



Economic Research Southern Africa Activity

April 2014 – March 2015

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Director's Statement

ERSA is a nationally funded programme designed to both broaden the scope of economic research in South Africa, and to deepen its quality in order to ensure greater international exposure of economic research conducted in Southern Africa.

Toward this end ERSA has been mandated by its Board to publish a Working and Policy Paper series, provide financial incentives to researchers to publish their papers in peer reviewed scholarly journals, run a Workshop programme across a range of distinct focus areas in economics, and to provide support to graduate students in economics in Southern Africa.

This report provides a detailed accounting of all our activities. However, it gives me great pleasure to be able to draw your attention to some highlights, and new developments.

The **Working and Policy Paper series** continues to grow in strength. The number of papers issued in the series has now risen to 530. Approximately 100 papers are appearing in the series each year, while the peer review process that selects the papers that are published referees considerably more contributions. The volume of publication, the width of coverage of sub-fields of economics, and the range of methodologies represented in the ERSA Working and Policy Paper series is unmatched by any other working paper series in Southern Africa.

The success rate of ERSA Working Papers appearing in scholarly journals also continues to rise steadily. The number of published papers has reached 227, of which 158 have appeared in international journals, and 69 in national journals. This continues to reflect the input of our referees in helping to ready papers for peer review in journals, and the quality of the papers that are being published under ERSA's auspices.

A consistent objective of ERSA has been to ensure that the research that is published under the auspices of its Working and Policy Paper series, receives the full attention of policy makers. However, many of the papers published by ERSA are relatively technical, and continue to become more so due to the demands that academic publishing places on

authors. For this reason, during 2014-2015 through consultation with National Treasury and other policy makers, ERSA has started to issue accessible synopses of Working Papers under a **Research Brief** series, edited by the Policy Associates of ERSA. Currently ERSA is issuing Briefs on the Tuesday of every week, circulated to the full mailing list of ERSA.

Workshop activity continues across all of ERSA's research groups. During 2014 - 2015, 16 workshops were held, and attendance at the workshops continues to represent a diverse representation of national institutions and demographics. A total of more than 107 institutions, of which 68 were South African, have been represented at ERSA workshops during this reporting period. Total attendance at the Workshops was 449, with 76 attendees coming from policy and government departments, 298 from universities, 45 from the South African private sector and the rest from international institutions.

An innovation of 2013-2014 was the expansion of the Workshop programme to include four new areas: political economy, the economics of finance and banking, economic theory, and empirical methods. All of these areas are now functional, and show considerable promise for future growth, particularly due to the active participation of graduate students from a wide range of national institutions. The intention remains to develop these new research nodes into fully-fledged research groups in due course, and we are confident that this will be successfully accomplished within a short time frame.

During the course of 2015 - 2016, the intention is to pursue the development of an additional node for natural resource economics.

The **ERSA Policy Associates** have shown continued growth in their research and policy contributions. During their tenure at ERSA they have published 7 journal papers, 14 Working and Policy Papers, presented 13 policy seminars and 28 academic and conference seminars. The Policy Associates are also actively heading the publication of the Policy Brief series, two of the new ERSA Research Nodes are being convened by Policy Associates, and they are leading the training that is being conducted under the ERSA Internship Programme.

Under the **ERSA scholarship scheme**, 51 scholarships have been awarded to date, 48 for Masters, and 3 for PhD study. During the course of 2014 - 2015, 22 applicants responded

to ERSA's scholarship funding invitation of R80000 for a one year full time Master's programme in Economics. Of these applications, 10 successful candidates from a diverse range of institutions throughout South Africa were selected and awarded with an ERSA scholarship for 2015. The demographic breakdown of the 10 awardees is as follows: 3 black females, 3 white females, 3 black males and 1 white male.

The **Skills Development Initiative** continues with the 2nd cohort of 10 delegates, comprised of representatives from the following institutions: University of Fort Hare, Nelson Mandela Metropolitan University, University of KZN, University of Limpopo, University of Witwatersrand, Tshwane University of Technology and the University of Johannesburg, who attended their 1st training session on Time Series Econometrics.

Meanwhile the 1st cohort have successfully completed their 2nd training session on Cross-Sectional Techniques in November 2014, with their final workshop on Panel Data Analysis scheduled for later this year.

Feedback from participants at the Skills Development workshops has been extremely positive, and some of the delegates already have developed publication records subsequent to their attendance at the Workshop. The skills obtained should strengthen their capacity in this regard and increase motivation for research and publication of their research ideas.

ERSA's **Internship Programme** went ahead as scheduled during June/July 2014. During this period, ERSA hosted 8 interns, 4 from various South African institutions and 4 from the USA. Outputs from the internship included the design of a macroeconomic volatility monitoring programme, covering indices on the SA economy including the exchange rate, the current account, capital account amongst others. This data is available on the ERSA website for registered users.

The '**Measuring African Institutions Project**' headed by Dr Mare Sarr from UCT, kicked off with the first workshop held in October 2014. West African researchers from Senegal, Ivory Coast, Ghana and Nigeria, are collaborating on the development of consistent measures of institutions that have wide geographical coverage, and cover an extended time period, so as to capture distinct institutional dispensations and forms of governance. We

anticipate the results from this phase of the project to be public by December 2015. Countries for which such series already exist include Kenya, Nigeria, South Africa, Zimbabwe, Malawi, Zambia, Tanzania, and Namibia.

The continued growth and success of ERSA relies on the time, effort, and contributions of many people. While I cannot mention everyone whose contribution deserves recognition, the time commitments of both group convenors (now of 9 groups!) and those who serve in the editorial process of the Working and Policy Paper series are particularly onerous. Those who serve on the Skills Development Committee have contributed both time and their valuable insight into how best to develop a broader and more inclusive academic community in South Africa. The two ERSA Deputy Directors have been bearing a steadily increasing burden over time, covering both a wider and deeper range of activities.

The ERSA Policy Associates have been developing new innovative research directions that are new to South Africa, and have not seen the recognition that its quality and international resonance suggests it deserves. Their patience and determination deserves special acknowledgement.

As always, the ERSA Office team of Gloria Halland, Yoemna Mosaval and Megan Gelderbloem have distinguished themselves by their efficiency and dedication without none of our operations would be feasible. Few users of the ERSA mechanisms are aware of the extent of the logistical and organizational burdens that are placed on their shoulders.

During the course of 2014-2015, the Board of ERSA has been called upon to undertake long and intensive deliberation covering not only its standard oversight functions, but also to consider long-range strategic planning in order to ensure continued growth and success for the second decade of ERSA's existence. My personal thanks go to all members of the Board, but particularly to the outgoing and new Board Chairs, for the continued guidance and support.

I close with the most important acknowledgement of all. The funding that ERSA has enjoyed from National Treasury continues to deserve the ongoing sincere thanks and recognition of the economics profession in South Africa. Treasury has been exemplary in providing deep structural support to the economics profession in South Africa, without requiring any

immediate or direct return on their substantial investment, but in order to deepen the capacity and research quality in economics in South Africa. This is an approach that must be acknowledged for its long-sighted vision and generosity.

There is no doubt in my mind that the strength of research activity in economics in South Africa would be far weaker at present, without the extensive support that National Treasury has extended to the profession over the past 10 years. We look forward to continuing to work with Treasury in pursuing the strategic objectives set out by the ERSA Board.

A handwritten signature in black ink, appearing to read 'J Fedderke', is centered within a light gray rectangular box.

Johann Fedderke
Director

Summary of Existing ERSA Mechanisms

Economic Research Southern Africa (ERSA) is a programme whose primary objectives are:

- To provide for the management of a research programme focused on growth, employment and broadening participation in the South African economy.
- To create a network of economic researchers based in South African universities and to deepen economic research capacity in Southern Africa.
- To expand and broaden economic research capacity in Southern Africa, train and mentor young economists and create a supportive network to link Southern African economic researchers.
- To draw a broad and representative range of South African economists into a programme of policy-oriented research, and to encourage independent and expert economic research.

ERSA employs seven mechanisms designed to facilitate research activity in economics:

- The Research Group Programme
- A Working Paper and Policy Paper series.
- A Workshop Series.
- An Academic Visitorship programme.
- A programme of prizes for the best economics students in South Africa
- A Scholarship Programme in Graduate Studies in Economics
- Skills Development Programme
- An Internship Programme

In terms of governance, the Director of ERSA is accountable to the Board of ERSA for the use of the funding, and to the Academic Committee of ERSA for the academic content, direction and quality of its activities.

The ERSA Board

Membership of the ERSA Board consists of representatives of the donors to the ERSA programmes, the private sector and representatives of the academic community of economists in South Africa. Specifically, membership consists of:

- The Chair of the Board: Elias Masilela
- National Treasury: Fundi Tshazibana, Konstantin Makrelov, Michael Sachs
- Private Sector: Chris Loewald, Elna Moolman

- The Director of ERSA: Johannes Fedderke
- Deputy Directors ERSA: Jan van Heerden, Nicola Viegi
- The Chair of the Academic Committee: Alain Kabundi
- Nominated Representative Academic Community: Waldo Krugell

The Academic Committee

Membership of the Academic Committee is determined by professional standing, and in the case of the Director of ERSA in ex office terms.

Membership for the 2014/15 period was as follows:

- Paul Alagidede, University of Witwatersrand
- Philippe Burger, University of the Free State
- Lawrence Edwards, University of Cape Town
- Johan Fourie, University of Stellenbosch
- James Fairburn, University of KwaZulu-Natal
- Johannes Fedderke, Director: ERSA
- Shakill Hassan, SARB & University of Cape Town
- Alain Kabundi, Academic Committee Chair, University of Johannesburg
- John Luiz, Graduate School of Business, UCT
- Andrea Saayman, North West University
- Asrat Tsegaye, University of Fort Hare
- Jan van Heerden, Deputy Director, University of Pretoria
- Nicola Viegi, Deputy Director, University of Pretoria

Meetings of the Academic Committee in order to provide oversight functions over the work of ERSA, and in order to consider any proposals placed before Academic Committee occur around June and November of each calendar year.

Current ERSA Office Bearers

The ERSA programme employs four research policy associates, and three administrators. It has a Director, and two Deputy Directors who contribute time to its activities on a part-time basis. Currently these office bearers are as follows:

- Director: Johannes Fedderke
- Deputy Directors:

- Jan van Heerden
 - Nicola Viegi
- Policy Associates:
 - Biniam Bedasso
 - Co-Pierre Georg
 - Nonso Obikili
- Office Manager: Gloria Halland
- Program Co-Ordinator: Yoemna Mosaval
- Administrator: Megan Gelderbloem

The Research Group Programme

The objective of the ERSA research programmes are to identify leading researchers in core areas of research activity in economics in which there is critical mass, and to build networks of young scholars and emerging graduate students around the established researchers.

Currently, ERSA recognises five core research groups including four new node research groups.

These have been in the following areas:

Core Areas

- Macroeconomics and Economic Growth
- Microeconomics, Labour and Inequality
- Trade and Industrial Organisation
- Economic History
- Public Economics

Node Areas

- Financial Economics
- Theory
- Econometrics
- Political Economy
-

Research groups typically meet 2 times a year for workshop programmes relating to the presentation of new research findings, for networking and for the hosting of training workshops in new methodological departures in their areas.

The Working and Policy Paper Series

ERSA publishes two paper series. Publication is in electronic format on the ERSA website, at www.econrsa.org.

The Working Paper series is intended to carry research output that is of the strongest possible academic quality.

The Policy Paper series emphasizes findings that are policy relevant, but also aspire to highest possible standards of analytical rigor.

The key difference between the two series is thus principally one of the immediacy to policy relevance.

ERSA working paper submissions have changed to an electronic online format. Completed papers are submitted by authors via this online journal.

Evaluation is completed by the ERSA editorial team, consisting of the Director and Deputy Directors of ERSA for assignment to referees. In addition two or three affiliates from each research group have recently been appointed as associate editors in order to assist with this process. Referee's reports require author responses, and determine acceptance into the ERSA paper series.

Acceptance into the ERSA paper series is associated with a small financial incentive; publication in a peer reviewed learned journal is associated with an additional financial incentive, determined by the international academic standing of the journal in terms of the ISI rating service.

The Workshop Programme

One of the prime purposes of ERSA is to facilitate the exchange of ideas, in order to generate an acceleration of research activity.

An important mechanism designed to increase the interaction of academic and policy researchers will be the conduct of regular research workshops, in which invited participants present relevant research findings, identify new agendas for future work, and explore opportunities for collaboration.

The intention is to allow for workshops with three possible focuses:

- *Research Workshops:* Workshops whose primary purpose is to present research findings from both Southern African and international researchers that are "cutting-edge". The purpose of the workshops is to disseminate findings amongst researchers and policy makers, and to explore avenues for further work.
- *Training Workshops:* Workshops whose primary purpose is to disseminate new research techniques to as wide and inclusive an audience of Southern African researchers as possible. The primary objective of these workshops is to ensure that Southern African researchers remain abreast of international analytical innovations and research directions, and to disseminate national research strengths to as wide and inclusive a set of researchers as is feasible.
- *Networking Workshops:* Workshops whose primary purpose is to stimulate networks of researchers around research clusters, in order to realise critical mass in important research questions facing the Southern African region. Particularly important here is the inclusion of researchers from less active research institutions, in order to facilitate their participation in research initiatives and debates. Equally, the initiative is designed to include new researchers, and graduate students, in order to expose them to leading national and international researchers.

The opportunity to host workshops is open to any institution and/or researcher in Southern Africa. Applications are considered by the Academic Committee of ERSA, assessed for quality, and approved or rejected accordingly.

The Academic Visitorship Programme

The intention of the visitorship programme is to facilitate the interaction of South African researchers in economics with leading international scholars. In particular, the objective is to enable the transfer of human capital to South African researchers, as well as the collaboration of South African researchers with international scholars on research programmes of common interest.

The explicit intention of the academic visitorship programme is to:

- Attract leading international scholars.
- Facilitate academic exchange between Southern African institutions.

It is vital to note that the intention of the programme is not only to attract and interact with leading international scholars, but also to allow Southern African academics to increase the extent of their interaction, including in particular academics from historically disadvantaged institutions.

The Scholarship Programme

The long-term health of the economics discipline depends crucially on the quantity, but above all on the quality of future generations of researchers.

Retention of graduate students of the highest quality in Southern African graduate programmes has become increasingly difficult, particularly students from designated groups. This is often the case due to the opportunity cost of continuing with graduate courses, as well as the direct cost of course registration.

For this reason, ERSA introduced a scholarship programme with the intention to build long-term excellence in research and policy analysis in the field of economics.

While academic excellence is a necessary criterion, crucial too is the credible demonstration of the ability to succeed in a credible postgraduate programme in economics.

The Economics Prize Programme

As a means of incentivizing study in economics, ERSA introduced a mechanism for the recognition of student performance in the economics discipline.

To this end, ERSA grants monetary awards to the best two economics students in South Africa across all universities, in each year of study. The prizes nevertheless allow universities to recognize the best achievers in each year of study, and to motivate them to study further in economics.

The Skills Development Programme

Another important new initiative launched by ERSA over the past few years has been the Skills Development Programme. The objective of the initiative is to raise the technical abilities of researchers in South Africa, by leveraging established researchers into a systematic skills development initiative.

In designing this training programme, consideration was given to a number of factors. First, we recognised the fact that to develop an individual's research capacity requires more than just a training programme in basic analytical techniques. There is need to have the right resources to do research and the individual must be keen. However, it is evident that without adequate skills, even when the resources are available and the individual is keen, he/she may still not be able to carry out quality research that can be published in good peer reviewed journals nor be able to supervise quality postgraduate research. Hence, we consider this training in the application of tools of economic analysis, focusing on basic econometric techniques, very important, especially in view of the fact that in the past the training in economics in South Africa had placed less emphasis on econometrics. Hopefully with some foundation laid, many may be able to benefit from the more advanced training programmes which would broaden the research capacity in South Africa.

The Internship Programme

The objective of this initiative is to provide up to six students pursuing a postgraduate degree in economics an opportunity to gain exposure and experience to policy relevant research work in the South African context.

The internships are eligible to any South African citizen who has shown academic excellence in economics studies with priority given to designated groups.

Report from the Chair of the Academic Committee 2014/2015

This has been a very productive year for ERSA. As the chair of the academic board, I have been privilege in witnessing different academic activities which have taken place this past year. The number of working papers has increased substantially. It is interesting to note that the rise in number of publications is accompanied by wide range of topics and subject fields covered. This is a result of hard work and awareness of the academic community which has been enhanced by various workshops from different groups. Specifically the number of working papers amount to 82 of which 32 have been published in 2015 already. In addition, there is a considerable interest in research briefs which encompass a broader audience, way beyond the academic community. The number of research briefs has increased from three to eleven, i.e. eight publications this year alone. The success of working paper series and research briefs is made possible by tireless work of editors and various reviewers. Thank you and keep up with the good work.

Academic community together with policymakers continue the culture of engagement through different workshops. A total of nine workshops have taken place since January 2015. All groups have been active in this regard. Importantly the Economic History group together with the Public Economics group are the most active with six workshops held in the current calendar year. In addition, it is essential to acknowledge the dynamism of newly formed nodes, especially the Financial Economics and the Theory groups. These two groups have, in a short time, encouraged the participation of scholars who were previously isolated in the community. I take this opportunity to salute the participation of all convenors in making these workshops successful. Without you it would have been a difficult task for ERSA to reach its objectives. I also thank economic departments across the country for their support and assistance throughout the course of the year. Finally, I acknowledge the contribution of administrative group for their professionalism and hard work.

