time (2.1). Second, an in-depth look into the theoretical analysis of the historical separate development particularly looking at Lewis's dual economy concept and its critiques (2.2). Third, a brief discussion on our dependant variable of poverty rates and the purpose of examining how their outcomes relate to the institutionalism theories (2.3). Fourth, a look at the statistical outcomes and consequences on regional poverty rates in the respective provincial regions of contemporary South Africa (2.4). And finally, a concluding discussion on the contemporary outcomes was analyzed (2.5). For context, this analysis will be looking at institutions established during the British colonial and Apartheid period. While not officially a British colony after 1910, based on the ties and descendant connections, for the purpose of this paper the period between 1910 and 1996 (post-Apartheid constitution) will still be considered the colonial era, this will be explained further in section 2.1.

Section 2.1: Historical Analysis

Before diving into the institutions, themselves, it is important to understand the historical pathway of British rule in South Africa to establish intentions and narratives leading up to the creation of institutions. South Africa became an attractive area of colonialism with its temperate climate and lower rates of tropical diseases. As a result, Great Britain took over Dutch settlements in Cape Town during the Napoleonic wars and later pushed their settlements further inland against the indigenous Xhosa.¹¹⁵ In 1835, the British pushed further into South Africa's interior against remaining Dutch descendants known as *Afrikaners* causing them to establish the independent states of Transvaal and Orange free state.¹¹⁶ In 1867-86, the key discoveries of the Kimberly diamond reserves and Johannesburg gold mines enhanced British interest in their extension of control over South Africa.¹¹⁷ In other words, the mine discoveries presented an extractive economic opportunity for its economic growth as a colonial empire. These discoveries brought in greater competition for land alongside the exploitation of tensions set forth by White

¹¹⁵ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 260.

¹¹⁶ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 260.

¹¹⁷ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 261.

settlers to benefit from long-term turmoil and the political undermining of local chiefs.¹¹⁸ Furthermore, the Boer wars created several more decades of conflict until the British founded the union of South Africa in 1910 merging the Afrikaner states with the Cape province and Natal, and officially establishing South Africa as a state.¹¹⁹ At this point (1910), South Africa was a dominion of the British colonial government, meaning while self-governing they remained loyal to the British colonial empire.¹²⁰ To add, they only fully withdrew from the commonwealth in 1961, although remained a strong mutually beneficial trading partner. As well, with the British settler colonialist form of colonialism the White population who had settled in South Africa were of British or European descent.¹²¹ Based on the European presence within the state along with the trading partner aspect, the British colonial government still held a strong hand over South African economics. For this reason, the paper considers the institutional establishments from pre-1910 to 1996 to be considered the colonial period for South Africa as mentioned previously.

In the pre-1910 period the development of South Africa's mining company was a central focus under British colonial rule. Alongside its development came the need for a rise in raw materials allowing the agriculture sector to expand as well. Native Africans, such as the Xhosa, now had opportunities for economic involvement in both the agriculture, trade, and mining sectors of this new growing economy.¹²² With this in mind, the native and tribal institutions from the pre-colonial era began to dismantle, particularly as Indigenous people began to buy up private farming land, as the institutions of private property were more widely introduced under British colonial rule.¹²³ Acemoglu and Robinson make the point that this is a form of *economic dynamism* where the extractive institutions of the absolute rule of chiefdom quickly fell, demonstrating the instability and weakness of extractive institutions themselves.¹²⁴ Moreover,

¹¹⁸ Khumisho Moguerane, 'Black Landlords, Their Tenants, and the Natives Land Act of 1913', *Journal of Southern African Studies* 42, no. 2 (2016): 244. <https://doi.org/10.1080/03057070.2016.1148954>.

¹¹⁹ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 261.

¹²⁰ Saul Dubow, "How British Was the British World? The Case of South Africa," *Journal of imperial and Commonwealth history* 37, no. 1 (2009): 4.

¹²¹ Saul Dubow, "How British Was the British World? The Case of South Africa," *Journal of imperial and Commonwealth history* 37, no. 1 (2009): 16.

¹²² Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 261.

¹²³ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 262.

¹²⁴ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 262.

this private property and economic shift were met with deep opposition from chiefs and traditional leaders who felt their way of life and local control were being threatened.¹²⁵

Throughout this time period, there was a great economic boom for African farmers, in particular, allowing for a moment of prosperity for Black Africans.¹²⁶ At this particular moment, all citizens were included in access to private property, education, raw materials and so forth.¹²⁷ Thus it can be said that there was a moment of all-encompassing inclusive institutions, allowing economic growth to prosper.

Unfortunately, this boom was brief based on two main factors that would push Black Africans down the chain of prosperity. First, European farmers were feeling the threat of competition from African farmers who would lower their crop prices to gain greater profits.¹²⁸ Europeans attempted to push Africans out of business for their own gain. Second, European mining owners were looking for a cheap labour force, which coincidentally was made possible by further impoverishing the African population (including farmers).¹²⁹ With these goals in mind, the first economic institutional framework was established under the *Native Land Act of 1913*.¹³⁰ This new law stated that eighty-seven percent of South African land would be given to Europeans (who made up twenty percent of the population) and the remaining, seven and then later, thirteen percent would be given to Africans.¹³¹ Specifically, the act legislated the ‘schedule of Native Areas’ which prohibited Africans from purchasing land outside the ‘scheduled areas’, about seven percent of South Africa’s land mass.¹³² Moreover, the land was split into ten main ‘homelands’ or more commonly known as *Bantustans* which were separated into their respective ‘ethnic groups’, including; the Venda, Gazankulu, Lebowa, KaNgwane, KwaZulu, Transkei,

¹²⁵ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 263.

¹²⁶ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 264.

¹²⁷ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 264.

¹²⁸ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 264.

¹²⁹ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 264.

¹³⁰ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 265.

¹³¹ Khumisho Moguerane, “Black Landlords, Their Tenants, and the Natives Land Act of 1913,” *Journal of Southern African Studies* 42, no. 2 (2016): 247. <https://doi.org/10.1080/03057070.2016.1148954>.

¹³² W. Beinart and P. Delius, “The Historical Context and Legacy of the Natives Land Act of 1913,” *Journal of Southern African Studies*, 40, 4 (2014): 669.

Ciskei, QwaQwa, Bophutatswana, and the KwaNdebele.¹³³ The second provision of the act prohibited Africans from occupying White land under White ownership, in other words, African sharecroppers could not work on White-owned farms unless under contractual employment.¹³⁴ To be specific, this second part of the legislation essentially disallowed future partnership between White Europeans and Black Africans, and instead only allowed for the opportunity for contracts of service, thus growing the population of cheap labour.¹³⁵ Scholars often point to the Land Act as the groundwork for the incoming Apartheid state which encouraged separate development of South Africa.¹³⁶ To explain, the Apartheid was specifically an attempt by the capitalist class (The white class in this case) to not only expand cheap African labour but also increase the protection of the White worker through the ‘modernization’ of segregated labour through rural areas.¹³⁷ The Land Act represented the first of many formal extractive economic institutions introduced in the area. In reference back to our original definitions within the literature review section we see that extractive institutions are described as those that are un-inclusive. Specifically, the Land Act restricted the majority of land ownership and private property to the smaller European elite within the country itself. Moreover, the Land Act discriminated against freedom of choice in private property and inhibits a sector of the population from the possibility of full participation in South Africa’s economy as they are restricted to private ownership solely in the ‘homeland’ reserves. The Land Act kickstarted a series of legislation put forth by the British colonial government which targeted Black South Africans in an effort to create a population of cheap, uneducated labourers, who would continuously be provided for the mines and farms of White Europeans.¹³⁸ The legislations is highlighted in the following table which presents a chronological series of both extractive economic institutions and their dismantling between the British colonial occupation up to the end

¹³³ Cheryl Walker, “Critical Reflections on South Africa’s 1913 Natives Land Act and Its Legacies: Introduction,” *Journal of southern African studies* 40, no. 4 (2014): 663.

¹³⁴ Khumisho Moguerane, ‘Black Landlords, Their Tenants, and the Natives Land Act of 1913’, *Journal of Southern African Studies* 42, no. 2 (2016): 247. <https://doi.org/10.1080/03057070.2016.1148954>.

¹³⁵ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 266.

¹³⁶ Cheryl Walker, “Critical Reflections on South Africa’s 1913 Natives Land Act and Its Legacies: Introduction,” *Journal of southern African studies* 40, no. 4 (2014): 656.

¹³⁷ Harold Wolpe, “Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid,” *Economy and Society* 1, no. 4 (1972): 426.

¹³⁸ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 267.

of the Apartheid era, from 1856 to 1995 (Table 2). These acts are specifically chosen in that they fall into the economic institution category to look directly at what was passed in relation to contemporary regional poverty rates. To reiterate, economic institutions are formal and informal embedded social rules whose rules, norms and behaviours structure a region's economic growth or stagnation.

Table 2: Colonial and Apartheid Acts 1856-1995

Act	Description	date est.	Repealed	years in place
Master's and Servants Acts	Regulate the relationship between employers and employees which favoured White employees. Required Black workers to enter into unfair contracts, which gave ultimate power to the White employer. It also outlined severe punishments for Black workers who broke contractual lines.	1856	1974	118
Mines and Works Act No 12 (colour bar act)	Established a South African colour bar. Gave White workers a monopoly over skilled operations. Gave governor general power to cancel/ suspend certificates of competency if they so choose, specifically targeting Black labourers.	1911	1956	45
Black Land Act	Prohibited Black Africans from, owning/ renting land outside of designated Bantustans (7% of South Africa).	1913	1991	78
Native Urban areas No 21	Restricted movement between urban and non-prescribed areas to only those Black Africans employed in the area. Heavily controlled.	1923	1945	22
Industrial Conciliation Act No 11	Excluded Black Africans from registered trade union memberships and from creating their own unions.	1924	1945	21
Mines and Works Amendment Act No 25	Re-enacted the 1911 Mines and Works Act.	1926	1956	30
Immorality Act No 5	Interracial intercourse and marriage prohibited.	1927	1957	30

Black Administration Act No 38 (Bantu Administration Act)	Power to the governor-general to banish or move native tribes from one area to another without notice and whenever deemed "expedient in the general public interest".	1927	1993	66
Development Trust and Land Act No 18	Expanded Black land to 13% and moved agriculture sectors to eliminate Black ownership in White surrounding land.	1936	1992	56
Industrial Conciliation Act No 36	Registration and regulation of trade union and employer organizations. regulation surrounding conditions of employment.	1937	1956	19
Black Laws Amendment Act No 46	Prohibited the acquisition of land by Blacks in urban areas.	1937	1991	54
Population Registration Act No 30	Registration of birth under four distinct racial groups required (race classification law).	1950	1957	7
Group Areas Act No 41	Declaration of areas for use of particular racial groups, compulsory to live in Designated areas based on your registered race classification.	1950	1957	7
Black Building Workers Act No 27	Prohibited Blacks from performing skilled work in White urban building industries.	1951	1980	29
Prevention of Illegal Squatting Act No 52	Prohibited persons from entering or building on land without lawful reason, specifically Black Africans in White urban areas.	1951	-	ACTIVE
Black Authorities Act No 68	Gave recognition to traditional tribal authorities and provided tribal/ regional establishment on Bantustan reserves.	1951	-	ACTIVE
Black Laws Amendment Act No 54	All Black Africans over the age of sixteen needed passes to enter White urban areas and could not stay longer than 72 hours unless they had permission. Only legally entitled if they were born in urban areas or had continuous employment for over ten years. Removal of Black Africans deemed "undesirable" in these areas at any given time.	1952	1964	12

Blacks (Abolition of Passes and Co-ordination of Documents) Act No 67	Repealed passes law, now used reference books. Varied between provinces.	1952	1986	34
Reservation of Separate Amenities Act No 49	Allowed public facilities to be reserved for certain racial groups	1953	1990	37
Criminal Law Amendment Act No 8	Made civil Disobedience illegal with three years in prison.	1953	1982	29
Bantu Education Act No 47	segregation of Black education and founded the Bantu education system.	1953	1979	26
Black Labour Relations Regulation Act No 48	Amended the Industrial conciliation act to exclude Black Africans from employee definition so they could no longer be members of registered unions.	1953	1981	28
Riotous Assemblies and Suppression of Communism Amendment Act No 15	Limits on public gatherings, power to prohibit particular people and organizations from gathering without reason.	1954	1982	28
Blacks Resettlement Act No 19	Allowed removal of Blacks from townships and any given time without reason.	1954	1984	30
Black Labour Amendment Act No 59	Separate industrial conciliation machinery for Black workers.	1954	1984	30
Industrial Conciliation Act No 28	Black labourers were re-included under the definition of employee. Black trade unions could not however register under this act.	1956	1995	39
Black Administration Act No 42	If banished under this law, you now could no longer present your case to the governor-general.	1956	1986	30
Group Areas Act No 77	Consolidated law in the establishment of control and group areas relating to racial groups.	1957	1966	9
Extension of University Education Act No 45	designated colleges for Black Africans as they were prohibited from attending White run universities	1959	1988	29
Indemnity Act No 61	Allowed police officers to commit acts of violence or torture when on official duties (aftermath of Sharpeville massacre)	1961		

General Law Amendment Act No 76	Increased state power to declare organizations or 'acts of sabotage' as unlawful.	1962	1995	33
Black Labour Act No 67	Prohibited Black Africans from seeking work outside Bantustans and couldn't be hired unless through state labour bureaux channels.	1964	1984	20
Group Areas Act No 36	Continued racially segregated areas, implemented in an advantageous way to Whites.	1966	1991	25
Industrial Conciliation Further Amendment Act No 61	Prohibited strikes and lockouts for purposes unrelated to employee and employer relations.	1966	1995	29
Terrorism Act No 83	Authorized indefinite detention without trial for those deemed in the definition of terrorism which included most criminal acts.	1967	1991	24
Environmental Planning Act No 88	Restrictions on the number of Black Africans allowed being employed in the manufacturing industry in large industrial areas	1967	1991	24
Bantu Homelands Citizenship Act No 26	Required all Black Africans to become citizens of a self-governing territory. Were denied South African nationality.	1970	1993	23
Bantu Homelands Constitution Act No 21	Increased powers for the Bantustan government to facilitate eventual independence	1971	1993	
Extension of University Education Act No 29	Could no longer change courses after admission without ministerial consent.	1971	1988	17
Admission of Persons to Republic Regulation Act No 59	Strengthened laws related to prohibited peoples.	1972	1991	19
Black Laws Amendment Act No 7	Speed up Bantustan movements. If the tribe refused to move, they were unable to appeal to parliament.	1973	1986	13
Black Labour Relations Amendment Act 70	Limited right to strike as opposed to the previous prohibition of striking against Black workers	1973	1981	8
Second General Law Amendment Act No 94	Repealed masters and servants act.	1974		ACTIVE
Black Amendment Act No 97	Introduced 99-year lease system, full ownership was not attainable until 1986.	1978	1991	13

Education and Training Act No 90	Repealed Bantu education act.	1979		ACTIVE
Industrial Conciliation Act No 94	Permitted Blacks previously excluded in the 1953 act to join unions. Still excluded migrant workers and frontier commuters.	1979	1995	16
Industrial Conciliation Act No 95	"	1980	1995	15
Labour Relations Amendment Act No 57	Redefined employees to include Black workers including migrants and commuters. Allowed establishment of new unions. Black workers could now abolish and organize job reservations. Prohibited unions from getting financial assistance to the person involved in an illegal strike.	1981	1995	14
Black Communities Development Act No 4	Introduced 'freehold' ownership. Allowed the development of Black communities outside of Bantustans and amended and consolidated certain laws which applied to these communities.	1984	1991	7
Aliens and Immigration Laws Amendment Act No 49	Amended to specifically target squatters, also known as Black Africans who were caught without passes.	1984	1991	7
Public Service Act No 111	Laid terms of office conditions of employment and discharge for those in public service.	1984	1994	10
Abolition of Influx Control Act No 68	Amended the Black administration act to repeal the removal of Black communities and Black persons from certain areas.	1986		ACTIVE
Abolition of Influx Control Act No 68	Repealed 34 laws related to the removal of Black from lands and controls over squatting.	1986		
Identification Act No 72	Repealed passes law, identity numbers no longer included a person's racial group.	1986		ACTIVE
Restoration of South Africa Citizenship Act No 73	Granted South African citizenship to those born in South Africa prior to homeland independence.	1986	1993	7

Black Communities Development Act No 74	Introduced freehold rights in urban Black townships. Black Africans were now allowed to acquire leaseholds and land ownership. Freedom of movement for South African citizens.	1986	1991	5
Black Communities Development Act No 42	Made further provisions for the development of township areas. Regulated miner rights to township titles	1988	1991	3
Tertiary Education Act No 66	Repealed extension of the university education act. Desegregation of residences.	1988		ACTIVE
Discriminatory Legislation Regarding Public Amenities	"Abolish distinction made therein between persons belonging to different races or population groups".	1989		ACTIVE (Constitutional Law)
Black Communities Development Amendment Act No 77	Further regulate granting transfer of leasehold to ownership.	1991	1991	
Aliens Control Act No 96	Replaced legislation regarding foreign entrance, exit and residence abiding in the country.	1991		ACTIVE
Abolition of Racially Based Land Measures Act No 108	Repealed 1913 Land Act, repealed 1936 Development Trust and Land Act, repealed 1966 Group Areas Act, repealed 1984 Black Communities act. Essentially repealed any acts pertaining to racial discrimination in relation to land legislation and rural areas. this was without affecting geographical definitions, status of non-independent homelands and administrative structures.	1991		ACTIVE
Population Registration Act No 114	Repealed the population registration act, changed to population register under the identification act until a new constitution was established.	1991		ACTIVE
Internal Security Act No 138	Abolished indefinite imprisonment without trial	1991		ACTIVE
Births and Deaths Registration Act No 51	Regulated registration of births and deaths.	1992		ACTIVE
Corruption Act No 94	Criminalisation of corruption.	1992		ACTIVE

Constitution of Republic of South Africa Act No 200	Official constitution under new non-Apartheid governance.	1993		ACTIVE Constitutional Law
Promotion of National Unity and Reconciliation Act No 34	Investigation into human rights violations since 1960.	1995		ACTIVE Constitutional Law
Identification Amendment Act No 47	Amended the 1986 Identification act to create a new population registrar.	1995		ACTIVE
Labour Relations Act No 66	Repealed 1956 Industrial conciliation act.	1995		
South African Citizenship Act No 88	Added to 1993 restoration and extension of the South African citizenship act dealing with those whose citizenship had been renounced or lost to provide citizenship to all those born in South Africa.	1995		Active Constitutional Law

Data Sourced: The Truth and Reconciliation Commission of South Africa, The Report of the Truth and Reconciliation Commission, Archbishop Desmond Tutu et al. Volume 1, 1998: 449-477.

Notes: Table compiled and written by Author

The table above identifies the contents of critical acts and when they were established and repealed. The purpose of stating when it was repealed is to note how long the institution itself was embedded in South Africa's social rule, this would demonstrate the length of its effects. To note, the longer an institution was established the longer it would take to be socially unaccepted even after its repeal. It is important to understand whether this may be a contributing factor to the regional poverty rates in the contemporary context, which we are attempting to answer as per the thesis's hypothesis. As well, the acts mentioned above are specific to the definition of economic institutions and do not include the political institutions which also had a similar extractive race-based goal in their implementation. This is important to note as we have seen that political and economic institutions are intertwined and have the possibility to affect one another's consequences.¹³⁹ Extractive institutions grew in importance over the whole period but especially during the transition away from the British ruling period into the 1960's. By contrast, in the early 1970's there was a mass amount of repealing and descent away from extractive institutional barriers for Black Africans. Apartheid officially ended in 1994 demonstrating that leading up to its end, there was a movement against these non-inclusive institutions.

¹³⁹ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 79.

It is important to point out some highlights found within this table alongside the already established extractive economic institution of the Land Act of 1913, all of which were in place for periods longer than four decades. The first main highlight is the job reservation system known as the *Colour Bar Act* (1911) or more formally known as the *Mines and Works Act No 12*, where Africans were Blacklisted from a variety of skilled labour jobs.¹⁴⁰ This act established labour practices which over time created a White monopoly over skilled labour markets and trade unions.¹⁴¹ This monopoly went even further with full exclusion from trade unions and union membership under *the Industrial Conciliation Act (1924)*. This removed Black labourers access to unions and higher-paid employment, suppressing their labouring rights. Another example was the *Bantu Education Act (1953)* established under the leadership of Hendrik Verwoerd which reverted Black education from the provincial councils which controlled education of all races, as well as the churches and into the hands of the Native Affairs department.¹⁴² According to Verwoerd, the legislation's goal was to change the ambition behind Black African's education.¹⁴³ Previously, Verwoerd notes, this education led Africans to believe they had a right to enter into the European or modern sector, which he believed they did not have a place.¹⁴⁴ By changing its systems it would train Black Africans for an inferior status to that of White European children.¹⁴⁵ The Bantu Education Act specifically discouraged full prosperity within economic activities, with less access to comprehensive education they had less of an ability to seek out higher-skilled jobs, which legislatively were reserved for Whites. This makes this legislation an extractive economic institution in that it excludes those with equal access to certain sectors of the labour market and thus stagnates their ability to access higher wages, productivity and overall individual economic growth.¹⁴⁶ These are some key highlighted policies which systematically changed the south African economy into the Apartheid state until 1994.¹⁴⁷

¹⁴⁰ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 268.