This year ERSA is undergoing a review process. I am confident that the outcome of the current review will broaden the scope of ERSA and make it even more effective. I trust the National Treasury will continue to provide financial support which remains essential in improving the quality of academic profession in economics in South Africa. Lastly, I thank

executive members for the vision they continue to inspire and their commitment in achieving the objectives of academic excellence in South Africa.

Alain Kabundi

Chair: Academic Committee

Income and Expenditure Statement: 1 April 2014– 31 March 2015

Figures in Rand	Note(s)	2015	2014
Revenue			
Fund income		10,780,000	9,922,000
Other income			
Honarium income		32,990	-
Interest received	10	445,950	413,097
		478,940	413,097
Operating expenses			
Accounting fees		152,657	133,608
Advertising		200	332
Auditors remuneration	12	41,890	30,500
Bank charges		23,865	12,199
Board and academic committee meetings		262,568	154,044
Cleaning		12,469	10,070
Computer expenses		241,890	224,719
Depreciation, amortisation and impairments		63,801	56,455
Donations		-	1,000
Employee costs		2,744,221	2,469,627
Entertainment		9,768	6,536
Fines and penalties		528	-
Insurance		29,517	27,340
Interns		198,190	-
Lease rentals on operating lease		654,617	473,080
Legal expenses		35,564	-
Office expenses		9,931	14,264
Parking		1,166	3,754
Placement fees		36,734	219,224
Postage		5,255	11,177
Printing and stationery		6,467	46,537
Prizes		149,227	209,300
Research initiative: Economic Growth		305,607	-
Renovations and alterations		22,829	-
Repairs and maintenance		7,523	988
Research fees		962,116	1,869,969
Scholarships		685,000	649,648
Skills development workshop		203,119	236,012
Small assets written off		33,404	8,789
Staff welfare		16,732	11,817
Stipends-boards and converners		161,819	129,356
Research subscriptions -Scholar One		74,530	17,113
TIPS expenses		-	22,205
Telephone and fax		29,256	27,720
Travel		464,365	366,195
Workshops		2,668,640	1,150,799
		10,315,465	8,594,377
Profit for the year		943,475	1,740,720

1. Policy Research Programme

Report from the Deputy Director Research 2014/2015

The year 2014/2015 has started another cycle in the development of the research capacity and relevance of Economic Research Southern Africa. On one hand the work of Research Associates is coming to maturity, with a large number of new and exciting research papers published in the ERSA working paper series and in the process of publication in international and national Journal. The policy associates reports that follows describes in details these research output.

Ersa is also one of the four national research groups participating at a large UNU/Wider National Treasury project on firm level analysis using administrative SARS data. The first results of the project will be discussed at the National Treasury workshop on the 5th of June 2015 and the final results of the project will be made public at the end of September 2015

Notwithstanding these research results, the objective of ERSA has always been to promote quality academic research as an instrument in support of quality policy analysis and policy decisions. During this year we have been involved in a dialogue with policy makers to improve the visibility and relevance of ERSA activities to policy institutions.

For this reason we have established a new ERSA/NT research fellowship to promote specific research themes of interest for the National Treasury. The first fellowship has been granted to Dr. Lukasz Grzybowski for a project titled "Consumer switching costs in selected industries in South Africa: telecommunications, electricity, banking".

We have also established that any ERSA research publication would now be accompanied by a short policy brief that indicates clearly the main contribution of the research to the policy process. These policy brief is distributed across policy and academic institutions and will form the main output of a policy blog to be developed on the ERSA website.

Further initiatives in this field will be organized in the second half of the year, to conclude with a Policy Indaba in where the most policy relevant research will be discussed among national academic and policy makers

Overall I am satisfied that the work done demonstrates the positive and direct role that ERSA can play in promoting the development of economic research and contribute positively to the policy process in the country

Nicola Viegi

Deputy Director Research

ERSA Policy Associate Report: Biniam Bedasso

The work I have done as ERSA Policy Associate during the last one year can be summarized as follows:

1. I have got three papers accepted for publication in international peer-reviewed journals.
2. I have got two papers published in ERSA working paper series.
3. I produced two policy/research briefs based on academic papers written on the political economy of South Africa.
4. I organized the second ESRA Political Economy workshop in SOWETO.
5. I supervised a summer intern on a project of organizing a comprehensive dataset on admission and affirmative action at UCT.
6. I have worked towards launching the ERSA policy research portal
7. I participated in a study commissioned by the National Treasury and UNU-WIDER.

Three of my papers were accepted for publication in ISI-ranked international journals, including one paper in the top-ranked African Studies journal. The list of accepted papers is as follows:

- "A Dream Deferred: the microfoundations of direct political action in pre- and post-democratization South Africa", *Journal of Development Studies*
- "Ethnicity, intra-elite differentiation and political stability in Kenya", *African Affairs*
- "Educated bandits: endogenous property rights and intra-elite distribution of human capital", *Economics & Politics*

The policy briefs I have produced on the political economy of structural change and protest action in South Africa have been widely circulated among the research and policy communities in the country. I have presented the paper on the microfoundations of protest in the 2nd ERSA political economy workshop to inspire so much enthusiasm from the audience.

I organized the second ESRA Political Economy workshop on September 18 and 19, 2014 in SOWETO, in collaboration with the Public Economics Workgroup. Close to 40 researchers

attended the workshop. The workshop provided opportunity for researchers from previously disadvantaged groups to present their works in the presence of international renowned scholars.

I will continue to work on the political economy of education reform and industrialization in South Africa. I will also contribute to maintaining the ERSA policy research portal as well as to increasing the impact of academic research on policymaking in South Africa.

Biniam Bedasso

April 2015

ERSA Policy Associate Report: Co-Pierre Georg

I joined ERSA as a Policy Associate in June 2013 on a part-time basis (~1 day per week). My primary task is to coordinate the financial economics node. My secondary task is to create contacts with the SARB to enable more researchers from South Africa (but also internationally) to conduct research projects in collaboration with the SARB and using SARB data.

In the reporting period from March 2014 to March 2015 I organized one workshop, at the South African Reserve Bank in November 2014. Our keynote speaker was Prof. Franklin Allen from Imperial College London, who is a world-leading expert on financial intermediation and financial crises. The second keynote speaker was Prof. Sascha Steffen from the European School of Management and Technology in Berlin, who is an expert on financial regulation and non-bank financial intermediaries. The workshop had a very satisfying attendance of over 60 people, many of which were from the SARB, and some from National Treasury.

During a visit at the SARB in February 2014 I got in contact with Chris Loewald (Research Department) and Hendrik Nel (Banking Supervision) and we discussed the option of me becoming a Research Fellow at the SARB with the goal of preparing a dataset on South African banking data, similar to the one I created at Deutsche Bundesbank. The default of African Bank created a new opportunity: The SARB is keen to understand linkages between South African banks and non-bank financial intermediaries. I am consulting with them to create a map of these linkages and, going forward, a real-time monitoring system. The data we create are the most comprehensive I have seen in any emerging country and I hope that we will be able to use it for research as well as policy analysis.

My responsibilities include facilitating the exchange with international researchers. As a consequence of the last workshop, Prof. Sascha Steffen and I started a project on funding liquidity and systemic risk. Sascha visited me in March 2015 for two weeks to jointly work on the paper. During this time I facilitated a presentation for Sascha at the University of Stellenbosch. Currently, I am organizing the third annual ERSA financial economics workshop and Prof. Atif Mian from Princeton University has tentatively agreed to be the

keynote speaker. Based on the feedback of the first two workshops, we will change the format slightly. Instead of having a large conference, we will organize a smaller workshop where participants present research at very early stages, or even in the planning phase. Prof. Mian will then provide feedback on how to improve the research design of these early projects. This format addresses a key issue in South Africa where the lack of feedback from peers in early stages means that South African academics spend a large amount of their time on research projects that do not have the highest potential to make it to international journals.

The biggest change in my academic life was the promotion from Lecturer to Senior Lecturer at UCT. In the process, I have moved from the Graduate School of Business to the School of Economics and the African Institute of Financial Markets and Risk Management. In my new function, I have hired two Postdoctoral Researchers (one from South Africa, one international) and two Doctoral Students (one from South Africa, one international) with whom I am working on a large project on agent-based modeling.

I organized a ½ day PhD Workshop on “How to Survive in Academia – Or at Least Have Fun Trying” before the financial economics workshop in November at the University of Pretoria. I gave an introduction in economic writing, do's and don'ts of the academic junior job market, general research design, and simple practical matters such as: How to write a referee report? How to prepare a discussion for a conference? How to present your paper in seminars and conferences? The workshop also included an overview of the South African economic academia based on the ERSA working paper by John Luiz (2009). About 30 PhD students from various South African universities participated and about 10 of them gave short presentations of their research and got feedback from Prof. Allen, their peers, and me.

In August 2014 I published an ERSA working paper with Christoph Aymanns (Oxford University) entitled “*Contagious Synchronization and Endogenous Network Formation in Financial Networks*”. The paper was published in the Journal of Banking and Finance in January 2015. In September 2014 I published an ERSA working paper with Tarik Roukny (Universite Libre de Bruxelles) and Stefano Battiston (University of Zurich) entitled “*A Network Analysis of the Evolution of the German Interbank Market*”. In November 2014 I published an ERSA Research Brief on “*Financial Networks – State of the Art and Open*

Challenges". In January 2015 I published an ERSA Working Paper with Silvia Gabrieli (Banque de France) entitled "A Network View on Interbank Market Freezes". In March 2015 I published an ERSA Policy Brief based on this paper entitled "The Eurozone Interbank Market 'freeze' Under the Microscope: Lessons from TARGET2".

Finally, I am associate editor of the ERSA working paper series and have undertaken a significant amount of refereeing for regional journals (SAJE, African Finance Journal, Review of Development Finance).

An overview of my research agenda is attached, as well as an overview of my general academic activities since April 2014.

Co-Pierre Georg

April 2014

ERSA Policy Associate Report: Nonso Obikili

I joined ERSA in July of 2013 tasked with broadening and deepening research on various topics in Economics. I am also tasked with conducting and publishing economic research particularly on topics in economic history, economic development and political economy. I have worked towards achieving these goals since then.

Since the last update in April 2014 I have published three paper in academic journals. The first is forthcoming in the Journal of Development Studies, with Biniam Bedasso titled "A Dream Deferred: the Micro foundations of Direct Political Action in Pre- and Post-democratization South Africa". "An Examination of Subnational Growth in Nigeria: 1999 - 2012" is also forthcoming in the South African Journal of Economics. Finally "Social Capital and Human Capital in the Colonies: A Study of Cocoa Farmers in Western Nigeria" is forthcoming in the Economic History of Developing Regions.

I also have two paper "The Impact of the Slave Trade on Literacy in Africa: Evidence from the Colonial Era" under review at the Journal of African Economies, and "The Trans-Atlantic Slave Trade and Local Political Fragmentation in Africa" is under review at the Economic History Review.

I also have papers with are in various stages of progress. "The Impact of Political Competition on Economic Growth: Evidence from Municipalities in South Africa" is currently under review at the Economic Research Southern Africa working paper series. "Climate, Yams and pre-colonial social organization in Africa" is currently a work in progress, and "A re-examination of the education and growth relationship in Africa" is also currently a work in progress. I am also part of team working in collaboration with UNU-WIDER on potential research using firm level data in South Africa.

I have made presentations at the University of Cape Town History Department, and Stellenbosch University. I have also made presentations at the Centre for the Study of African Economies annual conference in March of 2015.

On an administrative note, I have organized the introduction of policy briefs on the ERSA website in collaboration with my colleagues. These briefs provide summarized versions of working papers submitted to the ERSA working paper series. I am also involved in vetting applicants for the 2015 ERSA internship program.

Nonso Obikili

April 2015

2. The Workshop Programme

Statement by the Director of Capacity Building, ERSA 2014/2015

Working and policy paper series

ERSA has published 530 papers as at the end of March 2015. We have 12 Associate Editors to whom papers are assigned, who choose blind reviewers to read the papers. We have changed from a double blind system to one where only the reviewers are unknown to the authors, because it has become very easy to determine who the authors of papers are.

Journal publications

227 of the 530 working or policy papers have appeared as journal publications – 158 in international journals and 69 in national journals. That gives a conversion rate into journal publications of 43 per cent. The remarkable statistic is that 70 per cent of all the journal publications are international.

Academic Workshops

The workshops continued across research groups. During the past year 16 workshops were held and attendance at the workshops continued to represent a diverse representation of national institutions and demographics. A total of more than 107 institutions, of which 68 were South African, were represented at ERSA workshops during this reporting period.

Skills development training

The training program continued with the 2nd cohort of 10 delegates, comprised of representatives from the following institutions: University of Fort Hare, Nelson Mandela Metropolitan University, University of KZN, University of Limpopo, University of Witwatersrand, Tshwane University of Technology and University of Johannesburg, attending their 1st training session on Time Series Econometrics.

Meanwhile the 1st cohort has successfully completed its 2nd training session on Cross-Sectional Techniques in November 2014, with their final workshop on Panel Data Analysis scheduled for later this year.

A third training week is planned on micro-econometrics for 2015.

Scholarships to Master's students

51 scholarships have been awarded to date, 48 for Masters, and 3 for PhD study. During the course of 2014 – 2015, 22 applicants responded to ERSA's scholarship funding invitation of R80000 for a one year full time Master's programme in Economics. Of these applications, 10 successful candidates from a diverse range of institutions throughout South Africa were selected and awarded with an ERSA scholarship for 2015. The demographic breakdown of the 10 awardees is as follows: 3 black females, 3 white females, 3 black males and 1 white male.

Jan van Heerden

Deputy Director: Capacity Building

Introduction

The Workshop Programme of ERSA continues to be one of the most active and widely used mechanisms that ERSA makes available to researchers in Southern Africa.

During 2014-2015, ERSA has hosted a total of 17 workshops across a wide range of areas in economics. The workshops have served the purpose of research dissemination, of training, as well as networking amongst researchers and policy makers, in order to lower transactions and dissemination costs of new results. In addition, ERSA pays close attention to the need to include young graduate students and academics from universities that have not traditionally been central to research activity in economics in South Africa, in order to allow wider participation in core research and policy debates that concern economists.

The areas covered by the workshops have included the following:

- Skills Development: Time-series Econometrics (Cohort 2)
- Macro: International Capital Flows and National Monetary Policy
- History: Climate, Geography and African Economic History
- Special: CGE Training workshop – Dynamic CGE Modelling
- Trade and IO: The Economics of Geography and Trade
- Political & Public: Political Economy/Public Choice Economics
- Micro: Foundations of Labour Economics
- Skills Development: Cross-sectional Techniques (Cohort 1)
- Theory: Economies with Asymmetric Information
- Econometrics: Econometric Modelling Workshop
- History: Training workshop for graduate students
- Financial: Emerging market economies, Global Financial Conditions and Growth Prospects
- History: Savings, credit and debt in South African history
- Micro: Imperfect Labour Markets
- Theory: Knightian Uncertainty in Economics and Finance
- Trade and IO: Economics of Competition and Industrial Organization
- Special: Public Goods Games and Experiments

A full list of workshops, including their institutional affiliation, the location in which they were held, for the April 2014 – March 2015 period, is listed in Table 1. A fuller description and report back for each workshop can be found in Appendix I.

Use of the workshop mechanism has been widespread by different universities in South Africa. Organisers of workshops have included the University of Cape Town, University of KwaZulu-Natal, University of Fort Hare, University of Pretoria, University of Witwatersrand, Graduate School of Business UCT, ERSA and the University of Stellenbosch, amongst other contributors and participants.

International participation has been more widespread, and includes the following presenters:

1. James Fenske, University of Oxford – Presented at the Climate, Geography and African Economic History, held at the Monkey Valley Resort, Noordhoek from 28-30 May 2014.
2. Edward Kerby, London School of Economics – Presented at the Climate, Geography and African Economic History, held at the Monkey Valley Resort, Noordhoek from 28-30 May 2014.
3. Alfonso Herranz Loncan, Universitat de Barcelona – Presented at the Climate, Geography and African Economic History, held at the Monkey Valley Resort, Noordhoek from 28-30 May 2014.
4. Andreas Freytag, Friedrich-Schiller-University Jena – Presented at the Political Economy and Public Choice Economics, held at the Soweto Hotel and Conference Centre, Johannesburg from 18-19 September 2014.
5. Bryan Peter Rosendorff, New York University – Presented at the Political Economy and Public Choice Economics, held at the Soweto Hotel and Conference Centre, Johannesburg from 18-19 September 2014.
6. Stefan Voigt, University of Hamburg – Presented at the Political Economy and Public Choice Economics, held at the Soweto Hotel and Conference Centre, Johannesburg from 18-19 September 2014.

7. Pierre Fleckinger, Paris School of Economics – Presented at the Economies with Asymmetric Information workshop, held at the University of Pretoria from 10-11 November 2014.
8. Wanda Mimra, ETH Zürich – Presented at the Economies with Asymmetric Information workshop, held at the University of Pretoria from 10-11 November 2014.
9. Martine Mariotti, Australian National University – Presented at the Economic History: Training workshop for graduate students, held at the Farm Inn, Pretoria North from 20-22 November 2014.
10. Katherine Eriksson, California Polytechnic State University (Cal Poly) – Presented at the Economic History: Training workshop for graduate students, held at the Farm Inn, Pretoria North from 20-22 November 2014.
11. Jan Luiten van Zanden, Utrecht University – Presented at the Economic History: Training workshop for graduate students, held at the Farm Inn, Pretoria North from 20-22 November 2014.
12. Kris Inwood, University of Guelph – Presented at the Economic History: Training workshop for graduate students, held at the Farm Inn, Pretoria North from 20-22 November 2014.
13. Sascha Steffen, European School of Management and Technology – Presented at the Financial Economics: Emerging Market Economies, Global Financial Conditions and Growth Prospects, held at the South African Reserve Bank Conference Centre, Pretoria from 27-28 November 2014.
14. Franklin Allen, Imperial College London – Presented at the Financial Economics: Emerging Market Economies, Global Financial Conditions and Growth Prospects, held at the South African Reserve Bank Conference Centre, Pretoria from 27-28 November 2014.
15. Christopher Redl, Queen Mary University London – Presented at the Financial Economics: Emerging Market Economies, Global Financial Conditions and Growth Prospects, held at the South African Reserve Bank Conference Centre, Pretoria from 27-28 November 2014.
16. Joost Jonker, Utrecht University – Guest Speaker at the Savings, credit and debt in South African History held at the School of Tourism and Hospitality, University of Johannesburg, from 21 to 24 January 2015.