¹⁴¹ The Truth and Reconciliation Commission of South Africa, *The Report of the Truth and Reconciliation Commission*, Archbishop Desmond Tutu et al. Volume 1, 1998: 449-477.

¹⁴² R. H. W. Shepherd, "The South African Bantu Education Act," *African affairs (London)* 54, no. 215 (1955): 138.

¹⁴³ R. H. W. Shepherd, "The South African Bantu Education Act," *African affairs (London)* 54, no. 215 (1955): 138.

¹⁴⁴ R. H. W. Shepherd, "The South African Bantu Education Act," *African affairs (London)* 54, no. 215 (1955): 138.

¹⁴⁵ R. H. W. Shepherd, "The South African Bantu Education Act," *African affairs (London)* 54, no. 215 (1955): 139.

¹⁴⁶ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 77.

¹⁴⁷ W. Beinart and P. Delius, "The Historical Context and Legacy of the Natives Land Act of 1913," *Journal of Southern African Studies*, 40, 4 (2014): 668.

Furthermore, these are the highlights of a series of pieces of national legislation which were used to reach the original two goals of the Land Act and essentially push forward White European business while excluding Black Africans from its 'capitalist competition'. The reason to highlight these specific acts is to discuss the potential consequences of these extractive economic institutions specifically on Black bodies in the designated areas they were assigned under the original Land Act. In other words, Black Africans were targeted within this period and were restricted from free and accessible access to three main economic drivers; private property, high-skilled labour and fair wages, and education and training. All these play a role in overall economic growth thus being categorized under the extractive economic institutional category. It is important to note when we enter our results section, that these legislations targeted the specific group of Black Africans. Therefore, when looking at contemporary outcomes, we can not only use the Black African population sample as a comparative variable but also the areas where Black Africans were concentrated. Meaning the Bantustans/ homelands established under the Land Act. Poverty rates can be compared to both variables to see if a long-term effect has impacted the relationship between extractive economic institutions in South Africa and Black Africans and the Bantustan area's poverty rates.

Section 2.2: Dual Economy and Separate Development

Following the Land Act of 1913 were a series of legislation targeted at Black Africans to raise White European business owners up while excluding their competitors. This has created a form of 'dual economy', a term coined by Arthur Lewis in the 1950's to make sense of underdevelopment. The forcing of Black Africans into the small sector of homelands paired with the multitude of other legislation and institutions allowed for the separate development of these dual economies within the one country of South Africa. This section will first be looking at an understanding of Lewis's concepts, followed by its relationship to the South African context and then its connection with dependency and institutionalism in relation to the paper's theoretical framework.

As mentioned previously, the consequence of the Land Act created the outline for what is scholarly known as a dual economy. To understand the separate development that took place in South Africa it is important to examine the theory of dual economy as it pertains to the Lewis

model, especially based on its popularity during the rise of the Apartheid era.¹⁴⁸ Relatively speaking, the Lewis Model offers a persuasive narrative in the discussion surrounding the growth process in relation to the reallocation of labour and resources between two main sectors.¹⁴⁹ Lewis suggests a split of the economy into two sectors; the modern (capitalist) and the traditional (subsistence).¹⁵⁰ The Modern sector is associated with the more developed side with more advanced technology and urban capitalist sectors.¹⁵¹ Whereas the traditional sector is linked to a rural agricultural sector with more self-sufficient institutions and technologies such as communal land ownership and a lack of private property.¹⁵² The idea is that the traditional sector has a surplus of labour, typically unskilled, which the modern sector uses to gain capital and grow their sector as a whole while using conventional wages to attract the traditional sector's supplied labour.¹⁵³ Lewis notes in his original paper; "the agricultural or commercial employer is expected to keep his labour force somehow or other—it would be immoral to turn them away, for how would they eat, in countries where the only form of unemployment assistance is the charity of relatives".¹⁵⁴ Essentially Lewis is saying that the modern sector needs to employ the traditional sector to keep its sector sustainable. In Lewis's mind based on self-sufficiency believed that the traditional sector labour supply was unlikely to decline in its initial stages of transformation.¹⁵⁵ As well, Lewis's assumptions are based on the fact that even in the poorest countries there are firms and sectors with high productivity, leaving the door open for dual economy development.¹⁵⁶ As this theory develops, Lewis argues that as capitalist labour begins to stagnate the process of moving the mass underemployed out of the traditional sector begins to unfold, this

¹⁴⁸ Colin Kirkpatrick and Armando Barrientos, "The Lewis Model After 50 years," *The Manchester school* 72, no. 6 (2004): 679.

¹⁴⁹ Douglas Gollin, "The Lewis Model: A 60-Year Retrospective," *The Journal of economic perspectives* 28, no. 3 (2014): 85.

¹⁵⁰ W. A. Lewis, "Economic Development with Unlimited Supplies of Labour," *The Manchester School* 22, no. 2 (1954).

¹⁵¹ W. A. Lewis, "Economic Development with Unlimited Supplies of Labour," *The Manchester School* 22, no. 2 (1954).

¹⁵² W. A. Lewis, "Economic Development with Unlimited Supplies of Labour," *The Manchester School* 22, no. 2 (1954).

¹⁵³ Colin Kirkpatrick and Armando Barrientos, "The Lewis Model After 50 years," *The Manchester school* 72, no. 6 (2004): 685.

¹⁵⁴ W. A. Lewis, "Economic Development with Unlimited Supplies of Labour," *The Manchester School* 22, no. 2 (1954): 142.

¹⁵⁵ W. A. Lewis, "Economic Development with Unlimited Supplies of Labour," *The Manchester School* 22, no. 2 (1954): 141.

¹⁵⁶ Douglas Gollin, "The Lewis Model: A 60-Year Retrospective," *The Journal of economic perspectives* 28, no. 3 (2014): 73.

is known as the economic turning point.¹⁵⁷ As workers moved into the capitalist sector their living standards would begin to increase, and the output per worker would also increase thus creating growth in the capitalist sector as the traditional sector slowly developed and moved towards the modern sector.¹⁵⁸ To add, this transformation would be tied with higher savings rate in the capitalist sector which, as labourers moved towards the capitalist sector, would raise income levels per worker and overall economic growth as a whole.¹⁵⁹ With this theory in mind, we can begin to see the potential narrative behind the sectioning of the South African economy, its potential outcomes and further the complications with its application eventually leading to vast separate development.

In South Africa, the modern sector would be about the White European sector and the traditional would be the concentrated Black African population in the designated Homelands. More specifically, the capitalist sector was defined by White-owned mining and agricultural land, while not necessarily the more technologically advanced sector described by Lewis, they can be defined in this sector as they were the ‘breadwinner’ of the country. Whereas the traditional sector in this case encouraged communal land use and the products created to be allocated through kinship to labourers contracted out to the modern sector.¹⁶⁰ As previously stated, the creation of the sectors under the Land Act was based on the goal of providing cheap labour for the White mining aristocracy. Moreover, the creation of townships was done to ensure continued access to cheap labour as “the African workforce is housed in carefully segregated and police-controlled areas that resemble mining compounds on a large scale.”¹⁶¹ The White South African government strategically and purposely sector off its economy to ensure continuous labour from the traditional sector into the growth of the capitalist sector. The creation of cheap labour was carefully calculated based on the concept that the African worker had means of

¹⁵⁷ Douglas Gollin, “The Lewis Model: A 60-Year Retrospective,” *The Journal of economic perspectives* 28, no. 3 (2014): 72, 84.

¹⁵⁸ W. A. Lewis, “Economic Development with Unlimited Supplies of Labour,” *The Manchester School* 22, no. 2 (1954): 147.

¹⁵⁹ Douglas Gollin, “The Lewis Model: A 60-Year Retrospective,” *The Journal of economic perspectives* 28, no. 3 (2014): 72.

¹⁶⁰ Harold Wolpe, “Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid,” *Economy and Society* 1, no. 4 (1972): 432.

¹⁶¹ Harold Wolpe, “Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid,” *Economy and Society* 1, no. 4 (1972): 427.

subsistence outside of the capitalist sector that allowed them to give decreased wages.¹⁶² This meant that based on the agriculture production sector found within the Bantustans the idea was that families to some extent were able to support themselves, allowing the possibility to fix wages at the level of subsistence needed for each worker.¹⁶³ This is seen under the Native Mine Wage Commission where the largest migrant labour employer states the ‘advantage’ of those Black labourers to return home after their terms of employment, and that based on the subsistence they are provided, they do not need as wages as they will not be paying for market goods.¹⁶⁴ As opposed to the permanent higher-skilled White residents of the area of employment.¹⁶⁵ As well, this reproduction of cheap labour was also reinforced through the capitalist sector not needing to spend funds on the organization of the Bantustans, specifically as it pertains to health-care, food security, and education.¹⁶⁶ As well, this keeps the surplus of unskilled labour and a continued rate, in that they do not have access to the inclusive institutions which allow them to receive higher wages. While this system did in fact function for some time, Lewis’s theory begins to crumble based on a few factors which lead us to alternative theories to explain separate development.

To note, the Lewis model and its linear pathway to development draw similarities to the linear process of modernization development. As mentioned in the literature review section this theory is not conducive to the realities of this form of capitalism in that it is not a clear linear pathway. For one, Lewis’s theory is based on the idea that this split between the two sectors is based on natural economic forces where the traditional sector gradually moves over and develops into the modern sector creating an overall boost in economic growth.¹⁶⁷ Although, the separate development episteme was never created naturally but rather was constructed by the White labour aristocracy under first the Land Act, and then cyclically reproduced with the following

¹⁶² Harold Wolpe, “Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid,” *Economy and Society* 1, no. 4 (1972): 434.

¹⁶³ Harold Wolpe, “Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid,” *Economy and Society* 1, no. 4 (1972): 434.

¹⁶⁴ Harold Wolpe, “Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid,” *Economy and Society* 1, no. 4 (1972): 434.

¹⁶⁵ Harold Wolpe, “Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid,” *Economy and Society* 1, no. 4 (1972): 434.

¹⁶⁶ Harold Wolpe, “Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid,” *Economy and Society* 1, no. 4 (1972): 435.