17. Riad Rezzik, The Graduate Institute, Geneva – Presented at the Savings, credit and debt in South African History held at the School of Tourism and Hospitality, University of Johannesburg, from 21 to 24 January 2015.
18. Jan van Ours, Tilburg University – Guest-speaker at the Microeconomics: Imperfect Labour Markets workshop held at the Park Inn Hotel from 19 to 20 February 2015.
19. Frank Riedel, Bielefeld University – Guest Speaker at the Knightian Uncertainty in Economics and Finance held at the University of Pretoria from 18 to 19 February 2015.
20. Caroline Buts, Vrije Universiteit Brussel – Presented at the Economics of Competition and Industrial Organization held at the Stellenbosch Institute for Advanced Study, Stellenbosch, 9 to 10 March 2015.
21. Luke Froeb, Vanderbilt University – Presented at the Economics of Competition and Industrial Organization held at the Stellenbosch Institute for Advanced Study, Stellenbosch, 9 to 10 March 2015.
22. Katja Seim, Wharton University of Pennsylvania – Presented at the Economics of Competition and Industrial Organization held at the Stellenbosch Institute for Advanced Study, Stellenbosch, 9 to 10 March 2015.
23. James Cox, Georgia State University, Presented at the Special workshop on Public Goods Games and Experiments held at the Premier Hotel Regent, East London – 16-17 March 2015.
24. Susan Laury, Georgia State University, Presented at the Special workshop on Public Goods Games and Experiments held at the Premier Hotel Regent, East London – 16-17 March 2015.

A total of 449 people attended the 17 ERSAs workshops of 2014/15. A breakdown of the attendance by demographic characteristics is provided in Table 1 below. What is clear is that attendance at conferences is not only diverse in terms of demographic characteristics, but also in terms of institutional affiliation as illustrated by Table 2.

Table 1 : Demographics of Workshop Attendance: April 2014 - March 2015

Workgroup	Name of Workshop	Convenor	Date	Institution/Place	WM	BM	WF	BF	Total
Skills Development	Time-series Econometrics: Cohort 2	SD Committee R. Van Eyden R. Naraidoo	Apr 14	UP, Pretoria	0	4	2	4	10
Macro	International Capital Flows and National Monetary Policy	N. Viegi	May 14	SARB, Pretoria	7	16	0	4	27
History	Climate, Geography and African Economic History	J. Fourie	May 14	Monkey Valley, Cape Town	11	4	3	2	20
Special: CGE	Training workshop: Dynamic CGE Modelling	J. v Heerden	Jun 14	UP, Pretoria	5	11	2	6	24
Trade & IO	The Economics of Geography and Trade	L. Edwards	Jul 14	Devon Valley, Stellenbosch	7	9	5	7	28
Political & Public	Political Economy / Public Choice Economics	B. Bedasso P. Burger	Sept 14	Soweto Hotel, Johannesburg	20	14	4	4	42
Micro	Foundations of Labour Economics	J. Fairburn	Oct 14	Ballito, KwaZulu-Natal	6	12	6	5	29
Skills Development	Cross-sectional Techniques	SD Committee S. Koch M. Clance	Nov 14	UP, Pretoria	0	7	0	3	10
Theory	Economies with Asymmetric Information	A. Zimper	Nov 14	UP, Pretoria	6	6	3	0	15
Econometrics	Econometric Modelling Workshop	M. v Maltitz	Nov 14	Monkey Valley, Cape Town	9	6	1	6	22
History	Training workshop for graduate students	J. Fourie	Nov 14	Farm Inn, Pretoria	11	12	7	9	39
Financial	Emerging Market Economies, Global Financial Conditions and Growth Prospects	C. Georg	Nov 14	SARB, Pretoria	12	34	8	14	68
History	Savings, credit and debt in South African history	G. Verhoef	Jan 15	STH - UJ, Johannesburg	8	12	1	1	22
Micro	Imperfect Labour Markets	J. Fairburn	Feb 15	Park Inn, Cape Town	8	5	2	6	21
Theory	Knightian Uncertainty in Economics and Finance	A. Zimper	Feb 15	UP, Pretoria	4	10	2	1	17
Trade & IO	Economics of Competition and Industrial Organization	W. Boshoff	Mar 15	Mont Fleur, Stellenbosch	9	8	5	0	22
Special	Public Goods Games and Experiments	F. Booysen	Mar 15	East London	9	15	6	3	33
	Total				132	185	57	75	449

Table 2: Institutions represented at ERSA Workshops

ABSA
Accounting, University of Stellenbosch
Actuaries Without Frontiers
African Bank
African Institute for Mathematical Science
Airports Company SA
Alexander Forbes
American Cancer Association
Applied Fiscal Research Centre (AFReC)
Association for Savings & Investment South Africa (ASISA)
Aurecon
Australian National University
Bank of Namibia
BANKSETA
BA Isago University, Botswana
Benguela Health Group
Black Sash
British Museum
Bureau for Economic Research (BER)
Cadiz Securities
California Polytechnic State University
Cass Business School
Central European University
Centre for Affordable Housing Finance
Centre for Competition, Regulation and Economic Development
CEPR
Cellule d'Analyse des Politiques Economiques du CIRES
Central bank of Congo
City of Cape Town
City of Johannesburg
Clinton Foundation
Columbia University
Community of Mandela Rhodes Scholars
Competition Commission South Africa
Conningarth Economists
Consultative Group on International Agricultural Research (CGIAR)
Council for Health Service Accreditation of Southern Africa

Council for Scientific & Industrial Research (CSIR)
Creamer Media
De Nederlandsche Bank
Denmark
Departamento de Historia Economica e Instituciones Universidad Carlos III
Department of Agriculture, Fishing and Foresteries
Department of Economic Development, Environment & Tourism, Eastern Cape
Department of Economic Development, Environment & Tourism, Limpopo
Department of Economic Development, Environment & Tourism, Mpumalanga
Department of Economic Development, Gauteng
Department of Health
Department of Health: Western Cape
Department of Labour
Department of Mineral Resources
Department of Trade and Industry
Department of Transport
Development Bank of South Africa
Development Policy Research Unit (DPRU)
Discovery
Discovery Financial Consultants
DNA Economics
Durban University of Technology
Düsseldorf Institute for Competition
East London Industrial Development Zone
Eastern Cape Department of Health
Econex
Edward Nathan Sonnenbergs Inc
Elsenburg
ENS Cachan
Eskom
ERSA
Erasmus University, The Netherlands
European School of Management and Technology
Feasibility Pty Ltd
Ferere Hospital East London
Financial & Fiscal Commission
Financial Planning Institute
Financial Services Board

Frankfurt School of Finance and Development
Free State Treasury
Free University of Brussels
Friedrich Schiller Universitat Jena
Frost & Sullivan
Gauteng City-Region Observatory
Gauteng Provincial Government
Gauteng Provincial Treasury
Genesis Analytics
Georgia State University
Ghana Statistical Services
Glen Steyn Consultants
Graduate Institute
Gulu University
Harvard University
Health Systems Trust
Helen Suzman Foundation
Hollard Insurance
Human Sciences Research Council (HSRC)
Imperial College Business School & Centre for Health Policy
Independent
Industrial Development Corporation
INSTAT – Madagascar
International Development Research Centre, Canada
International Labour Organisation
International Monetary Fund
Kenya Bankers Association, Nairobi, Kenya
KZN Treasury
Jack Hammer Executive Headhunters
J-PAL
KPMG
KZN Treasury
Liberty Life
London Business School
London School of Economics
Lund University
Mapungubwe Institute for Strategic Reflection
MediClinic Southern Africa

Medical Research Council
Mercantile Law, University of Stellenbosch
Metropolitan Human Resources Management
Mistra
Mosswick Investments
Moulay Ismail University
Mpumalanga Department of Finance
Mpumalanga Provincial Government
MSG Afrika Investment Holdings
National Agricultural Marketing Council
National Energy Regulators of South Africa
National Film and Video Foundation
National Treasury
National University of Lesotho
National Youth Development Agency
Nelson Mandela Metropolitan University
New York University
North West University
North West University – Mafikeng Campus
Northern cape Provincial Government
Norwegian University of Science & Technology
Office of the Premier: Limpopo
Ogilvy & Mather
Old Mutual
Organização Nacional Acreditação (ONA, Brazil)
Owen Graduate School of Management, Vanderbilt University
Oxford Policy Management
Oxford University
Oxford University Press
P&DM Wits
Pan-African Investment & Research Services
Paris School of Economics
Parliament
Penn State University
Petronas
Ports Regulator of South Africa
Presidency Office
Provincial government of the Western Cape

Public Investment Corporation
Quantec
Queen Mary University London
Rand Merchant Bank
RBB Economics
Reserve Bank of Zimbabwe
Redeemer University
Renaissance Capital
Resolve
Rhodes University
Royal Netherlands Institute of Southeast Asian and Caribbean Studies
SA Savings Institute
Sanlam
Sorbonne
South African Bureau of Standards
South African Government
South African Institute of International Affairs
South African National Treasury
South African Reserve Bank
South African Revenue Services
Southern African Labour & Development Research Unit (SALDRU)
Standard Bank
Stanford University
Stanlib
State University of New York
Stats SA
Stellenbosch Business School
Stockholm University
Swiss Federal Institute of Technology
Tariff and Trade Intelligence
Thebe Employee Benefits
The Presidency
Timnet Management Consulting
Tinbergen Institute
Trade and Industrial Policy Strategies
Transunion
Treatment Action Campaign
Tshwane University of Technology

T-Systems International
United Nations Economic Commission for Africa, Ethiopia
United States Census Bureau
Universitat de Barcelona
Universitat Hamburg
Universidad de los Andes
Universidad de la Republica
Universitat Pompeu Fabra
Universite de Montreal
Universite Cheikh Anta Diop
University Kyoto
University of Alberta
University of Arizona
University of Bielefeld
University of Bologna
University of California, Berkley
University of Cambridge
University of Cape Coast
University of Cape Town
University of Cape Town (Historical Studies)
University of Cape Town: Graduate School of Business
University of Constantine
University of Dar es Salaam
University of Fort Hare
University of Frankfurt
University of Ghana
University of Glasgow
University of Gothenburg
University of Guelph
University of Guanajuato – Mexico
University of Helsinki
University of Johannesburg
University of KwaZulu-Natal
University of Lagos
University of Limpopo
University of London
University of Mannheim
University of Namibia

University of National and World Economy, Bulgaria
University of Nigeria
University of Pretoria
University of South Africa
University of Southern Denmark
University of Stellenbosch
University of Swaziland
University of Sussex
University of the Free State
University of the Western Cape
University of the Witwatersrand
University of the Witwatersrand: Graduate School of Business
University of Venda
University of Tilburg
University of Toulouse 1
University of Tuebingen
University of Venda
University of Zululand
UNU-Merit
Utah Valley University
Utrecht University
Vaal University of Technology
Walter Sisulu University
Western Cape Department of Health
Wesbank
Wharton, University of Pennsylvania, Philadelphia
World Bank
WHU Otto Beisheim School of Management
ZEW Centre for European Economic Research

3. Working, Policy Paper and Research Brief Series

The ERSA Working and Policy Paper series remain very active, and constitutes a core element of the ERSA initiative to stimulate the range and depth of research in economics in Southern Africa.

Evaluation is completed by the ERSA editorial team, consisting of the Director and Deputy Directors of ERSA for assignment to referees. In addition two or three affiliates from each research group have recently been appointed as associate editors in order to assist with this process. Referee's reports require author responses, and determine acceptance into the ERSA paper series.

Submissions are subject to standard academic peer review, and acceptance into the series results in a R5000 financial pay-off. Subsequent publication in peer reviewed journals attracts an additional financial reward, on a nonlinear scale depending on the professional status of the journal accepting the paper. Journal rankings are provided by the ISI Thomson Web of Science impact factor adjusted ranking according to the total citations criterion, which is an international standard for journal rankings in economics.

The core objective of the mechanism is the provision of a clear incentive mechanism to researchers to both increase output, and to attempt to place their work in as highly placed a journal internationally as is feasible.

The rate of publication of working papers still remains at a satisfactory level. In the last annual report, ERSA was able to report the publication of 445 Working Papers and 20 Policy Papers. Since April 2014 to date, this has increased to 510 Working Papers, and 20 Policy Papers.

The distribution of the topics of papers is wide ranging, and represents the general coverage of the ERSA mechanism.

What is especially pleasing about the papers appearing in the ERSA series is that they are meeting a high success rate in terms of publication in peer reviewed journals. To date, 227 out of the 510 Working Papers have been published, with a

number of additional papers forthcoming. Thus the publications rate currently stands at 44%. Also noteworthy is that of the published papers, 158 have appeared in internationally ranked journals, and 69 in unranked journals, giving a 70% proportion for internationally ranked as opposed to unranked.

The evidence is thus consistent with stated objective of ERSA to increase the publications profile of South African economists, and in particular to raise the international profile of Southern African based publications in economics. Given the structure of the financial incentive mechanisms surrounding the Working and Policy Paper series, this is not altogether surprising.

Research Briefs

Research Brief 11

Title: Recurrent Property Rates – The Search for a Fair Tax Conducive to Economic Growth

David Garber, March 2014

Abstract: The conflict between the need to attend to acute poverty in the present and the need to invest in longer-term poverty-reducing economic growth is a primary feature of the South African public policy landscape. Economic growth rates, while not alarmingly low (3.4% on average, annually, between 2000 and 2012, 1% from 2007-2012), have also not been sufficiently high or reflective of the type of growth needed to fuel job creation.

Research Brief 12

Title: Lessons on governance for the move towards universal health coverage in South Africa

Anja Smith, April 2014

Abstract: Goudge's presentation emphasised that appropriate governance mechanisms are crucial for a successful transition to universal health coverage. She provided guidelines for using some of South Africa's existing health system capacity to improve governance.

This brief sums up the main points of her presentation, focusing on themes and insights that are most relevant to South African health policy. The objective is to encourage public discussion amongst practitioners, policy makers, academics and NGOs on the broad process of health system reform in South Africa.

Research Brief 13**Title:** Economic aspects of universal health coverage**Peter C. Smith**, April 2014

Abstract: This brief sums up the findings of his presentation, focusing on themes and insights that are most relevant to South African health policy. The objective is to encourage public discussion amongst practitioners, policy makers, academics and NGOs on the broad process of health system reform in South Africa.

Research Brief 14**Title:** Panel: Health financing and regulatory reforms**Anja Smith**, May 2014

Abstract: On 6 February 2014 ERSA hosted a symposium in Stellenbosch on Critical Choices Regarding Universal Health Coverage (UHC). The symposium included a panel discussion on 'Health financing and regulatory reforms'.

The panel was chaired by Andrew Donaldson (National Treasury) and four panellists participated:

- Mark Blecher (National Treasury)
- Nicola Theron (Econex)
- Alex van den Heever (University of the Witwatersrand)
- Brian Ruff (Discovery Health)

Research Brief 15**Title:** Addressing structural change issues in the context of South Africa's political dispensation**Biniam E. Bedasso**, November 2014

Abstract: The current structure of South Africa's economy is partly a product of the terms of the country's political dispensation. The availability of capital mobility as an exit option is a key aspect of South Africa's negotiated democracy. As long as inequality remains high, capital continues to gravitate towards sectors amenable for expedient capital mobility such as finance. Promoting manufacturing investment in a high inequality environment may require tailor-made policy innovations that are compatible with existing political constraints.

Research Brief 16

Title: The social and political case for promoting economic growth and broad-based innovation in South Africa

Biniam Egu Bedasso, November 2014

Abstract: Popular protest in South Africa has increased sharply in recent years to the extent that it now seems to have pervaded the floor of parliament. In post-apartheid South Africa, economic slowdown is found to be a precursor of a rise in public protest. Young people are more ready than other age groups to take direct political action. Micro-level evidence shows that 'unfulfilled expectations' with respect to one's own perceived income potential is the strongest predictor of propensity to protest.

Research Brief 17

Title: Financial Networks – State of the Art and Open Challenges

Co-Pierre Georg, November 2014

Abstract: The 2008 crisis caught most policymakers, including supervisors and central banks, off guard. Standard models said that diversification had enabled the financial system to withstand even fairly large shocks—including tremors in the sub-prime mortgage market. These models did not anticipate the knock on effects of the collapse of Lehman Brothers, and how shocks could reverberate through the global financial system.

Research Brief 18

Title: The Eurozone interbank market "freeze" under the microscope: lessons from TARGET2

Silvia Gabrieli and Co-Pierre Georg, March 2015

Abstract: Eurozone banks become sensitive to counterparty characteristics after the Lehman Brothers' insolvency but do not stop lending altogether, contrary to the common narrative. Banks rather start hoarding liquidity by shortening the maturity of their interbank assets. The subsequent change in turnover volumes is accompanied by a significant structural change of the interbank network. We show that this structural change is indeed relevant: Banks with higher network centrality have better access to liquidity and make higher intermediation spreads.

Research Brief 19**Title:** User Fee Abolition in South Africa: 1994 and 1996**Steve Koch**, April 2015

Abstract: In addition to birthing a new Democracy, 1994 was the beginning of a number of changes for health care delivery in South Africa. Officially, on June 1, 1994, public health care user fees were abolished for a wide swath of the population. As long as young children (those under six years of age), elderly adults (females over 60 and males over 65), pregnant women and nursing women were not covered by a medical aid scheme, they were eligible to access public health care, including most curative care services, without any user charges. On April 1, 1996, this policy was extended to the rest of the South African population, as long as they were not living in a household earning more than R100 000 per year (in 1995 prices).

Research Brief 20**Title:** Does Massive Research Funding Work?: Lessons from South Africa**Johannes W. Fedderke and Marcela Goldschmidt**, April 2015

Abstract: Does research output increase significantly when funding allocation is concentrated on a small number of elite researchers? We examined this question by exploiting the design features of funding mechanisms used by the South African National Research Foundation (NRF). The NRF allocates large funding (\$150,000 - \$300,000 per annum for a minimum of 5 years, renewable to a maximum of 15 years) to 80 research chair holders selected by the NRF as world-class in their fields. The introduction of this mechanism in 2008 identifies a discrete time point after which the performance of the research chair holders can be contrasted with the performance of comparable researchers who did not receive the funding allocation associated with the chairs.

Research Brief 21**Title:** Intergenerational earnings mobility and equality of opportunity in South Africa**Patrizio Piraino**, April 2015

Abstract: A positive correlation between the income of parents and that of their adult offspring is found in almost every country for which data are available. This is true for several types of income (e.g. earnings, total market income, welfare receipts etc...) and for societies with differing political and economic institutions. The international literature has suggested that countries with a higher degree of cross-

sectional inequality tend to have less economic mobility across generations (Corak, 2013). This relationship is sometimes known as the 'Great Gatsby Curve'. From this perspective, South Africa represents a very interesting case to study, being characterized by high and enduring levels of income inequality.

Research Brief 22

Title: Municipal assessments versus actual sales price information in hedonic price studies: A South African case study

Mario du Preez and Michael Sale, April 2015

Abstract: The hedonic price model is generally used to estimate the effects of non-market amenities and disamenities on adjacent property values (Rosen, 1974). The source of data on housing prices is an important theoretical consideration to take into account when deciding on the appropriate dependent variable to use for a hedonic price analysis, with data on actual market transactions being preferable, as opposed to assessed values (Kiel & Zabel, 1999; Cotteleer & van Kooten, 2012; Ma & Swinton, 2012). The contribution of this study is to provide a complete analysis and statistically test for differences in parameter estimates obtained from assessed values versus actual sales prices. To achieve this, a Seemingly Unrelated Regression (SUR) hedonic price model consisting of two equations was estimated - one with municipal assessed values as the dependent variable and the other employing actual sales prices as the dependent variable. The resulting parameter estimates were then compared. In order to answer the research question, 170 residential properties in the neighbourhood of Walmer, Nelson Mandela Bay were analysed in terms of the influence of select structural and neighbourhood characteristics on both the sales prices and the assessed values. More specifically, each hedonic equation consisted of nine structural housing characteristics and two neighbourhood characteristics.

Table 3 : ERSA Working Paper – Publication Breakdown

Number	Author/s	Title	Journal	Ranking
01	J Fedderke, C Kularatne & M Mariotti	Mark-up Pricing in SA Industry	2007, Journal of African Economies	International
02	M Demertzis & N Viegli	Inflation Targets as Focal Points	2008, International Journal of Central Banking	International
03	S Hassan	Optimal timing of defections from price-setting cartels in volatile markets	2006, Economic Modelling,	International
05	J Fedderke, J Luiz & R de Kadt	Using Fractionalization Indexes: deriving methodological principles for growth studies from time series evidence	2008, Social Indicators Research,	International
06	L Edwards & A Behar	Trade liberalisation and labour demand within SA manufacturing firms	2006, Studies in Economics and Econometrics,	National
12	J Fedderke & A Romm	Growth Impact and Determinants of Foreign Direct Investment into SA, 1956-2003	2006, Economic Modelling,	International
15	J Fedderke & J Luiz	The Political economy of institutions, stability and investment: a simultaneous equation approach in an emerging economy – the case of SA	2008, Journal of Development Studies,	National

18	J Fedderke & P Flamand	Macroeconomic News 'Surprises' and the Rand/Dollar Exchange Rate	2005, Studies in Economics & Econometrics,	National
21	K Pauw & L Edwards	Evaluating the general equilibrium effects of a wage subsidy scheme for SA	2006, South African Journal of Economics,	Internationally ranked
22	J Fedderke & J Luiz	Fractionalization and long-run economic growth: Webs and direction of association between the economic and the social – SA as a time series study	2007, Applied Economics,	International
23	J Fedderke & G Szalontai	Industry concentration in SA manufacturing industry: trends and consequences, 1972-96	2008, Economic Modelling,	International
24	S Koch	The AID and MAID Systems: South African Household Data Pitfalls	2007. Studies in Economics and Econometrics,	National
26	J Fedderke	An analysis of industry concentration in SA manufacturing, 1972-2001	2009, Applied Economics	International
27	J Fedderke	Technology, human capital and growth	2006, SARB, Banco de Mexico and the People's Bank of China (eds). Economic Growth, Proceedings of a G20 seminar held in Pretoria, SA on 4 – 5 August 2005.	International
28	J Kibambe & S Koch	South African Hospital Efficiency: DEA Applied to a Gauteng Sample of SA Public Hospitals	2007, South African Journal of Economics	Internationally ranked
29	J Fedderke & J Luiz	Does human generate social and institutional capital? Exploring evidence from time series data in a middle income country	2008, Oxford Economic Papers	International

31	C Simkins	The determinants of educational attainment	2012, Economic History of Developing Regions	National
32	A Zimper	A fixed point characterization of the dominance solvability of lattice games with strategic substitutes	2007, International Journal of Game Theory	International
33	W Simbanegavi	Informative Advertising: Competition or Cooperation?	2009, Journal of Industrial Economics	International
36	Z Bogetic & J Fedderke	Forecasting investment needs in SA's Electricity and Telecom Sectors	2006, South African Journal of Economics	Internationally ranked
38	P Burger & M Marinkov	The SA Phillips curve: How applicable is the Gordon model?	2008, South African Journal of Economics	Internationally ranked
39	J Fedderke & Z Bogetic	Infrastructure and growth in SA: Direct and indirect productivity impacts of 19 infrastructure measures	2009, World Development	International
40	A Guerdjikova and A Zimper	Flexibility of choice versus reduction of ambiguity	2008, Social Choice and Welfare	International
42	N Samouilhan	The relationship between international equity market behaviour and the JSE	2006, South African Journal of Economics	Internationally ranked
43	J Fedderke	Industry structure and labour markets flexibility in the SA manufacturing sector: A time series and panel data approach	2011, Economic Modelling	International
47	U Schmidt & A Zimper	Security and potential level preferences with thresholds	2007, Journal of Mathematical Psychology	International

49	N Samouilhan	The Price of Risk on the JSE	2007, South African Journal of Economics	Internationally ranked
50	A Kabundi	Synchronization between SA and the US: A structural dynamic factor analysis	2009, South African Journal of Economics	Internationally ranked
51	R Gupta	Forecasting the SA Economy: A DSGE- VAR approach	2010, Journal of Economic Studies	International
52	E Muchapondwa, F Carlsson & G Kohlin	Can local communities in Zimbabwe be trusted with wildlife management?: Evidence from contingent valuation of elephants	2008, South African Journal of Economics	Internationally ranked
54	P Aghion, M Braun & J Fedderke	Competition and productivity growth in South Africa	2008, Economics of Transition	International
55	J Geldenhuys & M Marinkov	Robust estimates of Okun's Coefficient for South Africa	2007, South African Journal of Economics	Internationally ranked
56	D Lam, C Ardington & M Leibbrandt	Schooling as a lottery: Racial differences in school advancement in urban South Africa	2010, Journal of Development Economics	International
57	D Casale & D Posel	Bridewealth and the marital earnings premium for men	2010, Economic Dev & Cultural Change	International
58	A Zimper	Half empty, half full and the possibility of agreeing to disagree	2009, Journal of Economic Behaviour and Organization	International
59	C Ardington, A Case and V Hosegood	Labor supply responses to large social transfers: longitudinal evidence from South Africa	2009, American Economic Journal, Applied Economics	International

60	W Simbanegavi	Exchange Rates and Product Variety	2009, International Journal of Finance and Economics	International
61	D Posel & C Muller	Is there evidence of a wage penalty to female part-time employment in South Africa?	2008, South African Journal of Economics	Internationally ranked
63	D Hodge	Economics, realism and reality: a comparison of Maki and Lawson	2008, Cambridge Journal of Economics	International
64	N Pillay	Theory consistent formal risk measures	2010, Oxford Bulletin of Economics and Statistics	International
65	W Akpalu, E Muchapondwa & P Zikhali	Can the restrictive harvest period policy conserve mopane worms in Southern Africa? A bio-economic modelling approach	2009, Environment and Development Economics	International
67	M Bittencourt	Inflation and financial development: Evidence from Brazil	2010, Economic Modeling	International
68	R Gupta & J Uwilingiye	Measuring the welfare cost of inflation in South Africa	2008, South African Journal of Economics	Internationally ranked
72	H Amusa	Fiscal Illusion at the local sphere: An empirical test of the flypaper effect using SA municipal data	2008, South African Journal of Economics	Internationally ranked
74	A Zimper	A parsimonious model of subjective life expectancy	2013, Theory & Decision	International
75	S Muller	Begging the question: Permanent Income and Social Mobility	2010, Economic Letters 108: 291-295	International

76	C Ardington, M Leibbrandt	Orphanhood and Schooling in SA: Trends in the vulnerability of orphans between 1993 & 2005	2009, Economic Development and Cultural Change	International
77	A Hofmeyr, J Burns and M Visser	Income Inequality, Reciprocity and public good provision: An experimental analysis	2007, South African Journal of Economics	Internationally ranked
78	J Fedderke & Simbanegavi	Price Elasticities and Pricing Power in Emerging Markets: The Case of Petrochemical-Derived Plastics in South Africa	2012, South African Journal of Economics	Internationally ranked
79	M Aziakpono	Exchange rate pass-through to import prices in SA	2008, South African Journal of Economics	Internationally ranked
81	R Gupta & E Ziramba	Costly tax enforcement and financial repression	2008, Review of Banking, Finance and Monetary Economics	International
83	A Hofmeyr	Social networks and ethnic niches: An econometric analysis of the manufacturing sector in SA	2010, South African Journal of Economics	Internationally ranked
84	L Bonga-Bonga	Modelling the rand-dollar future spot rates: The Kalman Filter approach	2008, African Finance Journal	National
86	M Bittencourt	Macroeconomic performance and inequality: Brazil 1983-1994	2008, The Developing Economies	International
89	W Boshoff & J Fourie	Ship Traffic and the economy of the Cape Colony: 1652-1794.	2010, European Review of Economic History	International
90	E Muchapondwa	Estimation of the aggregate agricultural supply response in Zimbabwe: the ARDL approach to cointegration	2009, Afjare	National

91	W van der Merwe & J Burns	What's in a name? Racial identity and altruism in post-apartheid South Africa	2008, South African Journal of Economics	Internationally ranked
92	A Zimper	Asset pricing in a lucas 'fruit-tree' economy with the best and worst in mind	2011, Journal of Economic Dynamics & Control	International
93	J Fedderke	Testing creative destruction in an opening economy: The case of the SA manufacturing industries	2013, Economics of Transition	International
95	J Luiz	Perceptions regarding entrepreneurship in an emerging and culturally diverse economy: A SA survey	2011, SAJEMS	National
97	A Zimper	Revisiting independence and stochastic dominance for compound lotteries	2008, B E Journal of Theoretical Economics	International
98	L Bonga-Bonga	National savings and fiscal policy in SA: An empirical analysis	2009, Acta Academica	National
101	M Bittencourt	Macroeconomic performance & inequality: Brazil 1983-1994	2009, The Developing Economies	International
102	E Giovannetti	Asymmetry and discrimination in internet peering: evidence from the LINX	2009, International Journal of Industrial Organization	International
103	S Das	Adaptive Bayesian Analysis for Binomial Proportions	2009, South African Statistical Journal	National
104	A Zimper	On attitude polarization under Bayesian learning with non-additive beliefs	2009, Journal of Risk and Uncertainty	International

109	E Gilbert	Does survivorship bias really matter? An empirical investigation into its effects on the mean reversion of share returns on the JSE securities Exchange (1984-2006)	2010, Investment Analysts Journal, Vol 72	National
111	J Fedderke, & W Simbanegavi	SA Manufacturing industry structure and its implications for competition policy	2008, Journal of Development Perspectives	National
112	F Gwenhamo	Measuring institutions: The Zimbabwean Case	2012, The Journal of Peace Research	International
113	D Casale & D Posel	Unions and the gender wage gap in South Africa	2010, Journal of African Economies	National
115	L Rangasamy	How persistent is SA's inflation	2009, South African Journal of Economics	Internationally ranked
116	W Krugell	Local municipalities and progress with the delivery of basic services in SA	2010, South African Journal of Economics	Internationally ranked
118	J Luiz	Factors influencing foreign direct investment of SA financial services firms in sub-saharan Africa	2009, International Business Review	International
119	D Hodge	Growth, employment and unemployment in SA	2009, South African Journal of Economics	Internationally ranked
120	E Muchapondwa	Using economic incentives in conservation oriented regional management in Southern Africa	2012, Journal of Sustainable Development	National
122	L Bonga Bonga	Forward exchange rate puzzle: joining the missing pieces in the rand-US dollar exchange market	2009, Journal of Studies in Economics and Econometrics	National

130	W Akpalu	Ostracism and common pool resource management in a developing country: young fishers in the laboratory	2011, Journal of African Economies	International
135	E Muchapondwa	Assessing the viability of small-scale wind turbines in different scenarios in SA	2011, Journal of Energy in Southern Africa	National
139	R Seymore	The impact of an electricity generation tax on the SA economy	2010, Journal of Studies in Economics and Econometrics	National
141	J van Heerden	Is Water Shedding Next?	2009, Water SA	National
142	S Koch	Dynamic Health Care Decisions and Child Health in SA	2010, Journal of Income Distribution	International
144	F Gwenhamo	Foreign direct investment in Zimbabwe: the role of institutional factors	2011, South African Journal of Economics	Internationally ranked
146	M Aziakpono	Dynamic returns linkages and volatility transmission between SA and the world market equity markets	2009, Journal of Studies in Economics and Econometrics	National
147	H Bezuidenhout	A regional perspective on Aid and FDI in Southern Africa	2009, Int Adv Econ Res	International
149	A Kabundi	Could we have predicted the recent downturn in the South African housing market?	2009, Journal of Housing Economics	International
150	J Luiz	Evaluating the performance of SA economics departments and economists	2009, South African Journal of Economics	Internationally ranked

153	D Posel & D Casale	Sex ratios and racial differences in marriage rates in South Africa	2011, Applied Economics	International
154	S Hassan	In sample predictability does not imply opportunities for profitable trading in real time: evidence from the cross-section of SA common stocks	2011, Australian Journal of Management	International
155	M Reid	Loud and Clear? Can we hear when the SARB speaks?	2010, South African Journal of Economics	Internationally ranked
156	S Hassan	The equity premium and risk-free rate puzzles in a turbulent economy: evidence from 105 years of data from SA	2010, South African Journal of Economics	Internationally ranked
157	Er Danan, A Guerdjikova & A Zimper	Indecisiveness aversion and preference for commitment	2011, Theory and Decision	International
158	R Burger et al	Rising unemployment in a growing economy: A business cycle, generational and life cycle perspective of post-transition South Africa's labour market	2014, Studies in Economics and Econometrics	National
160	D Igan, A Kabundi et al.	Three cycles: Housing, credit and real activity	2011, Journal of Housing Economics	International
161	U Schmidt & A Zimper	The harmonic sequence paradox reconsidered	2011: British Journal of Mathematical and Statistical Psychology	International
162	J Luiz & R Fidal	An economic analysis of sports performance in Africa	2011, International Journal of Social Economics	International
163	F Gwenhamo	The composition of foreign capital stocks in SA: the role of institutions and domestic risk	2013, Economic Modelling	International

165	J Fedderke	Measuring institutions: indicators of political rights, property rights and political instability in Malawi	2011, Social Indicators Research	International
168	Ayo Akanbi	Role of governance in explaining domestic investment in Nigeria	2012, South African Journal of Economics	Internationally ranked
169	M Bittencourt	Polarization, Populism and Hyperinflation: some evidence from Latin America	2012, Economic Governance	International
173	J Rossouw, V Padayachee & A Bosch	Inflation expectations and inflation credibility revisited: a multinomial analysis of SA data	2011, SAJEMS	National
177	J Agbor	How Colonial Education practices helped shape the pattern of decolonization in West Africa	2014, International Journal of Development and Conflict	International
178	R Hasson	Climate change disaster management: Mitigation and adaptation in a public goods framework	2010, Ecological Economics	International
179	J Kibambe	Some policy experiments using a marshallian macroeconomic model: Case of South Africa	2012, Macroeconomic Dynamics	International
181	D Casale & D Posel	English language proficiency and earnings in a developing country: the case of South Africa	2011, The Journal of Socio-Economics	International
182	S Hosking	The value of the trout fishery at Rhodes, North Eastern Cape, Sa: A travel cost analysis using count data models	2011, Journal of Environmental Planning and Management	International
183	M Sarr et al	On the Looting of Nations	2010, Public Choice	International