¹⁶⁷ Colin Kirkpatrick and Armando Barrientos, “The Lewis Model After 50 years,” *The Manchester school* 72, no. 6 (2004): 684.

legislations in an attempt to keep the surplus of cheap labour constant (see table 2). As well, the ability to slowly shift into the modern sector was consistently blocked based on the lack of access to the resources that would allow their economies to develop as mentioned above. Moreover, while these separate economies did work for a short period, the little access to land (13%) and increased population caused great congestion and paired with a lack of overall investment by the White government into their agriculture led to a rapid decline in subsistence levels in the Bantustans.¹⁶⁸ Furthermore, this then led to a decline in the surplus of migrant labourers in the capitalist sector causing Lewis's model to lose its footing.¹⁶⁹ As well, it led to great rural impoverishment, again still paired with extremely low wages for African workers in the capitalist sector.¹⁷⁰ Instead of attempting to support the traditional sector further, despite mass demonstrations and backlash the government instead implemented the Apartheid system in 1948.¹⁷¹ Author Harold Wolpe highlights this very well in stating that the segregation under the Land Act is "the political structure appropriate to the earlier period, Apartheid represents the attempt to maintain the rate of surplus value."¹⁷² Apartheid institutionalized and legitimized the segregation of land, labourers, and their educational systems.¹⁷³ In other words, Apartheid as defined by author Legassick (1972), includes modernizing, and rationalizing the structures of "segregationist labour control".¹⁷⁴ In relation to the theoretical framework of this paper, this series of non-inclusive legislation which continued with its re-enforcement under the Apartheid period, according to dependency and institutional theorists would place the Homeland regions in a dependant and under-developed position within the South African economy at the time.

While Lewis's framework presents a base understanding of the emergence of the split economy, although his theory misses the explanation behind the continuous efforts to keep the

¹⁶⁸ Harold Wolpe, "Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid," *Economy and Society* 1, no. 4 (1972): 440.

¹⁶⁹ Harold Wolpe, "Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid," *Economy and Society* 1, no. 4 (1972): 441.

¹⁷⁰ Harold Wolpe, "Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid," *Economy and Society* 1, no. 4 (1972): 444.

¹⁷¹ Harold Wolpe, "Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid," *Economy and Society* 1, no. 4 (1972): 445.

¹⁷² Harold Wolpe, "Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid," *Economy and Society* 1, no. 4 (1972): 432.

¹⁷³ Harold Wolpe, "Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid," *Economy and Society* 1, no. 4 (1972): 446.

¹⁷⁴ Harold Wolpe, "Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid," *Economy and Society* 1, no. 4 (1972): 427.

surplus of cheap labour consistent. The South African government and economy were relentless in their efforts to keep their access to cheap labour to not suppress the White labour aristocracy. With the base Bantustans established, the government was able to use the institutions to their advantage to continuously extract cheap African labour for almost a century, based on the capitalist sectors' dependency on said labour.¹⁷⁵ The extractive institutions towards Black Africans were a large part of this cycle. Despite short-term effectiveness through Lewis's model, its systems could not withstand overtime based on their inherent extractive nature leading to its eventual downfall in the 1990's.¹⁷⁶ Despite its removal, in the following sections, we can examine whether it continues to have a lasting effect specifically on poverty rates. The following section will discuss the variable of poverty headcounts followed by a statistical analysis to see if the extractive institutional history does lead to higher rates of poverty in South Africa.

Section 2.3: Dependant Variable – Poverty Rates

To understand the effect of extractive economic institutions on poverty rates we have compiled data from South Africa's most recent census in 2011 and their cumulative community survey from 2016. To note, the 2011 census took results from the overall South African population whereas the 2016 community survey was a large-scale survey based on a sample size of the population taken between 2011 and the most recent census of 2022 (which data has not yet been compiled on). To seek the results of the working hypothesis, we look at both samples' percentages of regional *poverty headcounts*. These are defined by the census under the *South African Multidimensional Poverty Index (SAMPI)*. which compile multiple dimensions of poverty including "poor health, lack of education, inadequate living standards, lack of income, disempowerment, lack of decent work and threat of violence." These are more specifically outlined in the government's 2014 SAMPI report which discusses the measurement of multidimensional poverty using the 2011 census data as seen in *Table 3*.¹⁷⁷

¹⁷⁵ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 271.

¹⁷⁶ Harold Wolpe, "Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid," *Economy and Society* 1, no. 4 (1972): 432.

¹⁷⁷ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 3. www.statssa.gov.za.

¹⁷⁸ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 6. www.statssa.gov.za.

Table 3: The dimensions, indicators, and deprivation cut-offs for SAMPI

Dimension	Indicator	Deprivation cut-off
Health	Child mortality	If any child under the age of 5 has died in the past 12 months
Education	Years of schooling School attendance	If no household member aged 15 or older has completed 5 years of schooling If any school-aged child (aged 7 to 15) is out of school
Standard of living	Fuel for lighting Fuel for heating Fuel for cooking Water access Sanitation type Dwelling type Asset ownership	If household is using paraffin/candles/nothing/other If household is using paraffin/wood/coal/dung/other/none If household is using paraffin/wood/coal/dung/other/none If no piped water in dwelling or on stand If not a flush toilet If an informal shack/traditional dwelling/caravan/tent/other If household does not own more than one of radio, television, telephone or refrigerator and does not own a car
Economic activity	Unemployment	If all adults (aged 15 to 64) in the household are unemployed

Source: Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 3. www.statssa.gov.za.

Stemming from the results found under the SAMPI, the measurement of Poverty Headcounts emerges, which uses the SAMPI indicators and measures the proportion of households that fit its definitions. Specifically, a household would meet the definition of ‘MPI poor’ if they meet a third or more of the indicators under the SAMPI as outlined in table 2.2.¹⁷⁹ The report also includes levels of poverty intensity which is measured by the proportions of deprivations within the indicators themselves.¹⁸⁰ In understanding the indicators of SAMPI, there is an understanding that poverty headcounts are drastically based on economic institutions. Moreover, if we look back at our definitions of economic institutions found within the literature review section these are related. For one, economic activity and more specifically unemployment levels pertain to the formal aspect of economic institutions as they inhibit economic growth and employment movement. As well, this would also include educational schooling which are run specifically through government and private agencies to advance the training of the overall future labourer population. In terms of living standards and health, these would fall under the informal economic institution category which affects the cultural arrangement and norms within society. All this to say, poverty rates as a dependent variable in this case represent an overall indicator of the downfall of an individual’s economic institutional prosperity. Thus, using poverty rates, we can create a linkage between the effects of extractive economic institutions of

¹⁷⁹ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 3. www.statssa.gov.za.

¹⁸⁰ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 3. www.statssa.gov.za.

individuals' poverty rates, based on the fact it is a multidimensional representation of individual economic standing.

This is as opposed to Gross Domestic Product (GDP) or growth rates which may disproportionately reflect the effects of extractive economic institutions. To be specific, each region has different industries, some of which create greater additions to the overall GDP than to those with smaller growing industries. It is difficult to relay the effects of the economic institutions we are examining (Land Act and Apartheid legislation in the colonial era) on those GDP growth. There are too many other factors that affect this variable in the contemporary context. Particularly industry growth is based mostly in the present context, as well it is easy for results and growth to be skewed in the hands of a wealthy elite or industry owners/ giants as opposed to an individual level of analysis which poverty rates capture instead.¹⁸¹ For example, Eastern Cape based on the 2011 census results has had a growth rate of 3.5% since 2001, which is quite high in comparison to the overall country's real annual economic growth rate of 4.0%, and the fourth largest growth rate out of the nine provinces. Although the SAMPI scale has the country's highest poverty rate at 14.4% in 2011.¹⁸² Demonstrating that despite its high level of growth, on an individual basis, they may have been affected more by the economic institutions in question (these results will be specifically discussed in the following section).

To note, SAMPI does have its limitations as stated by statistics in South Africa itself. These include data availability constraints particularly surrounding the health dimension as questions related to food security and hunger were left out of the 2011 census as well as inequality levels among the poor themselves. However, overall, the poverty rates represent several aspects of economic impacts on individuals in South Africa rather than larger samples like growth which may lose out on individual outliers that are often missed in a colonial structured society. Therefore, poverty rates in this case will be used as the dependent variable to measure the effects of the colonial period extractive economic institutions established.

Section 2.4: Contemporary Outcomes

As mentioned, one of the first forms of an extractive institution that was established was the formal Land Act law of 1913. This act was not repealed until 1991, thus posing as a good

¹⁸¹ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 2, 3. www.statssa.gov.za.

¹⁸² Statistics South Africa, *Community Survey 2016: Provinces at a Glance, 2016*: 4. www.statssa.gov.za.

regional way to analyze the effects of later legislative institutional effects. In other words, because the Black African population was concentrated within areas of the country and the extractive institutions targeted these populations, we can see whether they have a link to regional poverty rates today. The original hypothesis states that these extractive institutions will have an increased effect on regional poverty rates in the ‘homeland areas’. Essentially, we are looking at if there is a connection between the effects of these extractive institutions on the population they targeted. Based on the hypothesis it is predicted that both areas with higher Black African populations and geographic areas that were previously Bantustans will have higher poverty headcount rates based on the 2011 census data. Moreover, we are attempting to see if even with the repealing of the Land Act and the majority of these extractive institutions if the separate development paths it created as discussed have had a lasting effect on the respective region’s economic success in the contemporary period.

In this results section, we can get a clearer view of the overall statistical results of today’s poverty rates. This data is widely drawn from South Africa’s most recent census in 2011. To see the lasting effects of extractive institutions discussed above the following table looks at the provincial poverty headcount rates, both in 2011 and 2016, the Black African population, the White population, and the GDP growth rate between 2001-2011. The purpose of showing the growth rate is to establish the context of the province to understand where it is economically besides poverty rates (more of a constant). Secondly, we are looking at provinces as a regional use to compare areas with higher areas of previous Bantustans as opposed to others as seen in the map below *Figure 1*. Finally, the table includes the proportion of Black Africans versus White Europeans in the given province. To note, as a whole, South Africa is made up of 79.2% Black Africans meaning populations higher than this represent a greater than average proportion than the state itself.¹⁸³ To reiterate, to understand the long-term effects of extractive economic institutions we are looking at the correlation between the poverty headcount rates in the provinces with both the proportion of the Black African population as well as the geographical areas of previous Bantustans. Both variables were affected the most by the extractive institutions established in the colonial era and are therefore potential drivers of contemporary poverty rates.

¹⁸³ Statistics South Africa, *Census 2011 Census in Brief*. (2012): 21. www.statssa.gov.za.