184	J Fourie	A history with evidence: Income inequality in the Dutch Cape Colony	2011, Economic History of Developing Regions	International
187	Z Chinzara	Macroeconomic uncertainty and emerging market stock market volatility: the case for South Africa	2011, South African Journal of Economics	Internationally ranked
189	R Naraidoo & I Paya	Forecasting monetary policy rules in South Africa	2011, International Journal of Forecasting	International
191	M Bittencourt	Financial development and economic growth in Latin America: is Schumpeter right?	2012, Journal of Policy Modelling	International
193	D Casale	Indirect taxation and gender equity: evidence from South Africa	2012, Feminist Economics	International
194	J Luiz	Foreign direct investment and the internationalization of SA mining companies into Africa	2013, Emerging Markets, Finance and Trade	International
195	N Monkam	Mobilizing tax revenue to finance development: The case of property taxation in francophone Africa	2011, Public Finance & Management, Vol 11	National
196	M Chitiga	Analysing alternative policy responses to high oil prices using an energy integrated CGE micro simulation approach for SA	2012, Environment and Development Economics	International
198	Z Chinzara	Risk return tradeoff and the behavior of volatility on the South African stock market: Evidence from both aggregate and disaggregate data	2012, South African Journal of Economics	Internationally ranked
202	A Duncan	Volatility spillovers across SA asset classes during domestic and foreign financial crises	2012, Economic Modelling	International

203	R Inglesi-Lotz & J Blignaut	SA's electricity consumption: A sectoral decomposition analysis	2012, Applied Energy	International
205	D Posel	Gendered trends in poverty in the post-apartheid period: 1997-2006	2012, Development Southern Africa	National
204	R Inglesi-Lotz	Electricity intensities of the OECD and South Africa: a comparison	2012, Renewable and Sustainable Energy Reviews	National
205	D Posel	Gendered trends in poverty in the post-apartheid period: 1997-2006	2011, The Journal of Socio-Economics	International
208	A Zimper	Optimal liquidity provision through a demand deposit scheme: The Jacklin critique revisited	2012, German Economic Review	International
209	J Eita	Determinants of stock market prices in Namibia	2012, Journal of Applied Business Research	National
210	D Casale	Relative standing and subjective well being in Sa, the role of perceptions expectations and income mobility	2011, Social Indicators Research	International
212	S Koch	An analysis of Specialist Surgeons and their practices	2011, SAJEMS	National
213	J Fourie	Settler skills and colonial development	2013, Economic History Review	International
215	F Tregenna	What are distributional implications of halving poverty in South Africa when growth alone is not enough?	2011, Applied Economics	International

217	H Ngalawa	Dynamic effects of monetary policy shocks in Malawi	2011, South African Journal of Economics	Internationally ranked
219	J Luiz	Constructing institutional measures: indicators of political and property rights in Mozambique, 1900-2005	2013, International Journal Policy, Admin & Institutions	International
220	J Fedderke	How do rights matter?	2013, World Development	International
221	D Liu	Business Cycle and Bank Capital Regulation: Basel II Procycliality	2012, Economic Modelling	International
222	J Luiz	Determinants of Foreign Direct Investment of South African telecommunications firms into sub-saharan Africa	2012, Telecommunications Policy	International
226	W Boshoff	Gasoline, diesel fuel and jet fuel demand in South Africa	2012, J.Stud.Econ.Econometrics	National
227	K Brick et al.	Risk Aversion: Experimental Evidence from South African Fishing communities	2012, American Journal of Agricultural Economics	International
229	S Koch	Clean fuel-saving technology adoption in Urban Ethiopia	2013, Energy Economics	International
232	M Kohler	Measuring the impact of trade finance on South African export flows	2011, SAJEMS	National
237	K Behrens & A Pholo-Bala	Do rent seeking and interregional transfers contribute to urban primacy in sub-saharan Africa?	2011, Papers in Regional Science	International

238	G Verhoef	Global since Gold: The globalization of conglomerates: explaining the experience from SA: 1990-2009	2011, The Globalization of South African Conglomerates, 1990-2009	National
239	M du Preez et al	The recreational value of beaches in the Nelson Mandela Bay area, South Africa	2011, J Stud Econ Econometrics	National
240	A Zimper	Do Bayesians learn their way out of ambiguity?	2011, Decision Analysis	International
241	M du Preez	The impact of social housing developments on nearby property prices: A Nelson Mandela bay case study	2013, South African Journal of Economics	Internationally ranked
243	W Akpalu	Demand for cooking fuels in a developing country: To what extent do taste and preferences matter?	2011, Energy Policy	International
244	C Delavallade	What drives corruption? Evidence from North African Firms	2013, Journal of African Economics	International
245	S Koch	Property rights, institutions and source of fuel wood in rural Ethiopia	2013, Forest Policy and Economics	International
248	S Koch	Does one size fit all? Heterogeneity in the valuation of community forestry programmes	2011, Ecological Economics	International
249	J Visagie	A reconsideration of what and who is middle class in South Africa	2013, Development Southern Africa	National
250	M Cakir	Trade Shocks from BRIC to South Africa; A Global VAR Analysis	2013, Economic Modelling	International

251	J Luiz	The economics of information technology in public sector health facilities in developing countries: the case of South Africa	2013, BMC Medical Informatics & Decision Making	International
252	L Bonga-Bonga	Volatility spillovers between the equity markets and foreign exchange market in South Africa	2013, South African Journal of Economics	Internationally ranked
253	A Duncan	Global financial crises and time-varying volatility co-movement in World Equity Markets	2013, South African Journal of Economics	Internationally ranked
257	J Dikgang	The valuation of biodiversity conservation by the SA Khomani San 'bushmen' community	2012, Ecological Economics	International
258	M du Preez et al	Measuring the indirect costs associated with the establishment of a wind farm: An application of the contingent valuation model	2012, Journal of Energy in Southern Africa	National
260	J Fourie	The Determinants of African Tourism	2012, Tourism Management	International
261	C Claasen	Chinese Foreign Direct Investment in Africa	2012, African Journal of Business Management	National
264	J Ngoie	Modeling and policy analysis for the US Science Sector	2013, Journal of Policy Modeling	International
265	M du Preez	Determining the impact of low-cost housing development on nearby property prices using discrete choice analysis	2012, J.Stud. Econ Econometrics	National
268	J Fourie	The wealth of the Cape Colony: measurements from probate inventories	2012, Economic History Review	International

270	J Baten et al	Slave numeracy in the Cape Colony and comparative development in the 18 th century	2014, The Economic History Review	International
271	L Grzybowski	Fixed-to-Mobile substitution in the European Union	2014, Telecommunications Policy	International
275	D Liu	Will the SARB always succeed in fighting inflation with contractionary policy?	2013, South African Journal of Economics	Internationally ranked
277	D Gelo et al	The impact of common property right forestry: Evidence from Ethiopian Villages	2014, World Development	International
280	A Zellner et al	Evaluation of the Effects of Reduced Personal and Corporate Tax Rates on the Growth Rates of the U.S. Economy	2014, Economic Reviews	International
282	W Krugell et al	Micro-evidence on day labourers and the thickness of labour markets in South Africa	2014, SAJEMs	National
283	A Mahomedy	Islamic Economics: Still in search of identity	2013, International Journal of Social Sciences	National
284	J Fourie et al	Literacy at South African Mission Stations	2014, Journal of Southern African Studies	National
285	T Leshoro	Estimating the inflation threshold for SA	2012, J.Stud.Econ.Econometrics	National
286	S Koch	The consistency of merger decisions in a developing country: the SA competition commission	2014, South African Journal of Economics	Internationally ranked

288	M Rogan	Poverty and headship in post-apartheid SA: 1997-2008	2012, Social Indicators Research	International
290	J Fedderke	The cost of rigidity: The case of the SA labour market	2012, Comparative Economic Studies	International
291	A Zimper	The emergence of 'fifty-fifty' probability in a conditional savage world	2012, Fuzzy Sets and Systems	International
293	J Fourie	Ethnic reunion and cultural affinity	2012, Tourism Management	International
294	J Snowball	Are arts events a good way of augmenting the economic impact of sports? The case of the 2010 Soccer World Cup and the National Arts Festival in SA	2013, International Journal of Arts Management	International
296	A Zimper	A decision-theoretic model of asset price underreaction and overreaction to dividend news	2012, Ann Finance	International
300	J Fedderke	The objectivity of NRF Peer Review Based Ratings in SA	2013, Scientometrics	International
303	E Makaudze	Assessing the economic value of El Nino Based seasonal climate forecasts for smallholder farmers in Zimbabwe	2012, Meteorological Applications	International
304	J Mbonigaba	The cost effectiveness of intervening in low and high HIV prevalence areas in South Africa	2013, South African Journal of Economics	Internationally ranked
308	I Kanyama	Quality of institutions: Does intelligence matter?	2013, Intelligence	International

316	A de Waal	Monetary policy and inflation in SA: A VECM augmented with foreign variables	2013, South African Journal of Economics	Internationally ranked
319	M Zerihun et al	A Greek Wedding in SADC? Testing for Structural Symmetry Towards SADC Monetary Integration	2014, The African Finance Journal	National
320	J Agbor et al	Does Famine Matter for Aggregate Adolescent Human Capital Acquisition in Sub-Saharan Africa?	2014, African Development Review	National
321	S Makanjari	Evaluating the prospects of benefit sharing schemes in protecting mountain gorillas in Central Africa	2013, Natural Resource Modelling	International
322	M Sarr	Risk preferences and environmental uncertainty: implications for crop diversification decisions in Ethiopia	2012, Environ Resource Economics	International
324	M Cakir	Business cycle and co-movements between South Africa and the BRIC countries	2013, Applied Economics	International
326	H Ngalawa	Interaction of formal and informal financial markets in quasi-emerging market economics	2013, Economic Modelling	International
328	A Maredza	The impact of the Global Financial Crisis on Efficiency and Productivity of the Banking system in SA	2013, Mediterranean Journal of Social Sciences	National
331	D Lee	Using a choice experiment to manage the excess demand challenges facing the Sundays River Estuary recreational fishery in SA	2014, Water South Africa	National
333	J Fedderke	The productivity impact of infrastructure in Turkey, 1987-2006	2014, J. Infrastructure Systems	International

335	I Kanyama	Time-varying parameters in the almost ideal demand system and the Rotterdam model: will the best specification please stand up?	2013, Applied Economics	International
337	P Blaauw	Happy in the informal economy? A case study of well being among day labourers in SA	2013, International Business & Economics Research Journal	International
339	D Lee et al	Improving navigability on the Kromme River Estuary: A Choice experiment application	2014, Water South Africa	National
343	M du Preez	A cost benefit analysis of concentrator photovoltaic technology use in SA: A case study	2013, Journal of Energy in Southern Africa	National
344	P Alagidede	Short run under pricing of initial public offerings (IPOs) in the JSE	2012, Review of Development Finance	International
348	A Mahomed	International trade and labour demand Elasticities: Is there any empirical evidence from SA	2013, J.Stud.Econ. Economics	National
349	F Botha	Life satisfaction and Education in SA: Investigating the role attainment and the likelihood of education as a positional good	2013, Social Indicator Research	International
352	J Dikgang et al	The effect of land restitution on poverty reduction among the Khomani San 'Bushmen' in South Africa	2015, South African Journal of Economics	Internationally ranked
356	M Kohler	Co2 emissions, energy consumption, income and foreign trade: A SA perspective	2013, Energy Policy	International
361	M Bittencourt	Economic Growth and inequality, evidence from young democracies South America	2014, Macroeconomic analysis & Int Finance	International

363	F Botha	Family functioning and life satisfaction and happiness in SA households	2013, Social Indicators Research	International
367	H Ngalawa	Southern African customs union revenue, public expenditures and HIV/AIDS in BLNS countries	2014, SAJEMS	National
369	J Mbonigaba	Modeling the cost-effectiveness of HIV/AIDS interventions in different socio-economic contexts in SA (2007-2020)	2013, Mediterranean Journal of Social Sciences	International
370	G Thondhlana et al	Dependence on environmental resources and implications for household welfare: Evidence from the Kalahari Drylands, South aFrica	2014, Ecological Economics	International
371	J Fourie	The Quantitative Cape, A review of the New Historiography of the Dutch Cape Colony	2014, South African Historical Journal	National
374	H Ngalawa	Anatomy of the Southern African customs union: structure and revenue volatility	2013, International business & economics research journal	International
377	F Tregenna	Sources of subsectoral growth in South Africa	2013, Oxford Development Studies	International
379	M du Preez	Nonparametric estimation of a hedonic price model: A SA case study	2013, J. Stud. Econ. Econometrics	National
381	M Reid et al	A Sticky Information Philips Curve for South Africa	2014, South African Journal of Economics	Internationally ranked
382	N Obikili	Social Capital and Human Capital in the Colonies: A study of Cocoa Farmers in Western Nigeria	2014, Economic History of Developing Regions	International

384	J Dikgang et al	The economic evaluation of dryland ecosystem services in the South African Kgalagadi area and implications for PES involving the Khomani San	2014, Journal of Environmental Economics and Policy	International
385	S du Plessis et al	Slave prices and productivity at the Cape of Good Hope from 1700 to 1725: Did everyone win from the trade?	2014, Cliometrica, Journal of Historical Economics and Econometric History	International
389	J W Fedderke et al	Does massive funding support of researchers work?: Evaluating the impact of the South African research chair funding initiative	2014, Research Policy	International
390	A Zimper	Biased Bayesian learning with an application to the risk-free rte puzzle	2014, North American Journal of Economics & Finance	International
395	J Visagie	Race, Gender and Growth of the Affluent Middle Class in Post-Apartheid South Africa	2014, Development Southern Africa	National
396	M Kohler	Differential electricity pricing and energy efficiency in SA	2013, Energy	International
399	A Zimper	On the impossibility of insider trade in rational expectations equilibria	2014, North American Journal of Economics & Finance	International
401	J Snowball	Transformation, job creation and subsidies to creative industries: the case of SA film and TV sector	2013, International J of Cultural Policy	International
407	L Grzybowski	Estimating broadband diffusion in the EU using NUTS 1 regional data	2014, Telecommunications Policy	National
410	D King et al	Modelling stock return volatility dynamics in selected African markets	2014, Economic Modelling	International

413	S Oumar et al	An assessment of the performance of the Cameroon water corporation for the period 1967 to 2013	2014, Journal of Applied Business Research	National
421	N Balchin et al	A disaggregated analysis of product price integration in the Southern African Development Community	2014, Journal of African Economies	International
422	A Kabundi et al	Monetary policy and heterogeneous inflation expectations in South Africa	2014, Economic Modelling	International
429	S Chetty et al	The experience of private investment in the South Africa water sector: The Mbombela Concession	2014, Development Southern Africa	National
430	A Brink et al	Did primary healthcare user fee abolition matter? Reconsidering South Africa's experience	2014, Development Southern Africa	National
440	S Mishi et al	Remittances and Sustainability of Family Livelihoods: Evidence from Zimbabwe	2014, Journal of Economics and Behavioural Studies	National
441	F Botha	The Good African Society Index	2014, Social Indicators Research	International
446	H Ngalawa	A portrait of informal sector credit and interest rates in Malawi: Interpolated monthly time series	2014, The African Finance Journal	National
448	P Piraino	Intergenerational earnings mobility and equality of opportunity in South Africa	2014, World Development	International
459	W Krugell	The Spatial Persistence of Population and Wealth During Apartheid: Comparing the 1911 and 2011 Censuses	2014, Economic History of Developing Regions	National

Policy Papers

01	J Fedderke	From Chimera to Prospect: SA Sources of and Constraints on Long Term Growth, 1970-2000	2006, in Borat, H. and Kanbur, R., eds., Poverty and Policy in Post Apartheid South Africa, HSRC Press	National
02	S Koch & M Peet	Non-tariff Barriers Faced by SA Firms: Are there any Lessons?	2007, South African Journal of Economic and Management Sciences	National
07	Z Bogetic & J Fedderke	International Benchmarking of South Africa's Infrastructure Performance	2006, Journal of Development Perspectives	International
10	C van Walbeek	Official revisions to SA National accounts data: magnitudes and implications	2006, South African Journal of Economics	Internationally ranked
13	Evan Blecher	The impact of tobacco advertising bans on consumption in developing countries	2008, Journal of Health Economics	International

Statement by the Chair of the ERSA Editorial Committee

The Board

ERSA

Dear Sirs/Madams

ERSA Working Paper Series – April 2014 to March 2015

On behalf of the editorial committee I would briefly like to report on the state of the ERSA Working Paper Series (hereafter "The WPS").

Since the start of the WPS in 2005, we have accepted and published 510 working papers, 20 policy papers and 25 research briefs.

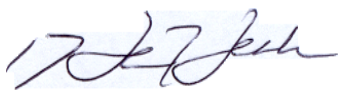
The popularity of the WPS has been growing, and this is clear from the fact that in the period Jan 14 – March 15 there were 185 papers received and sent out for review. 18 of these were accepted unconditionally, 10 were rejected outright, while most others were sent back with comments to be revised and resubmitted. During the above mentioned reporting period, 85 working papers were published.

The editorial committee has been expanded to 14 persons to include all the recently appointed "Affiliates" of ERSA. These persons are leading researchers in South Africa and can publish in the WPS without review, if they so wish. They would only receive funding for the research upon publication in recognized journals.

The electronic platform, namely ScholarOne Manuscripts, to which we moved about a year ago, is working very well and we have addressed most if not all teething problems with it.

The WPS is still the premier series in Economics to publish the first versions of significant research articles, and will continue to encourage more and better research in Economics in the future.

Yours truly,



Jan van Heerden

4. ERSA Sponsored Visitors

ERSA provides funding for international visitors to attend both ERSA Workshops and stand alone visits to South African academic institutions.

See below a list of international visitors to ERSA Workshops in the 2014 – 2015 period.