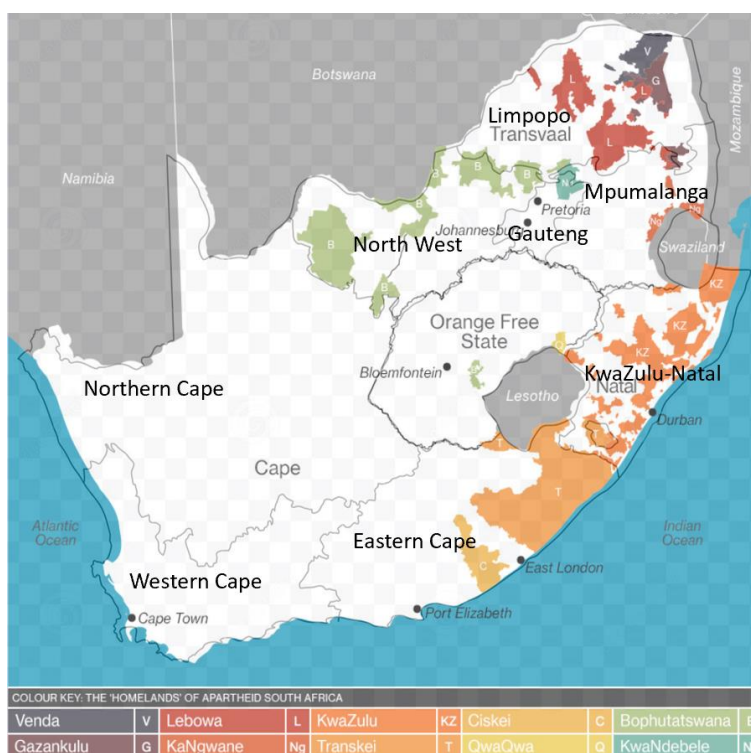
Table 4: Poverty Headcount by province and by race

Province	previous bantustans in this province	poverty headcount (2011)	Poverty Headcount (2016)	black population (2011 census)	white population (2011 census)	GDP growth rate
Eastern Cape	Transkei, Ciskei	14.40%	12.70%	86.30%	4.70%	3.40%
KwaZulu-Natal	KwaZulu, Lebowa, Venda, Gazankulu	10.90%	7.70%	86.80%	4.20%	3.60%
Limpopo	Gazankulu	10.10%	11.50%	96.70%	2.60%	2.20%
North West	Bophutatswana	9.20%	8.80%	89.80%	7.30%	2.70%
Mpumalanga	KaNgwane	7.90%	7.80%	90.70%	7.50%	2.50%
Northern Cape	N/A	7.10%	6.60%	50.40%	7.10%	2.20%
Free State	Bophutatswana, QwaQwa	5.50%	5.50%	87.60%	4.20%	2.50%
Gauteng	KwaNdebele	4.80%	4.60%	77.40%	15.60%	4.00%
Western Cape	N/A	3.60%	2.70%	32.80%	15.70%	3.60%

Source: (i) Statistics South Africa, *Community Survey 2016: Provinces at a Glance* (2016). www.statssa.gov.za.
(ii) Statistics South Africa, *Census 2011 Census in Brief* (2012): 21. www.statssa.gov.za.

Notes: Table compiled and written by Author

Figure 1: Bantustans and contemporary provinces



Source: Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 266.

Notes: Edited Provinces and colour coded by Author

Using the table above (4) and *Figure 1* we can make several observations regarding the relationship between extractive economic institutions and poverty rates. First, as an overall observation, overall poverty headcounts are declining within the country itself. Poverty rates in every province dropped except for the Free State from 2011 to 2016. As well, upon further research they have also dropped from the previous census levels in 2001 from 17.9% to 8.0%, meaning it dropped by over half over ten years.¹⁸⁴ Secondly, we can also see that GDP growth rates have remained decently consistent across the country other than Gauteng which has the highest at 4%. To note, these were placed on the table to demonstrate potential other reasoning surrounding poverty rates in the contemporary period but also to demonstrate its in-conclusive evidence as mentioned in the previous section.

Third, we can generally infer those areas with higher Black African populations had higher poverty rates than those with lower ones, based on 2011 census results. In most cases (2011) the provinces with Black African populations of over 79.2% have poverty headcount rates higher than 7.5%, these include Eastern Cape, KwaZulu-Natal, Limpopo, Northwest, and Mpumalanga. Although, it is important to note that this is a loose inference based on the fact that this inference does not include the province Free State, which is an outlier with a Black population of 87.6% and a poverty headcount of 5.5%, which is on the lower end of poverty rates within the country itself. Based on this outlier we can turn to the map proportions rather than populations. This changes the perspective of our results, as the provinces with greater masses of previous Bantustans (1913-1996) do tend to have higher poverty headcount rates. The top three highest poverty headcount countries (Eastern Cape, KwaZulu-Natal, Limpopo), all have the largest areas of previous Bantustans, see *Figure 1*. This is as opposed to the Western and Northern Cape provinces which have never had Bantustan areas and have poverty rates lower than 7.5%. Moreover, if we look at our previous outlier, Free State, they also have a small proportion of Bantustans as seen on *Figure 1* which could lead to an explanation surrounding their lower poverty rates. However, when using the Free State mapped logic approach, the provinces of Gauteng and Mpumalanga become inconclusive matters. For Mpumalanga, map wise they have a lower proportion of Bantustans but an extremely high rate of Black Africans at 90.7% with a poverty rate of 7.9%. Mpumalanga lies in the exact middle in terms of poverty

¹⁸⁴ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 9. www.statssa.gov.za.

headcounts demonstrating the potential to sway both ways in terms of its maps and Black population. Gauteng also has a low proportion of Bantustans as well as a lower population of Black Africans (77.4%) with a poverty headcount of 4.8%, potentially indicating that both a lower rate of Bantustans and a lower rate of Black Africans can lead to lower poverty rates.

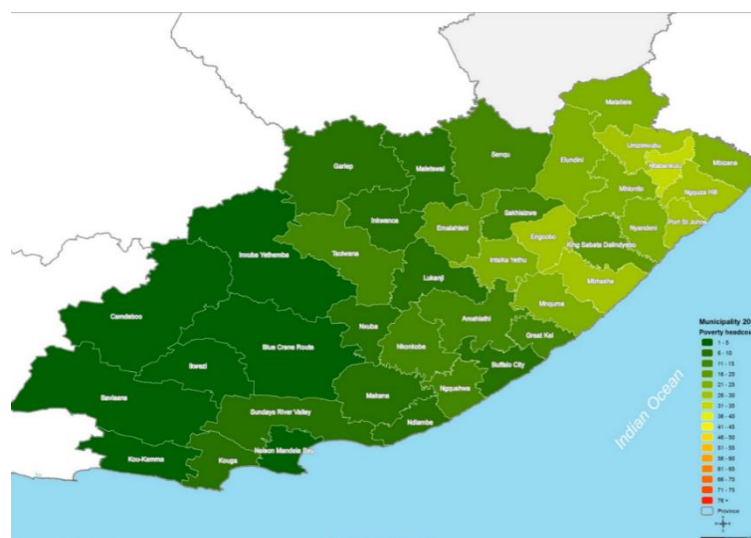
Based on the information stated above, there needs to be further analysis made on an individual level for the provinces, specifically those on the extreme ends (highest poverty headcount versus lowest) and those in the middle to reach further conclusions. Before diving in it is important to note that the statistics discussed will be based on the results from the 2011 census data rather than the 2016 community survey as it demonstrates a larger and more conclusive sample size than the smaller sample in 2016.

First, we can look at the Eastern Cape with the highest poverty headcount at 14.4% versus the Western Cape with the lowest poverty headcount at 3.6%. On one side, Eastern Cape previously had some of the largest Bantustans from 1913-1996 and 86.5% of its population is Black African in 2011 (see *Table 4*). Although, if we examine the province at a closer look, The areas where the previous Bantustans were in the province itself, the poverty headcount rates are higher. If we put the two maps side by side, you can visually see this (see *Figure 2* and *Figure 1*). The areas previously Transkei and Ciskei Bantustans have higher rates of poverty headcounts. One example is the municipalities of Ntabankulu and Port St Johns, both previously Transkei Bantustans with the highest poverty headcount rates in the province at 33.6% (Ntabankulu) and 28.2% (Port St Johns).¹⁸⁵ This is as opposed to the other end where there were no Bantustans as seen in the municipality of Camdeboo which has a poverty headcount rate of 2.8%.¹⁸⁶

¹⁸⁵ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 21. www.statssa.gov.za.

¹⁸⁶ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 21. www.statssa.gov.za.

Figure 2: Poverty Headcount in Eastern Cape municipalities 2011



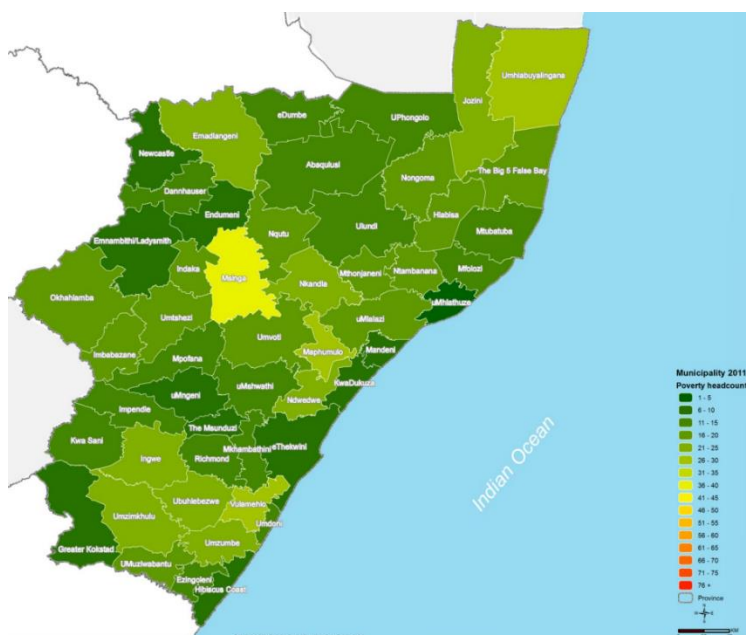
Source: Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 23. www.statssa.gov.za.

To add, this narrative is quite similar to that of KwaZulu-Natal (second highest poverty headcount), whose municipalities have higher poverty rates in the areas of previous Transkei and KwaZulu Bantustans including the highest rates in Msinga (37.2%) and Umhlabuyalingana (29.5%).¹⁸⁷ Although there are some exceptions such as uMhlathuze which has the lowest poverty rate at 4.1% which has evidence of some smaller portions of previous Bantustans, pointing out that in some cases Bantustans do not necessarily equal higher poverty rates.¹⁸⁸ Moreover, and as mentioned previously, the provinces of Limpopo and Northwest Provinces, the third and fourth highest poverty headcounts in South Africa, follow a similar narrative with high poverty headcounts alongside high Bantustan areas and Black African populations.

¹⁸⁷ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 21. www.statssa.gov.za.

¹⁸⁸ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 21. www.statssa.gov.za.

Figure 3: Poverty Headcount in KwaZulu-Natal municipalities 2011



Source: Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 23. www.statssa.gov.za.

On the other hand, we can now when looking at the Western Cape, an area where no Bantustans were established. We see much lower poverty rates overall. This includes municipality-wise, where the highest poverty headcount rate is Bitou at 6.3% as opposed to Eastern Cape's highest rate of 33.6% (Ntabankulu).¹⁸⁹ This is illustrated in *Figure 4*:

¹⁸⁹ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 17, 21. www.statssa.gov.za.