1. James Fenske, University of Oxford – Presented at the Climate, geography and African economic history workshop, held at the Monkey Valley Resort 28-30 May 2014.
2. Edward Kerby, London School of Economics – Presented at the Climate, geography and African economic history workshop, held at the Monkey Valley Resort 28-30 May 2014.
3. Alfonso Herranz Loncan, Universitat de Barcelona – Presented at the Climate, geography and African economic history workshop, held at the Monkey Valley Resort 28-30 May 2014.
4. Andreas Freytag, Friedrich Schiller Universitat Jena – Presented at the Political Economy/Public Choice Economics, held at the Soweto Hotel and Conference Centre, 18-19 September 2014.
5. Bryan Peter Rosendorff, New York University – Presented at the Political Economy/Public Choice Economics, held at the Soweto Hotel and Conference Centre, 18-19 September 2014.
6. Stefan Voigt, Universitat Hamburg – Presented at the Political Economy/Public Choice Economics, held at the Soweto Hotel and Conference Centre, 18-19 September 2014.
7. Pierre Fleckinger, CES-Centre d'Economie de la Sorbonne – Presented at the “Economies with Asymmetric Information”, held at the University of Pretoria, 10-11 November 2014.
8. Wanda Mimra, ETH Zürich – Presented at the “Economies with Asymmetric Information”, held at the University of Pretoria, 10-11 November 2014.
9. Martine Mariotti, Australian National University – Presented at the Training workshop for Graduate Students: South African Economic History, held at the Farm Inn, Pretoria North, 20-22 November 2014.

10. Katherine Eriksson, Cal Poly – Presented at the Training workshop for Graduate Students: South African Economic History, held at the Farm Inn, Pretoria North, 20-22 November 2014.
11. Jan Luiten van Zanden, Utrecht University – Presented at the Training workshop for Graduate Students: South African Economic History, held at the Farm Inn, Pretoria North, 20-22 November 2014.
12. Kris Inwood, University of Guelph – Presented at the Training workshop for Graduate Students: South African Economic History, held at the Farm Inn, Pretoria North, 20-22 November 2014.
13. Sascha Steffen, European School of Management and Technology – Presented at the “Emerging Market Economies, Global Financial Conditions and Growth Prospects”, held at the SARB Conference Centre, Pretoria, 27-28 November 2014.
14. Franklin Allen, Imperial College London – Presented at the “Emerging Market Economies, Global Financial Conditions and Growth Prospects”, held at the SARB Conference Centre, Pretoria, 27-28 November 2014.
15. Christopher Redl, Queen Mary University London – Presented at the “Emerging Market Economies, Global Financial Conditions and Growth Prospects”, held at the SARB Conference Centre, Pretoria, 27-28 November 2014.
25. Joost Jonker, Utrecht University – Guest Speaker at the Savings, credit and debt in South African History held at the School of Tourism and Hospitality, University of Johannesburg, from 21 to 24 January 2015.
26. J.Riad Rezzik, The Graduate Institute, Geneva – Presented at the Savings, credit and debt in South African History held at the School of Tourism and Hospitality, University of Johannesburg, from 21 to 24 January 2015.
27. Jan van Ours, Tilburg University – Guest-speaker at the Microeconomics: Imperfect Labour Markets workshop held at the Park Inn Hotel from 19 to 20 February 2015.
28. Frank Riedel, Bielefeld University – Guest Speaker at the Knightian Uncertainty in Economics and Finance held at the University of Pretoria from 18 to 19 February 2015.
29. Caroline Buts, Vrije Universiteit Brussel – Presented at the Economics of Competition and Industrial Organization held at the Stellenbosch Institute for Advanced Study, Stellenbosch, 9 to 10 March 2015.

30. Luke Froeb, Vanderbilt University – Presented at the Economics of Competition and Industrial Organization held at the Stellenbosch Institute for Advanced Study, Stellenbosch, 9 to 10 March 2015.
31. Katja Seim, Wharton University of Pennsylvania – Presented at the Economics of Competition and Industrial Organization held at the Stellenbosch Institute for Advanced Study, Stellenbosch, 9 to 10 March 2015.
32. James Cox, Georgia State University, Presented at the Special workshop on Public Goods Games and Experiments held at the Premier Hotel Regent, East London – 16-17 March 2015.
33. Susan Laury, Georgia State University, Presented at the Special workshop on Public Goods Games and Experiments held at the Premier Hotel Regent, East London – 16-17 March 2015.

Stand alone visits are intended to initiate an exchange of leading research methodologies between SA based researchers and leading international academics. Ideally, the purpose is to build long-term collaboration research activity between SA and international researchers.

5. ERSA Economics Prizes

As a means of incentivizing study in economics, ERSA introduced a mechanism for the recognition in student performance in the economics discipline.

To this end, the Academic Committee introduced monetary awards to the best two economics students in South Africa across all universities, in each year of study. While very moderate in amount, the prizes nevertheless allow universities to recognise the best achievers in each year of study, and to motivate them to continue studying further in economics.

The prizes are R1000 for the first placed student, and R800 for the second placed student.

The following universities have applied for and are being awarded the prizes for their top students and are also given a donation of R3500 towards hosting a departmental social function to honour their top students. Details of student prize winners are listed in Table 4.

Table 4: Prize Winning Students

Institution	Placing	First Year	Second Year	Third Year	Honours	Masters	PhD
Monash U	First Place	Y.S. Mankanda	M. Hall	M. Chiwawa			
	Second Place	N. Nelson	C. Williams	K. Corlett			
Nelson Mandela Metropolitan U	First Place	B. Viljoen	R.B. Heilig	S. Botha	S. Makubalo	C. Nyiranshuti C.Z. Moyo	N. Mupunga A. Nsabimana
	Second Place	J. Venter	N.C. Apopo	S.C.S. Saldnha	A.S. Guma	A.J.L Atsin	
North West U Potchefstroom Campus	First Place	L. Van der Lith	J. Moller	C. Olivier	H. Nel	C. Maritz	
	Second Place	B. Schoonraad	V. Frazao	K. Sher	H. Hardus	S. Geldenhuys	
North West U Vaal Campus	First Place	J.M. Pieterse	T. Mjeso	J. De Jongh	A. Stiglingh		
	Second Place	N.S.B. Mthethwa	N. Mogagabe	B. Snyman	P.G. Mdluli		
Tshwane University of Technology	First Place	T.M. Thabana	S. Plaakie	N.L. Mahlangu	M.T. Matjokotja		
	Second Place	G.D. Mashala	K.O. Mahlaela	S.K. Mahlangu	M.C. Sgudla		
U Cape Town	First Place	J.J. Thunde	M.D. Dyer	D.C. Ferrandi	C. Russell	R. Bowdery	K. Brick
	Second Place	J.J. Nicholson	L. Holdcroft	C. Pretorius	A. Pople	L. Martin	R. Charlton S. Muller
U Fort Hare – Alice	First Place	S. Ntloya	S. Mazwane	M. Zimunya	E. Mutambirwa		
	Second Place	Z. Somtunzi	T. Maxam	P. Chairuka	Z. Dube		
U Fort Hare – E.L	First Place	A. Dzuda	A. Kopeledi	L. Gobo	N. Ndlovu		
	Second Place	E. Nohaya	S. Caza	S. Leve	P.Ngonisa		
U Free State	First Place	S. Botha K. Lin N. Badenhorst S. du Toit	W. Nel				
	Second Place	J. Botha	D. Basson				
U Johannesburg	First Place	T.M. Ngoasheng	S.G. Sekele	X.S. Stander	E.S.E.F. Angaman	N. Motloung	J.L. Erero J.M.M. Viljoen
	Second Place	S.O. Setshedi	N. Magaga	S.T. Amoils	G. Russel	O.N. Sentsho	
U Limpopo	First Place	F.K. Mabye A.C. Ndlovu	K.C. Maluleke	B.K. Makgabo	P.P. Manenzhe		
	Second Place	R. Tshautshau S.N. Sithole	K.E. Shadung	P. Nhlanguwini	M.M. Rasebotsa		
U Pretoria	First Place						
	Second Place						

U Stellenbosch	First Place	G. Draaijer	P. Govindasamy	C.J. Thomson	L. McLean	C. Hart	
	Second Place	N. Botha	A. Duminy	K. Smuts	R. Foster	W, Coetzee	
U Western Cape	First Place	R. Mohonoe	T.M. Parring	X. Zhou	Z. Twala	M. Msoni	
	Second Place	L. Hartzenberg	J.K. Feder	K. Mungai	M.S. Williams		
U Witwatersrand	First Place	C. de Freitas	J. Harris	P. Rakgwahla	M. Jacobs	N. Kruger	
	Second Place	J. Kitamirike	C.A. Pienaar	M. Levin	N. Msimango	J. Kika	
Walter Sisulu U	First Place	A. Ngcuka	N. Nzama	A.N. Nomsobo	N.F. Ndzama		
	Second Place	M. Tshaka	S. Qwemeshe	T.T. James	L.Qwane		

6. ERSA Economics Scholarships

The ERSA Scholarship initiative was reinstated at the end of 2013. Ten scholarships to the value of R80000 were offered to South African citizens, enrolled full-time for a master's degree in Economics at a South African institution. Specific selection criteria were academic excellence and ability to succeed in a credible post-graduate programme in economics, with a further requirement for students, to work in South Africa as economists for the period of one year after obtaining the master's degree.

From a total of 40 applications received, ten candidates from a diverse range of institutions were unanimously selected by the scholarship committee (Profs Jan van Heerden (chair), Asrat Tsegaye and Dr Johan Fourie), to receive an upfront payment of R70000 to be followed by R10000 upon submission of their final dissertation to the ERSA working paper series.

See below list of Scholarship Awardees for 2015.

Student Name	Institution	Course
Lauren Canham	University of KwaZulu-Natal	Master's degree
Tom Harris	University of Cape Town	Master's degree
Malikah Jacobs	University of the Witwatersrand	Master's degree
Jesslyn Jonathan	University of the Witwatersrand	Master's degree
Mhlatse Mabeba	Rhodes University	Master's degree
Madgaline Maepa	North West University - Vaal	Master's degree
Sofia Monteiro	University of Cape Town	Master's degree
Ernest Nxumalo	University of Pretoria	Master's degree
Frances Rousseau	University of Stellenbosch	Master's degree



7. Skills Development

8 June 2014

Attention: ERSA Board
Economic Research Southern Africa
Claremont , Cape Town

Dear Sirs

Report: ERSA Skills Development Workshop (Time-series Econometrics)

In this document we present a report on the Workshop hosted by the Department of Economics at the University of Pretoria, between 26 and 30 May 2014.

A second cohort of 10 delegates attended the workshop which we believe also has achieved its objective of taking the first step towards deepening economic research capacity through the training of young academics employed in Economics departments at academic institutions in South Africa, given that the programme specifically targets individuals with limited econometrics background.

The report is organised under the following headings:

- Background;
- Selection of participants;
- Format and timing of delivery of the programme;
- Topics covered during the workshop; and
- Feedback from participants and our impressions.

We thank ERSA for the opportunity granted to the participants to be part of the programme and for lecturers from the University of Pretoria to be involved in the training.

Sincerely,

Renee van Eyden
Associate Professor

Ruthira Naraidoo
Associate Professor

Report: ERSA Skills Development Workshop
Time-series Econometrics Presented at the University of Pretoria
26 – 30 May 2014

Background

During November 2012 a proposal for the offering of basic Econometrics training for academics from South African universities was presented to, and accepted by the ERSA board. The motivation of the project stems from the fact that a significant number of academics affiliated with South African Universities, and employed within Economics departments around the country, are inadequately skilled in Econometrics. They are consequently not able to take advantage of the advanced training programmes in economic modelling techniques offered by ERSA, neither are they suitably equipped to conduct empirical research and/or supervise students. This project aims to bridge this gap by providing basic econometrics training at a level accessible to persons with limited background in Econometrics.

The approved project comprises three components to be offered to two cohorts of ten deserving academics each, selected from South African universities spread over a three-year period. The second workshop of the first component, focussing on Time-series Econometrics was offered during the week of 26 – 30 May 2014, with a first workshop focussing on Cross-section Techniques, to be presented during November 2014 and a Panel Data Econometrics course to follow during 2015).

Selection of participants

Given the large number of applications received by ERSA, a second cohort of 10 academics was selected by the ERSA Skills Development Committee. The group comprises representatives from: University of Fort Hare (4); Nelson Mandela Metropolitan University (1); University of KwaZulu Natal (1); University of Limpopo (1); University of the Witwatersrand (1); Tshwane University of Technology (1), and University of Johannesburg (1). Four delegates hold doctoral degrees, while the rest all hold master's degrees while pursuing, or planning to pursue doctoral qualifications.

From the set of CVs received, this group appeared better qualified and more experienced in terms of research than the previous group, as some of the individuals

have published and have supervised a number of students at Honours and Master's level. Some have extensive experience in cross-sectional analysis; however, their general time-series skills were limited, as per their own admission. More than half had never used the econometrics software (EViews in this case) before.

The participants in this workshop are listed below, together with their affiliation and most recent academic qualifications.

Title, Name and Surname	Institution and position	Highest previous qualification and current enrolment
Ndiadvha Sikhweni	HOD & Lecturer Department of Economics, Tshwane University of Technology	MA & MSc (Colorado), 2004, PhD (Agri) (University of Pretoria), 2014
Ronney Ncawdi	Associate Professor, Department of Economics, University of Fort Hare (Alice Campus)	PhD Economics (NMMU)
Deborah Du Preez	Lecturer, Department of Economics, Nelson Mandela Metropolitan University	DCom Economics (NMMU), 2012
Nina-Mari Taylor	Lecturer, Department of Economics, University of Fort Hare, East London campus	MCom Economics (Fort Hare) 2011, Currently enrolled for DCom (Fort Hare)
Sizwe Dlwangushe	Lecturer, Department of Economics, University of Fort Hare (Alice)	MCom Economics (Fort Hare) 2011
Mishi Syden	Lecturer Department of Economics, University of Fort Hare, East London campus	MCom Economics (Fort Hare) 2012, Currently enrolled for DCom (Fort Hare)
Gerry Bokana	Lecturer, School of Accounting, Economics and Finance, University KwaZulu Natal (Westville campus)	Doctoral degree
Hildah Mapula Lefophane	Lecturer, Department of Agricultural Economics, University of Limpopo	MSc (Agri) (Limpopo) 2012
Rubina Jogee	Lecturer, Department of Economics, University of the Witwatersrand	MCom Economics (WITS) 2009, Currently enrolled for PhD Economics (WITS)
Naiefa Rashied	Lecturer, Department of Economics, University of Johannesburg	MCom Economics (UJ) 2013, To start with PhD (UJ) in

Format and timing of delivery of the programme

The workshop was conducted in a computer lab at the Department of Economics at the University of Pretoria, with the aim of participants not only acquiring the necessary theoretical background, but also being exposed to hands-on empirical

application, using software like EViews and STATA. For the time series course, EViews was used exclusively. (STATA will be software of choice for the workshop on cross-section techniques, while both EViews and STATA will be used in the panel data course.)

A typical day started at 8:30 and ended at 16:30 with a lunch break of one hour and a mid-morning and mid-afternoon coffee/tea break of 20 to 30 minutes. Early morning coffee/tea was available at 8:00, with water and mints provided in the venue.

Extensive lecture notes with text book references and practical exercises with solutions were made available in printed form and on CD. Time was divided between theoretical discussions and practical applications.

Workshop participants freely and frequently made use of the opportunity to raise questions and take part in discussions. Whereas the majority had prior exposure to the software, the ones with no prior experience managed to catch up and keep up fairly easily.

Topics covered during the workshop

The topics below were addressed during the course of the week.

1. Research Orientation and the Econometric Approach to Analysis (1 day)
 - a. Research Orientation
 - b. The Nature of the Econometric Approach
 - c. Purposes of Econometrics
 - d. Example in EViews: Model Specification, Estimation, Evaluation and Interpretation
 - e. Introduction to the Simple Linear Regression Model
 - f. OLS Estimator, Properties
 - g. The Classical Normal Linear Regression model (CNLRM)
 - h. Goodness of Fit
 - i. Hypothesis Testing
 - j. Practical Exercise in EViews

2. Time Series Econometrics (Part 1) (1¼ days)

- a. Underlying Data Generating Process and Concepts of Stationarity & Non-stationarity
- b. Unit Root Tests (ADF, PP, DG-GLS, Ng-Perron, KPSS)
- c. Concept of Cointegration
- d. Residual Based Test for Cointegration (Engle-Granger Cointegration Test)
- e. Error Correction Model (ECM) specification
- f. Diagnostic Checking
- g. Model Simulation and Model Response Characteristics
- h. Practical Examples and Hands-on Exercises in EViews

3. Time Series Econometrics (Part 2) (2 days)

- a. Vector Autoregressive (VAR) Model
- b. Impulse Response and Variance Decomposition Analysis
- c. Multivariate Cointegration Technique (Johansen Maximum Likelihood Method)
- d. Block Causality and Exogeneity Test
- e. Weak Exogeneity Tests and Model Identification
- f. Practical Example and Hands-on Exercise in EViews

4. Volatility Models (½ day – Introduction and demonstration)

- a. Properties and Theoretical and Empirical Issues
- b. ARCH Processes
- c. ARCH and GARCH Models
- d. Estimation and Prediction
- e. Interpretation and Evaluation of Results

The following prior knowledge was assumed: Basic statistical methods, such as the calculation of means and standard deviations, as well as hypothesis testing, primarily t , z , and F distribution based tests. A modest understanding of matrix algebra (meaning that the participant can interpret the solution to the OLS problem) was also assumed.

Topics 3 and 4 received emphasis and a little more time were spent on them than on topics 1 and 2. Although we initially also intended to spend some time on principal component analysis, we finally did not. On the last day, we closed

around 15:00 to accommodate participants with outbound flights the same afternoon.