Figure 4: Poverty headcount in Western Cape municipalities 2011



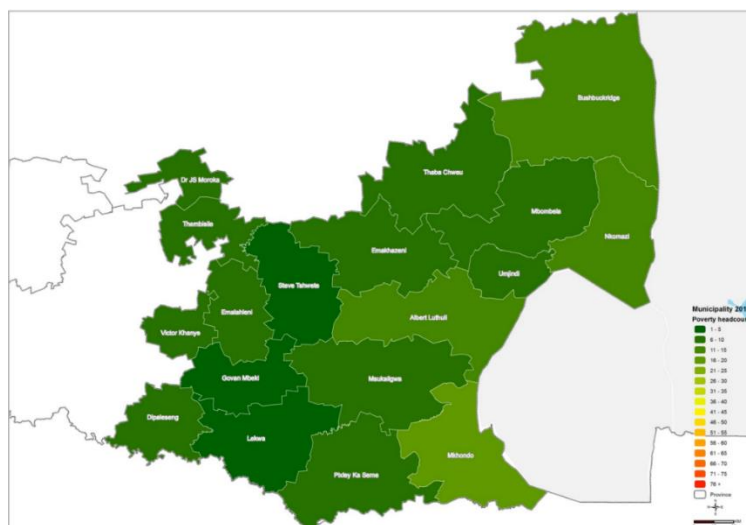
Source: Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data.* (2014): 19. www.statssa.gov.za.

In terms of the middle states, there is a less clear narrative in terms of the relationship between Black African populations and Bantustans with those of poverty headcount rates. First, the Free State province, while having a relatively high Black African population (87.6%) has the second lowest poverty rate (4.8%), following an un-similar narrative to that of Eastern Cape, KwaZulu-Natal, Limpopo, and Northwest also have Black African populations greater than 79.2%. As well, in the small area where the Bophutatswana Bantustan previously existed, there is no evidence of it having lower poverty rates than other municipalities within the Free State. To be specific, the previous Bophutatswana Bantustan was in between municipalities Mangaung and Mantsopa whose poverty headcount rates were on the lower end of the province at 4.8% and 4.6%.¹⁹⁰ This draws the opposite conclusion to those of the previous states, leading to the inference that Black populations and Bantustans are unrelated to poverty rates within this province. Second, Mpumalanga, as stated previously despite having the second highest rate of Black Africans (90.7%), they lie in the exact middle of poverty headcount rates within South Africa as a whole. That being said if we examine the province more closely, in particular within its municipalities, we can visually see the relationship between poverty headcount rates and areas of previous Bantustans (see Figure 5). Specifically, the municipalities of Albert Luthuli,

¹⁹⁰ Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data.* (2014): 29. www.statssa.gov.za.

Nkomazi and Umjindi are in the top five of poverty rates at 10.9% , 10.4% and 9.3% respectively. These municipalities previously housed the Bantustans of KaNgwane. Although again, we see less conclusive evidence of this relationship when we point to the municipality of Mkhondo which has the highest poverty rates in the province (15.8%). To keep in mind, despite not having a relation to a previous Bantustan some might point to the relatively higher Black African population at 94.7%. But again, this narrative is inconclusive as the areas with the least high poverty rates also have Black African populations that are high (over 79.2%).¹⁹¹ Third, the Gauteng province also represents an uncertain area of the relationship

Figure 5: Poverty Headcount in Mpumalanga Municipalities 2011



Source: Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 47. www.statssa.gov.za.

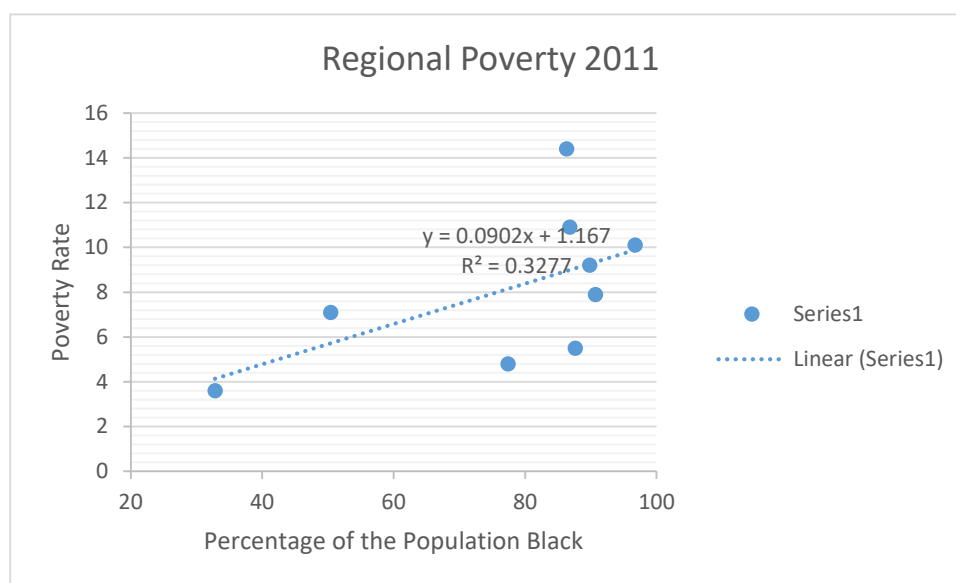
between poverty rates and Bantustan and racial proportions. Before diving into the specific connection, itself it is important to reiterate a previous point, where this province has the highest GDP growth rate and is the greatest contributor to GDP growth in South Africa as a whole. The reason to state this is that this province in particular is a unique case in that there may be various reasons to point to Gauteng's lower poverty headcount rates. This means that the connection between race and Bantustan areas with poverty rates can be stated as inconclusive. Overall, there is not enough sufficient linear information to make a connection with this province in particular even though the Black population is on the lower end (77.4%). Moreover, the poverty rates have no connection with the Bantustan area within Gauteng, as the KwaNdebele Bantustan was in the

¹⁹¹ Statistics South Africa, *Census 2011 Census in Brief*. (2012): 21. www.statssa.gov.za.

now City of Tshwane municipality which has one of the lowest poverty headcount rates in Gauteng at 4.2%.¹⁹² Fourth, there is the Northern Cape which also has an interesting perspective in that it had no previous Bantustans and has an extremely low Black African population (50.4%) however remains in a very central position in terms of poverty headcount rates (7.1%). Therefore, there is no evidence, in this case, surrounding the connection between extractive economic institutions and poverty headcount rates.

With a basic understanding of the regional analyses themselves, we can now bring the data together to establish a general relational connection. The following tables use the statistics found within *Table 3* and compile them into a basic linear regression form to see overall correlation. *Figure 6* looks at the correlation in 2011, followed by *Figure 7* which shows the same but in 2016, finally *Figure 8* combines the two in order to seek out a greater sample size of data:

Figure 6: Regional Poverty 2011 Regression

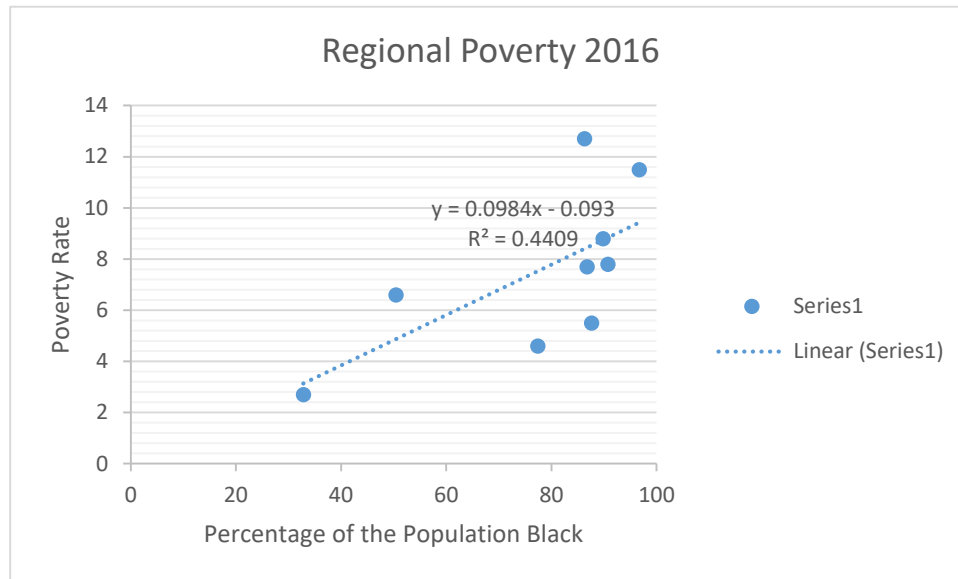


Source: (i) Statistics South Africa, *Community Survey 2016: Provinces at a Glance* (2016). www.statssa.gov.za.
(ii) Statistics South Africa, *Census 2011 Census in Brief* (2012): 21. www.statssa.gov.za.

Notes: Regression compiled by Author

¹⁹² Statistics South Africa, *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 41. www.statssa.gov.za.

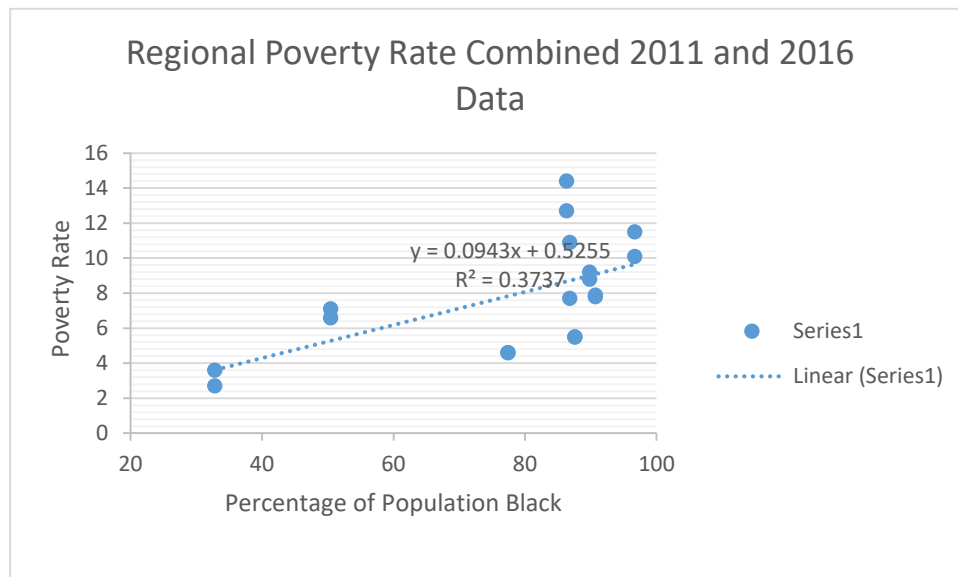
Figure 7: Regional Poverty 2016 Regression



Source: (i) Statistics South Africa, *Community Survey 2016: Provinces at a Glance* (2016). www.statssa.gov.za.
(ii) Statistics South Africa, *Census 2011 Census in Brief* (2012): 21. www.statssa.gov.za.