Feedback from participants and our impressions

Without exception the delegates were extremely grateful for the opportunity granted to them, and they were eager to participate and learn. Overall it was a positive experience for all involved.

As some of the delegates already have publication records, the skills obtained, will most definitely strengthen their capacity in this regard, as well as in terms of their supervision duties. For the younger researchers, the workshop seemed to have increased their motivation for research and publication of their research ideas.

Something that is of concern to us, is the fact that almost without exception, delegates do not have access to either EViews or STATA software on their office and/or personal computers. Some campuses do not have STATA at all, while all campuses represented at the workshop have EViews installed in their computers labs. Lecturers have to go the labs and sit amongst the students if they want to do research. It may be a good idea, in the interest of sustainability, to include a software license(s) in the package for each delegate for future workshops. The student version of EViews can be obtained from for as little as R500, while a full license is priced in the order of R1 000. During the November workshop on cross-sectional econometrics, STATA will be used for all practical analysis.

As in the past, we thank ERSA for the opportunity granted to the participants to be part of the programme and for lecturers from the University of Pretoria to be involved in the training. We undertook to keep contact with the delegates and we invited them to contact us when they need assistance in applying the techniques they were exposed to during the workshop.



17 November 2014

Academic Board
Economic Research Southern Africa
Claremont , Cape Town

Dear Board Members

ERSA Skills Development Workshop (Cross-Section Econometrics)

The abovementioned class was held between November 3 and November 7, 2014. It was hosted at the University of Pretoria, taught by Manoel Bittencourt, Matthew Clance and Steve Koch. This course is the second of three courses in econometrics presented to academics and researchers in other institutions in South Africa. The set of courses targets individuals with limited exposure to econometrics, and its goal is to transfer skills to increase the level of research across South African institutions.

As the Board has already seen an extensive report related to the first course, this report will try not to repeat information related to participant selection or the background of the program. Instead, we will focus on the format of the course that we delivered the first week of November, along with our impressions.

Yours sincerely
Prof SF Koch

Report: ERSA Skills Development Workshop
Cross-Section Econometrics Presented at the University of Pretoria
3-7 November 2014

Background

Cross-section econometrics incorporates a wide range of empirical approaches. Research in South Africa has, for the most part, focused on a limited set of these approaches. Broadly speaking, the approaches can be subsumed into two broad fields, one that assumes exogenous control variables (or at least exogenous, conditional on all the other control variables) and another that assumes endogeneity. Although there remain a large number of debates regarding functional form, with a large group of researchers continuing to argue that linear methods remain the most useful, most of the recent advances have related to wither structural modeling or the potential outcomes framework in the presence of endogeneity. The course that was presented tried to cover a number of these issues; however, realistically, it was not possible to delve into the sort of detail that might be possible in a standard full semester course.

In addition, it was determined that students attending the course will be in need of at least some practical training in a software package that could be used to implement much of what was taught. Therefore, the course was taught using STATA, rather than Eviews, as STATA is well-established software for the development of cross-section and panel data, along with its analysis. Currently, our department is operating with STATA 12, although STATA 13 has been available for quite some time. As a short note, it is rather clear that students do not generally have access to this software, and , therefore, we would recommend the contemplation of additional funding for students, so they can access software like this. Although STATA is not inexpensive, it is probably the standard software program for researchers undertaking research in cross-section and large N panel topics.

Course Coverage

In order to do as much justice as possible to some of the newer methods, while also being sure that participants received opportunities to practice and undertake various types of analysis, we followed a rather simple approach. We would start

at 830, covering a number of theoretical concepts and discussing some relevant research in the field. In our second session, which started at 1030, we would take those theoretical concepts and place them into more practical perspectives, relating them primarily to issues surrounding programming, dealing with heteroskedasticity and some statistical testing issues. We would have a focused practical sessions after the lunch break, as we find post-lunch to be a difficult time to do any 'lecturing'. In the final session, we would try to summarize the day, and use that summary to open up the issues that needed to be discussed in the following day. We would even discuss our own research (in this session) to give them a feel for how the modeling issues are structured within a research paper.

- Day 1: STATA Introduction and Issues in Linear Regression
 - Session 1: Data Manipulation and Analysis
 - Session 2: Linear Regression and Standard Tests
 - Session 3: Practical Analysis Accessing Data, Regression and Graphing
 - Session 4: Functional Form and Heteroskedaticity

- Day 2: Endogeneity and Causality
 - Session 1: Effects of endogeneity and tests of endogeneity
 - Session 2: Instrumental Variables and GMM
 - Session 3: Practical IV/GMM in Stata (Weak v. Strong Instruments)
 - Session 4: Oaxaca-Blinder Decomposition

- Day 3: Regression Discontinuity and Maximum Likelihood Estimation
 - Session 1: Regression Discontinuity Research Paper
 - Session 2: Bernoulli MLE Applied to Logit and Probit
 - Session 3: Practical Logit and Probit with Marginal Effects
 - Session 4: Heckman-style Selection

- Day 4: Further MLE Multinomial Models
 - Session 1: Propensity Score Matching and Application
 - Session 2: Multinomial Outcome Models with IIA Tests
 - Session 3: Multinomial outcome with FinMark Trust Survey Data
 - Session 4: Ordered Multinomial Outcome Models and Marginal Effects

- Day 5: Final MLE Censored Data and Truncation
 - Session 1: Count Models
 - Session 2: Censored Data and Truncated Data
 - Session 3: Some practical programming issues related to censoring and truncation (most people had to leave, so much of this was handed out).

Further Feedback and Self-reflection

There is always a difficult balance to strike between covering more material and ingraining that material. Our choice was to provide coverage here, giving them detailed notes and coding that they might be able to take back with them to use, as they develop their research. We are not convinced that an approach of this nature necessarily is the best. Students seemed particularly pleased, though, with the reference material provided, along with the initial help we provided 'teaching them to fish'. We enjoyed the students, and believe there is potential for them to develop. However, we worry about the amount of time that they might have available to seriously engage in what was provided, developing the material we provided for their own research.

For the most part, we presented material spanning our Honours and Masters courses in econometrics. My take on their background was that much of what we presented past the first two days was well beyond what they had contemplated. Despite that, they had a better intuitive grasp of things than we probably expected, suggesting that we should be able to revise the course to provide even more practical (simulation) work to better understand what the theory outlines.

Appendix I: Workshop Reports: April 2014 – March 2015

1. Fourth Annual Monetary Economics Workshop, “International Capital Flows and National Monetary Policy, 15 and 16 May 2015, University of Pretoria - Workshop Convenor: Alain Kabundi

So far the Macro Group had one workshop this year, the 4th annual UP/SARB/ERSA workshop held on the 15th and 16th of May. The workshop was held at the University of Pretoria instead of the South African Reserve Bank due to some logistic issues. The participants were primarily from academia, seven universities were represented. Few participants came from the public sector, namely, from the South African Reserve Bank, the National Treasury, and the South African Revenue Service. In total 35 participants were present on the first day. The workshop started presentations of the advisor to the governor of the South African Reserve Bank, Kuben Naidoo and the deputy head of research department of the South African Reserve Bank on the limits of policy relevance of academic research. The debate was enriched by the intervention of Nicola Viegi, Eric Schaling, and Ben Smit on the academic side. This was followed by various presentations of academic research on two main topics, namely, capital Flows and Monetary Policy. In general, the participation was lower than previous years.

Plan for Next Semester

Initially, Professor William Barnett of Kansas University was supposed to be the keynote speaker of the August Workshop, unfortunately he pulled out at the last minute. We have since contacted Dr Ayhan Kose, the Assistant to the Director in the IMF Research Department, who agreed to come at the end of September. Dr Kose is prominent research with articles published in leading academic journals, such as the American Economic Review, International Economic Review, Journal of International Economics, Review of Economic Dynamics, and Journal of Development Economics. He is co-editor of the IMF Economic Review and the editor of the IMF Research Bulletin. He is Adjunct Professor of Economics at the University of Chicago Booth School of Business.

2 & 9. Climate, geography and African Economic History, 28-30 May 2014, Monkey Valley Resort, Noordhoek and Training workshop for Graduate Students: South African Economic History, Farm Inn, Pretoria North, 20-22 November 2014. Workshop Convenor: Johan Fourie

The Economic History group hosted two meetings during 2014. The first was a research workshop in Cape Town in May, on the topic 'Climate, geography and African Economic History'. James Fenske of Oxford University and Alfonso Herranz-Loncan of the University of Barcelona were the key-note speakers. The final programme is included in Appendix A.



The second meeting was a training workshop from 20-22 November in Pretoria. More than 30 graduate students attended the workshop. Guest lecturers included Martine Mariotti (Australian National University), Jan Luiten van Zanden (Utrecht University), Katherine Eriksson (Calpoly) and Kris Inwood (Guelph University) (see picture). The students had a very positive response to the content of the workshop. (Abel Gwaindepi, Masters student at Rhodes University, wrote a short article for the South African Economic History Annual, attached in Appendix B.) The high demand from the students suggests that ERSA could consider more such training workshops in fields that are neglected at the Graduate level. The final programme is attached in Appendix C.

Appendix A

Final programme: ERSA 11

Time	Activity	Author	Commentator
Wednesday, 28 May			
13:00-14:00	Lunch		
14:00-14:30	Welcome	Johan Fourie	
14:30-15:30	Climate, ecosystem resilience and the slave trade	James Fenske	Waldo Krugell
15:30-16:00	Tea		
16:00-17:00	History, Path Dependence and	Ed Kerby	Johan Fourie

	Development: Evidence from Colonial Railroads, Settlers and Cities in Kenya		
19:00	Dinner		
Thursday, 29 May			
09:00-10:00	The spatial persistence of population and wealth during apartheid: comparing the 1911 and 2011 censuses	Waldo Krugell	Dieter von Fintel
10:00-11:00	The role of short-run and long-run environmental shocks in determining local labour markets in South Africa	Dieter von Fintel	Alfonso Herranz
11:00-11:30	Tea		
11:30-12:30	Spatial Patterning and Configuration of Historical Africa Settlements and Implications for Economic Development Then and Today	Innocent Chirisa	James Fenske
12:30-	Lunch & excursion to District Six Museum		
19:00	Dinner		
Friday, 30 May			
09:00-10:00	The social savings of South African railways	Alfonso Herranz Loncan	Ed Kerby
10:00-11:00	The impact of environmental policies on Africans' interaction with the environment: Effects on climate change	Bheki Mngomezulu	Chris Moore
11:00-11:30	Tea		
11:30-12:30	Doing economic history research	James Fenske	
12:30-14:00	Closing and lunch		
After 14:00	Depart		

Appendix B

An elementary appreciation of history leaves one with a generic understanding about the past. For Africa and other developing regions, we often hear that colonisation was bad; slavery was inhuman etc. For South Africa in particular, one cannot overemphasise how apartheid will persistently be part of the South African economic development story. These, important but non-nuanced narratives often give a sombre picture as noted by van Zanden (2012), “we seem to be doomed by our past because we cannot fundamentally change the institutions we inherited” – our unfortunate fate. The advancement of Economic History as a field has begun to untangle various myths and ‘truths’ and this is becoming possible with availability of new data sets. The 2014 South African Economic History training workshop, held in Pretoria, was a milestone with regards to broadening research ideas in Economic History.

What was remarkable about the training workshop is that it brought not only graduate students (Honours up to PhDs) from various South African universities but also invited leading scholars in the field (such as Jan Luiten van Zanden from Utrecht University, Martine Mariotti from Australian National University, Katherine Eriksson from Calpoly and Kris Inwood from Guelph University). Bringing economic history and economics students together proved to be ideal because the debates showed that these two disciplines complement each other. Personally, coming from an economics background, I managed to deduce that understanding economic history is crucial if one is to be a good economist. The insightful contributions from economic history graduate students testified to the notion that more collaborative work and interdisciplinary workshops are needed in the future.

One example clearly illustrates the need to invest in learning research techniques which may be 'foreign' to one's field. For instance, those from economics background found it easier to accept, as valid, the hypothesis that infant nutrition positively affects adult mortality (whether someone passes the age 60 or not). On the contrary there was visible discontentment from the history cohort as they argued that surely other factors/variables should matter in determining if someone is to live beyond the age of 60. Even with the explanation that it is statistically possible to control for other variables did not help much because it requires a decent appreciation of statistics and econometrics for one to understand how it works.

Evidently, economists were also able to see that they have much to learn from historians who proved to be deeply endowed with historical knowledge of economic development – especially on subtle political economy issues. Working with historians will only make economists develop even better hypotheses which can be tested based on economic theories. Accepting each other as equal research partners (economic historians and economists) is very important in signalling willingness to cooperate. This can be the most tenable approach of bringing cohesion between the two disciplines.

South African economic history remains synonymous with the term 'apartheid'. But the analysis needs to go back to earlier centuries and much work remains to be done. Data sets are becoming more accessible through various digitalization

processes. If we as Africans become more active in understanding our past, the future may be easier to anticipate.

Appendix C

Thursday, 20 November		
12:00-13:00	Arrival and lunch	
14:00-14:30	Introduction	Johan Fourie, Stellenbosch University, Department of Economics
14:30-15:30	The renaissance of African economic history	Johan Fourie
15:30-16:00	Tea	
16:00-17:00	A disciplinary clash?	Agostino Inguscio, UCT, Department of History
19:00	Dinner	
Friday, 21 November		
08:30-10:00	Economic History in global perspective	Jan Luiten van Zanden, Utrecht University, Department of Economic History
10:00-10:30	Tea	
10:30-12:30	Standards of living in the eighteenth century	Johan Fourie
12:30-14:00	Lunch	
14:00-16:00	Ethnic inequalities in the nineteenth century: evidence from stature	Kris Inwood, Guelph University, Department of History
16:00-16:30	Tea	
16:30-18:30	Standards of living in the twentieth century	Martine Mariotti. Australian National University, Department of Economics
19:00	Dinner	
Saturday, 22 November		
08:30-10:00	Why economic history	Jan Luiten van Zanden
10:00-10:30	Tea	
10:30-12:30	Quantitative methods in economic history	Katherine Eriksson, Calpoly, Department of Economics
12:30	Lunch and departure	

3. Special Training Workshop: Dynamic CGE Modelling, University of Pretoria 23-27 June 2014, Workshop Convenor: Jan van Heerden

In June 2014 Professors Peter Dixon and Maureen Bleazby, as well as Dr Louise Roos from Victoria University in Melbourne, presented an advanced dynamic CGE course which was fully funded by ERSA and held at the Department of Economics computer laboratory at U.P.

We had 25 fully sponsored attendees from 18 different institutions which include seven universities. The participants were mostly postgraduate students and government officials, working in provincial or national departments or treasuries. We had several applications from foreign persons but did not accommodate them. We also had to turn down a number of South African applicants.

The demographics of the course were as follows: 12 Black males, 4 Black females, 6 White males and 3 White females.

The course included four days of theory and practical simulations exercises and one day of group exercises and presentations. The five group exercises are attached to this document, as well as a list of expenditures from the budget.

The group of 25 delegates were very happy with the course and all the arrangements around it. One of the delegates decided to apply for PhD studies at Victoria University to specialise in CGE modelling.

I would like to thank ERSA for presenting the opportunity to the students and government officials.

4. The Economics of Geography and Trade, Devon Valley, Stellenbosch, 17-18 July 2014, Workshop Convenor: Lawrence Edwards

The Trade and IO group hosted a workshop from 17-18th July 2014 in Stellenbosch. The title of the workshop was The Economics of Geography and Trade: Trade flows, Production, Pricing and Income

The purpose of the workshop was to provide researchers with an opportunity to present completed or preliminary research in the area of regional or geographical economics, with a focus on trade. This topic includes regional integration and the spatial determinants of prices. Papers using unique micro data with a spatial dimension were particularly encouraged to apply.

The intention was to provide researchers with an opportunity to obtain critical and constructive feedback on their research to facilitate the publication thereof. In addition, through the presentation of new research, the workshop aimed to illustrate to researchers, including PhD level students, a range of emerging research opportunities and questions they may be interested in embarking upon. Finally, the workshop provided participants with an opportunity to network on research ideas.

The workshop commenced with an introductory lecture in the field of trade and geography by Prof Waldo Krugell. This was followed by a number of sessions where researchers presented their papers. 5 PhD students were also provided an opportunity to present and obtain feedback on their research proposals or research ideas. In total 21 papers were presented covering a wide range of trade topics. 28 participants attended the workshop. 5 participants came from historically disadvantaged universities.

The workshop was excellently administered by the ERSA team. Thanks particularly to Megan and Yoemna.

The workshop ended with a strategy session to define a future agenda for the ERSA Trade Group. The strategy session led to the following proposed topics/themes.

Topic: Evaluating impacts using micro firm data
Training workshop

Potential international academics: John van Reenen, (LSE) Chris Woodruff (University Warwick), David Mckenzie (World Bank)

To do: Neil, Mamello and Tasha to write up 2 paragraph proposal

Measuring trade in value added

Training plus Research workshop

International academics: Robert Johnson, WTO

<http://www.oecd.org/sti/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm>

To Do: Niki Cattaneo to write up brief proposal

Firm heterogeneity and trade

This theme would require a set of theoretical and empirical workshops. The objective is to bring SA academics and researchers up to date with recent theoretical and empirical developments in the field of Heterogeneous firms and international trade. The set of workshops could be structured as follows:

(A) Intermediate Theory and Microdata Analysis Workshop: The aim of this workshop is to review recent developments in the field of Heterogeneous firms and international trade. This workshop would build on and extend the earlier workshop conducted by Stephen Redding. The workshop could also include introductory and intermediate Microdata analysis techniques used in the field. The empirical components could also include new techniques to measuring productivity.