Notes: Regression compiled by Author

Figure 8: Regional Poverty Rate Combines 2011 and 2016 Data Regression



Source: (i) Statistics South Africa, *Community Survey 2016: Provinces at a Glance* (2016). www.statssa.gov.za.
(ii) Statistics South Africa, *Census 2011 Census in Brief* (2012): 21. www.statssa.gov.za.

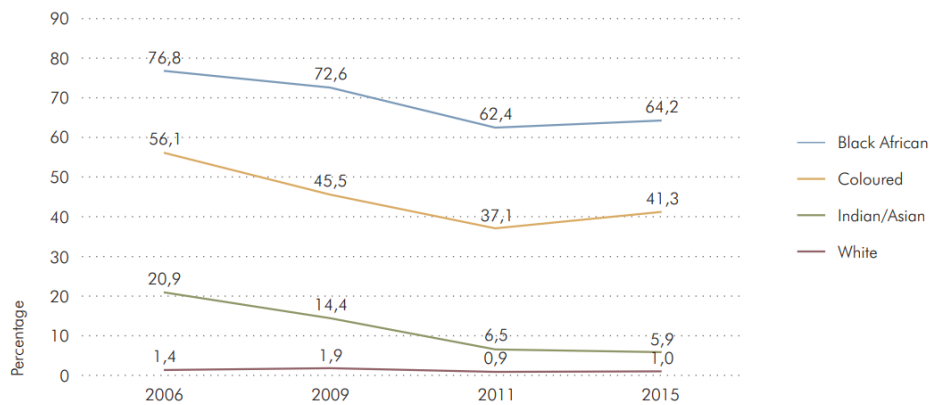
Notes: Regression compiled by Author

A few conclusions can be drawn from the regressions found above. First, as mentioned previously, there is a clear decline in poverty rates between 2011 and 2016. This is seen with the

decline from 1.167 to -0.093, where our slope remains relatively unchanged meaning poverty rates overall are declining between the two years. Second, as the slope has remained relatively unchanged, we can infer that poverty’s relationship with the black population has also remained at a steady rate, specifically within the 0.09 percentage points category (2011= 0.0902 and 2016= 0.0984). In other words, this means that every one present increase in black population leads to around a 0.09 percentage point increase in poverty headcount rates. Third, when looking at our regression correlation, while there is a correlation between the two, it remains in the weaker category with r below 0.5 but still above 0.3. Specifically in 2011 it is at 0.3277, 2016 the correlation is at 0.4409 and then in combination they are at 0.3737.

In looking at these regressions we can also compare the regional data with the overall country statistics and the proportioned relationship between race and poverty found within *Figure 9*:

Figure 9: Poverty Headcount by population group (Upper Bound Poverty Line) – 2006, 2009, 2011, 2015



Source: Statistics South Africa, *Poverty Trends in South Africa: An examination of absolute poverty between 2006 and 2011* (2017): 58. www.statssa.gov.za.

Using the overall statistics from the chart above we can indicate the trends found across the board. We can first conclude much like the conclusions made throughout the various data compilations that there is a linear trend downwards for poverty all together. Despite there being a slight upward trend in 2015 for Black Africans, taking data from 2006 to 2015, the overall trend is in the downward direction. Secondly, the correlation between higher poverty rates among Black Africans is clearly seen where in 2011 where the proportion of Black Africans under the poverty headcount definition were 61.5% than the proportion of the white population. Thus,

despite our regional conclusion of a weak correlation. This evidence points to the fact that despite its weakness there is in fact an evident correlation present.

Section 2.5: Discussion

Several conclusions can be made based on the particular look into South African provinces and their municipalities and how their poverty headcount rates may relate to colonial extractive economic institutions. There are a few conclusions that can be drawn based on the information found above. First, poverty rates overall are decreasing both from 2001 to 2011 and then from 2011 to 2016. This is also seen in the overall slope decline found within the linear regression models, as well as the overall state statistics. Dependency theorists and institutionalist thinkers would point to time and the overall economic shift since the new governance in 1996.¹⁹³ Essentially based on the theory that we already know, because the extractive institutions that targeted Black Africans within the Bantustan areas were phased out by the new government, it is possible that the economy is working towards recovery from their original establishments. In other words, because the institutions that were holding the cycle of dependency consistently to adhere to the White elite and keep African labour in a cheap position have ended, the state itself could be moving more into a semi-periphery position, as formal institutions are no longer in place. Moreover, in recent years the new government has put in a ton of work to work towards reconciliation actions and social legislation in an attempt to reverse the affects of previous extractive economic institutions.¹⁹⁴ Specifically the Africa National Congress has placed in initiatives like, the *Restitution of Land Rights Act 22* of 1994 which works towards compensation of restoration of property that was un-fairly taken.¹⁹⁵ These have a greater potential to lower poverty rates, as they can be a representative example of a greater introduction of inclusive institutions. In terms of informal extractive economic institutions what was hypothesized was that the norms established during the colonial and Apartheid eras continue to bleed over into the contemporary period causing continued rates of poverty. This concept brings us to our second

¹⁹³ Terence K. Hopkins, and Immanuel Maurice Wallerstein, *World-systems analysis: theory and methodology*, Vol. 1. (SAGE Publications, 1982): 51.

¹⁹⁴ 1. Ruth Hall, "Reconciling the Past, Present, and Future: The parameters and practices of land restitution in South Africa," in *Land, Memory, Reconstruction, and Justice: Perspectives on Land Claims in South Africa*, ed. Cheryl Walker et al. (Ohio University Press, 2010): 28.

¹⁹⁵ 1. Ruth Hall, "Reconciling the Past, Present, and Future: The parameters and practices of land restitution in South Africa," in *Land, Memory, Reconstruction, and Justice: Perspectives on Land Claims in South Africa*, ed. Cheryl Walker et al. (Ohio University Press, 2010): 28.

conclusion surrounding the extreme ends. Based on the data found above there is a lineage shown between areas and populations where extractive economic institutions were more effective. This conclusion however focuses more on the more extreme ends of this theory meaning, the highest poverty rates versus the lowest. Specifically Eastern Cape, KwaZulu-Natal Limpopo, and Northwest conclude similar things in that they are areas with High Black African populations (over 79.2%) as well as hold the highest areas of previous Bantustan areas. These provinces have the top four highest poverty rates all above 7.5% showing lineage in the hypothesis states. On the other side of the extreme is the Western Cape which has the lowest poverty headcount rate at 3.6% in South Africa along with no history of Bantustan establishments and the lowest Black African population in the country as well at 32.8%. This strongly shows the other side to the working hypothesis in that it did experience the effects of the extractive economic institutions but rather experienced the inclusive side, as the White population present during the same period had free access to health, education, private property, ownership and so forth. These provinces support the working hypothesis in that they draw lineage between Black African populations, Bantustan geography and higher rates of poverty. Although this narrative is not consistent with the entire country. The provinces with poverty headcount rates found in middle of the scale have a less conclusive linear relationship to the working hypothesis. As mentioned, While the Free state is on the higher end of the Black African population, they have a relatively low poverty headcount rate. This holds true as well for Mpumalanga. The Gauteng province meets the conclusions halfway in the sense that there is a connection between a lower Black African population and a lower poverty headcount rate. However, the reasoning behind taking it out of the conclusive narrative that would go alongside the Western Cape is based on the fact that the Bantustan area variable does not hold true to the hypothesis. To explain, when looking at Gauteng under the microscope the municipalities with lower poverty rates happen to be in areas where Gauteng had Bantustans making it not fully in line with the hypothesis presented. The final middled state is the Northern Cape which despite having no previous Bantustans and a low Black African population remains in the middle of the pack in terms of poverty headcount rates. This could be based on two things, the first being that despite its low Black African population it is still on the higher end in comparison to the Western Cape, however, there is not enough information to confirm this conclusion. Overall, given the discussion surrounding regional outliers, we can see an overall relationship between Black

Africans and poverty rates using the linear regression model. What we can conclude from this statistical analysis is that while there is a correlation relationship between the two it remains in the weaker category. This can both be based on the contemporary legislation and outliers' analysis discussed above. Moreover, while the data suggests a weaker correlation, it is important to point to the fact that the correlation is still a present fact. This is more conclusively seen using the nationwide statistical analysis that puts Black Africans at a higher rate than Whites in the poverty headcount realm.

Essentially based on the history, and contemporary data presented within the case Study of South Africa it can be concluded that there is a weak correlation between colonial extractive economic institutions and poverty headcount rates. However, when both high Black African populations and previous Bantustan areas are present as seen in the 'extreme' end cases, the correlation is stronger. As well, fewer Bantustan areas do not necessarily lead to lower poverty rates, only in certain cases. In terms of middled poverty headcount countries, the conclusions are less clear and do have clear links and potentially have other variables to point to. Essentially, the relationship is more evident when both the population and geographical variables are present at the same time, rather if there is only one or the other the conclusions are less clear. In further research, we can also look at the results of the 2022 census which has not yet been made available at the time this paper is being written. South Africa's unique development case has allowed us to see the lasting effects of colonial legislation on most provinces giving us an understanding of the legacy of extractive economic institutions.

Conclusion: South Africa

South Africa presents a unique development angle in that its colonial and Apartheid history is different from its African neighbours. It avoided much of the African slave trade, and it separated its economies into two sectors that would create a series of separate development over almost a century under the close relationship of the British colonial empire. We have discussed a brief colonial history of South Africa most notably pointing to its mining and agricultural interests as a key driver to the growth and colonial attachment to the country. As well we have gone over the mass amounts of Apartheid legislation from the period of 1913 to 1996 which fundamentally targeted Black Africans in the Bantustan areas as outlined by the 1913 Land Act. This series of legislation structured the societal institutions into the extractive/ non-inclusive

form that restricted free access to private property, ownership, education, and more to White inclusive only. This left Black Africans in an inferior societal position and the money and property access into the hands of the small White elite. This not only affected income but also affected education levels, wage depreciation and living standards within the Bantustan areas. Over this period, Lewis's dual economy theory began to take fruition, and while functioning in the short term, in long term led to a dependency cycle, keeping Bantustan communities poor and the White elite in higher status. This form of extractive economy did not last as it created societal turmoil despite the economic growth it gained over that period as predicted by Robinson and Acemoglu's institutional theory where extractive institutions are not conducive to long-term growth.¹⁹⁶ While this caused a lack of development while in place for Black Africans, we can see its long-term effects based on poverty levels today. Using SAMPI 2011 census results we were able to conclude the relationship between the extractive institutional effects on contemporary poverty rates. To reiterate, the reasoning for choosing poverty headcount rates was based on the fact that it captures a multidimensional approach to economic institutions as a whole as it looks not only at economic activity but also at health, education and living standards all of which affect an individual's economic status. Finally, we looked at the contemporary outcomes and the relationship between poverty and the Black population, along with the geographical framework of areas where previous Bantustans were. What was concluded was that despite a correlation between the two variables being present, especially at the overall national level, they had a weak relationship. This was in large part due to a sample of outliers which did not follow this correlation but could also be based on the contemporary legislation that has weakened the effects of extractive economic institutions. Where the correlation was stronger was in the extreme cases where both high Black populations and previous Bantustans were present. Overall, the hypothesis holds a weak correlation between the two variables.

Section 3: Conclusion

This paper examined the theoretical analysis of extractive economic institutions and its relationship with poverty, an indicator of underdevelopment. Our initial hypothesis states that areas with extractive economic institutions established in the colonial era would lead to an

¹⁹⁶ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing, 2012): 124-145.

increase in poverty rates in the contemporary period. First (section 1), this hypothesis was drawn based on the literature surrounding institutionalism and dependency theory. This combination of theories created a link between the establishment of economic institutions and the role they played in establishing economic standing and development. In understanding the main terms, it was established that extractive economic institutions, or non-inclusive, led to a greater chance of underdevelopment than the concept of inclusive institutions. This led us to construct the working hypothesis, surrounding the potential lasting effects of these forms of extractive economic institutions. Second (section 2), this hypothesis was analyzed using the case study of South Africa. South Africa presented as a unique case study opportunity in that its colonial and Apartheid history presented with a vast series of extractive economic institutions. Its history created what was originally hoped to be a dual economy but rather split into a dependant unequal economic exchange partnership between Black Africans and White Europeans. Using the SAMPI poverty census data from 2011 we were able to examine whether these long standing extractive institutions had an impact on poverty headcount rates in a more contemporary context. What was found was that while there was a correlation, the relationship was weak between the two variables. This was generally based on the regional outliers which presented with little correlation. However, in the extreme cases, where both a high Black African population and previous Bantustan areas were present, the correlation was evidently stronger.

In further research, we can look at the relationship between other underdevelopment indicators, such as growth rates per capita, income levels or unemployment. By looking at other indicators we may get closer to an overall picture to see whether colonial economic institutions as a whole have an impact on overall underdevelopment. As well, in order to advance this hypothesis in particular, one could narrow the regional outlook down by looking at specific provinces and their poverty disparities, particularly in the extreme provinces such as, Eastern Cape, KwaZulu-Natal, Limpopo and Northwest. It may paint a clearer picture, as well it would increase the sample size of the data, allowing for a more precise result. In order to truly understand the lasting effects of colonialism it is crucial to go over its effects on underdevelopment today. With this we may be able to work towards more comprehensive steps to right its wrongs and reconcile with those affected in order to lift states out of the underdevelopment trap today.

Bibliography:

- Abeka, Mac Junior, Emmanuel Kwakye Amoah, Michael Owusu Appiah, John Gartchie Gatsi, Nathaniel Kwapong Obuobi, and Ebenezer Boateng. "Economic Institutions, Political Institutions and Renewable Energy Production in Africa." *Journal of African Business*, 2021, 1049-1066.
- Acemoglu, Daron, and James A Robinson. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. Crown Publishing, 2012.
- Ahlfeld, Sebastian, Hans-Rimbert Hemmer, and Andreas Lorenz. "The Economic Growth Debate-Geography versus Institutions: Is There Anything Really New?," *Justus Liebig University Giessen Institute for Development Economics*, 2005.
- Ansari, Shaukat. *Neoliberalism and Resistance in South Africa: Economic and Political Coalitions*. Springer International Publishing, 2021.
- Beinart, W. and P. Delius. "The Historical Context and Legacy of the Natives Land Act of 1913." *Journal of Southern African Studies*, 40, 4 (2014): 667-688.
- Blake, Michael. "Identity and Violence: The Illusion of Destiny." *Ethics & International Affairs* 21, no.2, New York: Cambridge University Press, 2007: 259-261.
- Brenner, Robert P. "The Low Countries in the Transition to Capitalism." *Journal of agrarian change* 1, no. 2 (2001): 169–241.
- Brenner, Robert. "The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism." In *Introduction to the Sociology of "Developing Societies"*, 54–71. Springer, 1982.
- Chang, Ha-Joon. *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World*. London: Random House Business, 2007.
- Chase-Dunn, Christopher. "The Effects of International Economic Dependence on Development and Inequality: A Cross-National Study." *American Sociological Review*, 1975, 720–38.
- Dubow, Saul. "How British Was the British World? The Case of South Africa." *Journal of imperial and Commonwealth history* 37, no. 1 (2009): 1-27.
- Gallup, John Luke, Jeffrey D Sachs, and Andrew D Mellinger. "Geography and Economic Development." *International Regional Science Review* 22, no. 2 (1999): 179–232.
- Gilman, Nils. "Modernization Theory Never Dies." *History of Political Economy* 50, no. S1 (2018): 133–51.
- Gollin, Douglas. "The Lewis Model: A 60-Year Retrospective." *The Journal of economic perspectives* 28, no. 3 (2014): 71-88.

- Gräbner, Claudius, and Amineh Ghorbani. "Defining Institutions-A Review and a Synthesis." 2019.
- Granato, Jim, Ronald Inglehart, and David Leblang. "The Effect of Cultural Values on Economic Development: Theory, Hypotheses, and Some Empirical Tests." *American Journal of Political Science*, 1996, 607–31.
- Hall, Ruth. "Reconciling the Past, Present, and Future: The parameters and practices of land restitution in South Africa." In *Land, Memory, Reconstruction, and Justice: Perspectives on Land Claims in South Africa*, edited by Cheryl Walker et al., 25-43. Ohio University Press, 2010.
- Hodgson, Geoffrey M. *How economics forgot history: The problem of historical specificity in social science*. Routledge, 2001.
- Hopkins, Terence K., and Immanuel Maurice Wallerstein. *World-systems analysis: theory and methodology*. Vol. 1. SAGE Publications, Incorporated, 1982.
- Jones, Eric L. "England as the Source of the Great Divergence." *Tijdschrift voor Sociale en Economische Geschiedenis* 12 no. 2, 2015: 79-92.
- Kirkpatrick, Colin and Armando Barrientos. "The Lewis Model After 50 years." *The Manchester school* 72, no. 6 (2004): 679-690.
- King, Roger. "Cooperative policy and village development in Northern Nigeria." In *Rural development in tropical Africa*, pp. 259-280. Palgrave Macmillan, London, 1981.
- Krieger, Tommy. "Democracy and the Quality of Economic Institutions: Theory and Evidence." *Public Choice* 192, no. 3 (2022): 357–76.
- Kriesel, Karl Marcus. "Montesquieu: Possibilistic Political Geographer." *Annals of the Association of American Geographers* 58, no. 3 (1968): 557–74.
- Langlois, Richard, ed. *Economics as a process: Essays in the new institutional economics*. CUP Archive, 1986.
- Lewis, W. A. "Economic Development with Unlimited Supplies of Labour." *The Manchester School* 22, no. 2 (1954): 139-191.
- Lunde, Tormod K. "Modernization and Political Instability: Coups d'Etat in Africa 1955-85." *Acta Sociologica* 34, no. 1 (1991): 13–32.
- Marini, Matteo. "Cultural Evolution and Economic Growth: A Theoretical Hypothesis with Some Empirical Evidence." *The Journal of Socio-Economics* 33, no. 6 (2004): 765–84.
- Martin, Simon, and Nikolai Grube. *Chronical of the Maya Kings and Queens: Deciphering the Dynasties of the Ancient Maya*. Thames and Hudson, 2000.

- Mizuno, Nobuhiro, Katsuyuki Naito, and Ryosuke Okazawa. "Inequality, Extractive Institutions, and Growth in Nondemocratic Regimes." *Public Choice* 170, no. 1 (2017): 115–42.
- Moguerane, Khumisho. "Black Landlords, Their Tenants, and the Natives Land Act of 1913." *Journal of Southern African Studies* 42, no. 2 (2016): 243-266.
<https://doi.org/10.1080/03057070.2016.1148954>.
- Müller-Crepon, Carl. "Continuity or Change? (In) Direct Rule in British and French Colonial Africa." *International Organization* 74, no. 4 (2020): 707–41.
- Nabli, Mustapha K., and Jeffrey B. Nugent. "The new institutional economics and its applicability to development." *World Development* 17, no. 9 (1989): 1333-1347.
- North, Douglass C. "Institutions and Economic Growth: An Historical Introduction." *World Development* 17, no. 9 (1989): 1319–32.
- Platt, R. S. "Determinism in Geography." *Annals, Association of American Geographers*, 38 (1948): 126.
- Shepherd, R. H. W. "The South African Bantu Education Act." *African affairs (London)* 54, no. 215 (1955): 138–142.
- Statistics South Africa, *Census 2011 Census in Brief*. (2012): 1-102. www.statssa.gov.za.
- Statistics South Africa. *Community Survey 2016: Provinces at a Glance* (2016): 1-30.
www.statssa.gov.za.
- Statistics South Africa, *Poverty Trends in South Africa: An examination of absolute poverty between 2006 and 2011* (2017). www.statssa.gov.za.
- Statistics South Africa. *The South African MPI: Creating a multidimensional poverty Index using census data*. (2014): 1-52. www.statssa.gov.za.
- Swamy, Anand V. "Book Reviews: The Great Divergence Reconsidered: Europe, India, and the Rise to Global Economic Power; State, Economy, and the Great Divergence: Great Britain and China, 1680s-1850s." *The Journal of Economic History* 77 no. 2, 2017: 604-607.
- The Truth and Reconciliation Commission of South Africa. *The Report of the Truth and Reconciliation Commission*, Archbishop Desmond Tutu et al. Volume 1, 1998: 449-477.
- Walker, Cheryl. "Critical Reflections on South Africa's 1913 Natives Land Act and Its Legacies: Introduction." *Journal of southern African studies* 40, no. 4 (2014): 655–665.
- Wallerstein, Immanuel. "World-Systems Analysis." In *World-Systems Analysis*. duke university Press, 2004.

Wiggins, Steve, and Junior Davis. "Economic Institutions." *London: Research Programme on Improving Institutions for Pro-Poor Growth, IPPG Briefing 3* (2006).

Wolpe, Harold. "Capitalism and Cheap Labor-Power in South Africa: From Segregation to Apartheid." *Economy and Society* 1, no. 4 (1972): 425-456.