(B) Structural Estimation Techniques: This set of workshops would build on the prior workshop on Intermediate Theory and Microdata Analysis. It would involve two workshops: (i) Model building and (ii) Deriving solutions. The particular models would be built around the Heterogeneous firm topics of the earlier workshop

Other topics

- a. A workshop on Gravity models: New developments – Key academic here is Matthew Clance
- b. Theme: Linked employer-employee data analysis, Recommended Academic: John Earl
- c. Prices – macro-micro linkages: Recommended academic: David Parsley
- d. Measuring productivity. Recommended academic: Jim Levinsohn

- e. Spatial Econometrics – using spatial variation to identify trade and IO relationships

Loading of presentations onto web& peer-to-peer review system

It was suggested that a ERSA drop-box for the group be set up to distribute papers and presentations to participants.

Further, it was suggested that a peer-to-peer reviewing system for draft research papers be established. The details need to be finalized, but the idea is that researchers send out a call for a paper of theirs to be reviewed. Following a quid-pro-quo principal, the submitting researcher would review a paper of the researcher who agrees to review their paper.

5. Public Economics/Political Economy, Soweto Hotel and Conference Centre, Johannesburg, 18-19 September 2014, Workshop Convenors: Biniam Bedasso and Krige Siebrits

The Public Economics Working Group and the Political Economy Node jointly hosted a workshop in Soweto on 18-19 September 2014. The aims of the workshop were to provide a forum for reflection about developments in the political economy of post-apartheid South Africa and to stimulate research in political economy-related fields such as public choice economics, constitutional political economy and the political economy of institutional change. Fifteen papers were presented at the workshop, including three by the two international guest speakers, Peter Rosendorff (New York University) and Stefan Voigt (University of Hamburg). The attached programme lists all the presenters and paper titles (the listed papers by Roy Havemann, Roy Havemann and Ian Stuart, and Simon Ssekabira Ntege were withdrawn after the printing of the programme). The majority of the presentations are available on the ERSA website.

Affiliations: The workshop attracted 32 participants (including the two international guest speakers). A significant number of these had not attended workshops of the two groups before. Tables 1 and 2 show the institutional affiliations of the participants and the sectoral representation. Fully 78% of the participants were from academic institutions, with the remainder from the private sector (12%) and public-sector institutions (9%). Twelve South African universities and five universities from other countries were represented at the workshop. The only South African universities with more than one representative were Stellenbosch University (4), the University of Cape Town (3) and North-West University (2), and the participation of academics from the University of Fort Hare, the University of Venda and the University of Zululand was particularly heartening. The small number of participants from public-sector institutions was somewhat disappointing in view of the workshop themes, but it should be kept in mind that an additional six individuals from such institutions had signed up for the event but could not attend.

Demographics: Table 3 contains the racial and gender breakdowns of the participants. Just under half (43%) of the participants were black, while only 20% were female.

Affiliation	Number of participants
University of Stellenbosch	4
DNA Economics	3
University of Cape Town	3
ERSA	2
North West University	2
City of Cape Town	1
Friedrich Schiller University (Jena)	1
Gauteng City-Region Observatory	1
Independent	1
National University of Lesotho	1
New York University	1
Penn State University	1
Rhodes University	1
South African Reserve Bank	1
University of Fort Hare	1
University of Hamburg	1
University of Johannesburg	1
University of KwaZulu-Natal	1
University of Pretoria	1
University of the Free State	1
University of Venda	1
University of the Witwatersrand	1
University of Zululand	1
Total	32

Sector	Percentage share of participants
Academic	78
Government	9
Private	12
Total	100

Demographic group	Percentage share of participants
Black males	33
Black females	10
White males	48
White females	10
Total	100

Budget: The pooling of resources by the Public Economics Working Group and the Political Economy Node meant that generous funding was available for the workshop. A surplus of R92 994 was generated. The details of the expenditures are listed in Table 4.

Table 4: Budget for ERSA workshop	
ERSA BUDGET	R400 000
ACCOMMODATION & CONFERENCE EXPENSES	
Soweto Hotel (including township tour)	R130 786
Accommodation for international speakers (additional)	R 12 495
TRAVEL COSTS	
Flights for local delegates	R 57 538
Flights for international speakers (refunds)	R104 232
Shuttle services for the workshop	R 13 450
OTHER	
Reimbursement of taxi fare (David Fowkes)	R 1 000
Total expenditure	R307 006
Surplus	R 92 994

Overall assessment:

The joint organising and hosting of the workshop worked very well. Given the degree of overlap in the themes studied by the two groups, it would make sense to consider more such joint projects in the future. Unsurprisingly, the quality of the presentations varied. Nonetheless, informal feedback on the workshop from participants was very positive. It was evident that interesting research is being conducted on a range of political-economy issues in South Africa, but there is scope for more research in the field of constitutional political economy focused on South Africa and African countries more generally. The presentations by Peter Rosendorff and Stefan Voigt undoubtedly served to stimulate interest in the field, as did their willingness to share their knowledge throughout the workshop.

The historical and symbolic significance of Soweto as a venue contributed to the success of the event, and the logistics went well (in large part because of the sterling work of Yoemna Mosaval and Megan Gelderbloem). It is unfortunate that the hotel's conference facilities were not available at the time of the workshop, however. The sessions took place in a nearby venue with limited facilities (we had to rely on the

speakers' laptops to project presentations, and the toilet facilities were inadequate). We also had to deal with the reality that a considerable amount of cash was stolen from the hotel room of Prof Andreas Freytag, where a safe was not provided. The hotel staff responded quickly by investigating the matter, but the money was not recovered.

6. Foundations of Labour Economics, The Boathouse, Ballito, 2-3 October 2014, Workshop Convenor: Jim Fairburn

This workshop was the first meeting for a number of years of the Microeconomics, Labour and Inequality (MLI) group. The workshop was designed as the first of a pair of workshops on the theme of labour economics with the second to follow on 19 – 20 February 2015.

The workshop comprised five substantive sessions, each on a core area of contemporary labour economics. These are listed below, together with the academic who presented the session:

1. schooling and earnings (Claire Vermaak, UKZN)
2. discrimination (Patrizio Piraino, UCT)
3. labour demand (Dieter von Fintel, US)
4. labour supply (Colette Muller, UKZN)
5. aggregate labour markets (Jim Fairburn, UKZN)

Including the presenters there were 27 participants, covering eleven different universities and three other organizations (Department of Transport, MISTR and StatsSA). The breadth of participation was pleasing, and a good proportion of participants were young academics or research students. Informal feedback indicated that participants were very pleased with the content and the organization of the workshop.

The second workshop will be on the theme of Imperfect Labour Markets and will take place in Cape Town in February 2015. The guest presenter will be Professor Jan van Ours of Tilburg University and participants at the Ballito workshop were provided with a copy of the book *The Economics of Imperfect Labour Markets* (2013, second edition, Princeton University Press), co-authored by Tito Boeri and Jan van Ours, in order to prepare for that workshop. The second workshop will draw on the foundational material covered in the initial workshop but will be primarily focused on market imperfections and policy issues.

7. Economies with Asymmetric Information, University of Pretoria, 10-11 November 2014, Workshop Convenor: Alexander Zimper

The first day of the workshop was dedicated to selected topics in "Asymmetric Information". The two guest speakers and I gave, at first, more general introductions to economies under asymmetric information. Afterwards Wanda and Pierre presented each one of their research papers.

The second day was dedicated to presentation from SA-based participants as well as discussions of these presentations. The quality of these presentations was rather volatile. Below please find a list of all 15 participants.

1	Alfred Kechia	Mukong	mukalf83@gmail.com	UCT
2	G. Charles	Cadogan	godcent70@gmail.com	UCT
3	Michael	Kateregga	michaelk@aims.ac.za	UCT
4	Roulof	Hefer	roulof@gmail.com	UP
5	Nicky	Nicholls	Nicky.Nicholls.Consultant@nielsen.com	UP
6	Nicholas	Spearman	Nicholas.Spearman@wits.ac.za	Wits
7	Wei	Ma	maweicityu@gmail.com	UP
8	Gideon	Du Rand	gideondurand@sun.ac.za	US
9	John Muteba	Mwamba	johnmu@uj.ac.za	UJ
10	Aylit	Romm	Aylit.Romm@wits.ac.za	Wits
11	Wanda	Mimra	wmimra@ethz.ch	ETHZ
12	Pierre	Fleckinger	pierre.fleckinger@univ-paris1.fr	Sorbonne
13	Alex	Zimper	alexander.zimper@up.ac.za	UP
14	Alma	Prell	alma@aims.ac.za	NWU
15	Ruthira	Naraidoo	Ruthira.Naraidoo@up.ac.za	UP

My aim was to keep the workshop expenses below R 100,000. According to the budget below I succeeded.

Budget for Theory Workshop 10 - 11 November

EXPENSES

ERSA BUDGET R 200 000.00

ACCOMMODATION & CONFERENCE EXPENSES

Venue - Hatfield Campus (Tukkiewerf 37) R 0.00

Catering: On Site Campus Caters (Alders) R 5 000.00

Accommodation delegates R 14 250.00

TRAVEL COSTS

Flight: Guest Speaker R 40 773.50

Flights local - delegates R 13 000.00

Shuttle costs R 5 000.00

OTHER

Honorarium (R5000 each) R 10 000.00

Dinner R 5 000.00

Reimbursement of missed flight for Alma Prell R 1 498.59

TOTAL R 93 023.50

Surplus R 106 976.50

8. Econometric Modelling workshop, Monkey Valley, Noordhoek, 20-21 November 2014, Workshop Convenor: Michael van Maltitz

Goal

The introductory Econometric Modelling workshop, held in Cape Town, was organised to try and bring together economists and statisticians in order to identify and discuss some cutting-edge methodologies in econometrics, and set out a plan for the group's future.

Attendance

In total there were 20 attendants (9 White male, 1 White female, 5 Black male and 6 Black female). The only organisations represented by more than one attendee were the UFS (2) and the University of Limpopo (2). Otherwise, the institutions represented were:

- Competition Commission
- Dpt of Economic Development
- Eskom Research & Innovation Centre
- Gauteng City-Region Observatory
- KZN Treasury
- LEDET
- Mistra
- NMMU
- Private Company
- Treasury
- UFS
- UKZN
- UNAM
- University of Fort Hare
- University of Limpopo
- UP
- Walter Sisulu University
- Wesbank

Topics covered

On the first day, we had the following formal presentations:

- forecasting and prediction by Igor Litvine from the Centre for Expertise in Forecasting at NMMU;

- a presentation by Vanessa Ndlovu (Eskom Research and Innovation Centre) on a potential paper on energy econometric modelling (which caused quite some debate);
- a discussion on applying extreme value theory in finance by Frans Koning (UFS);
- a rather superficial discussion on spatial statistics challenges faced by the UKZN treasury by Clive Coetzee;
- panel data modelling techniques by Henri Moolman (WSU); and
- multiple imputation by Michael von Maltitz (UFS).

On the second day, less formally, presenters were given the opportunity to present papers or ideas for papers that would need input from both statisticians and economists:

- Thembaletu Sithebe (Competition Commission) presented her paper on a merger simulation technique;
- Catherine Kannemeyer (MISTRA) presented her question on how she should go about analysing some 'big data' that she was given; and
- Darlington Mushongera (GCRO) introduced his proposal for a study into private household water meter monitoring.

Output plan

I feel that we were at least able to establish some sort of plan for the publication of several research outputs from the group of attendees:

- Igor Litvine will be working with the first economist from the group contacting him to finalise his paper on forecasting and prediction, or with his own economics department should no attendee get in touch with him. He will use ERSA channels to publish the output.
- The group encouraged Vanessa Ndlovu to team up with an economist to rationalise the modelling procedure followed in her paper, also for future publication through ERSA.
- Frans Koning received input from Prof. Litvine on his presentation, and on dealing with the comments, he will also use ERSA channels for output.
- Catherine Kannemeyer will be put into contact with big data statisticians at the NMMU to work on her project.

- Thembaletu Sithebe was also encouraged to take her work further, and will hopefully join forces with one of the statisticians who attended in order to do sensitivity/scenario testing for her paper.

Comments

In general, it seems that most attendees were satisfied with the time spent at the workshop. The venue was fantastic and the logistics went perfectly smoothly; all credit due to the ERSA administrative team.

As far as the intellectual content of the workshop is concerned, my primary apprehension is the huge divide in research methodologies that exists between the established economists and statisticians, a divide that was evident at the workshop. The economists attending seemed to be set in "theory-only" mode, while the statisticians were set in "data-only" mode. Some participants did not seem to want to be flexible in terms of accepting the other group's modus operandi. Hopefully the working groups that were established during the meeting will be able to alleviate this divide somewhat.

Another concern is the need for training in particular statistical methodologies. Even though I hand-picked the participants with the aim of choosing established or up-and-coming researchers, it seems that many of the attendees need training more than anything else. I am concerned about this because there are so many statistical methodologies that one can offer training in that even with two workshops a year we would never be able to cease training and start researching.

There was also concern from some of the economists attending that this node should avoid duplication of content that is covered by other organisations. For example, the question arose as to why we should even delve into panel data methodologies when SALDRU is doing the same. I am not sure how the politics of such a conflict are handled, but, as convener of the group, I feel that if this ERSA node has experts in panel data that want to produce quality research in this field, then they should be allowed to (and encouraged to do so).

One major criticism of the workshop was the extent to which some attendees were allowed to interrupt the proceedings with criticism, questions and debate. As it was

my first workshop, I was not sure if I should allow so much interruption, or quell it and risk making the workshop unproductive. If one allows the speaker to present a challenging topic without the audience being allowed to interrupt, then often the whole talk falls on 'deaf' ears. On the other hand, too much interruption and the speaker does not have the time to get their primary points across. The latter was often the case at this workshop, leading to some very long sessions and heated debates. In future, as chair, I will very strictly cut off any interruptions that lead to debate (and will allow time for this debate at the end of the talk), but I will allow interruptions for clarification purposes.

Budget

As far as the budget is concerned, we seemed to have generated a surplus R47000.

EXPENSES FOR ECONOMETRIC MODELLING WORKSHOP
20-21 NOVEMBER 2014

ERSA BUDGET	R 200 000.00
ACCOMMODATION & CONFERENCE EXPENSES	
Monkey Valley Resort	R 73 000.00
TRAVEL COSTS	
Air tickets for local delegates	R 70 000.00
Shuttle services for the workshop	R 7 000.00
OTHER	
Budget Car Hire	R 3 000.00
TOTAL	R 153 000.00
Surplus	R 47 000.00

Future workshops

As part of the first workshop, there was a discussion as to which topics should be covered in future workshops. The attendees expressed interest in panel data analysis, Bayesian analysis, and big data analysis workshops. Additionally, the Multivariate Data Analysis Group (MDAG) in the SA Statistical Association (SASA) would like to get involved with economic research as well. In short, the Econometric Modelling Working Group could easily arrange two valuable workshops per year if we were given the chance.

10. Emerging Market Economies, Global Financial Conditions and Growth Prospects, SARB Conference Centre, Pretoria, 27-28 November 2014, Workshop Convenor: Co-Pierre Georg

68 registered participants

Before the workshop there was a PhD Tutorial at the University of Pretoria on „How to Succeed in Academia–Or Have Fun Trying“ hosted by Co-Pierre Georg where about 25 PhD Students and young academics attended. It was the second such workshop, following the first one at the UCT GSB in October 2013. The idea was to give the students an introduction into various very practical aspects of academic life, including how to write papers, how to do a presentation, do's & dont's of conference life, and even a discussion on how to write a referee report. Students commented afterwards that they found the information most useful as nobody ever addressed these very practical issues in one of their courses.

We started the conference with a welcome from our collaboration partner WIFI (Eric Schaling, Wits Business School) who contributed R100,000 to our workshop and from our host, the South African Reserve Bank (Hendrik Nel, Head of the Financial Stability Department), followed by our first keynote speech from Sascha Steffen (European School of Management and Technology). Sascha spoke about „Stress Testing the European Banking System“ and his recent, highly policy relevant, work on the recent asset quality review in the Euroarea. He spoke about various aspects of systemic risk and how regulators can use stress tests in order to detect it in the bank's balance sheet while it is still building up. The presentation was followed by a lively discussion where in particular participants from the SARB were involved.

Following a coffee break we had two papers on financial economic history of the Western Cape in the early 19th Century. Christie Swanepoel (Stellenbosch) spoke about “The Credit Market In The Cape Colony, 1673–1834: A Perspective from Probate Inventories”, followed by a presentation by Roy Havemann (National Treasury) on „Cape 'shadow banks' and the financial crisis of 1788 - 1793“. Both presentations fit together nicely and particularly the second one had direct resonance with the audience as shadow banks are still one of the major sources of systemic risk, as the recent ABIL bail-out showed.

The second day was started by an international speaker, Chris Redl from Queen Mary University London. Chris got limited funding to attend the workshop at QMUL which we complemented with R7,000 in order to have him as a participant. In his paper "Noisy news and exchange rates: a SVAR approach" Chris studies the role of news in determining exchange rates, an issue particularly relevant in a small open economy such as South Africa. The second paper of the morning was presented by Philipp de Jager from UCT who spoke about "Jibar Manipulation". He critically assessed the SARB's stance on whether it is possible to manipulate the Jibar.

The morning session was concluded with Franklin Allen's (Imperial College London) keynote on "Countering Systemic Risk through Banking Regulation and Other Means". Franklin provided a truly global perspective on many of the most pressing issues with regard to systemic risk. Given his reputation and experience, this was easily the most visited presentation of the workshop. Many staff from the SARB and NT came to attend his presentation, which I think greatly helped to link the research fostered by ERSA with the needs of SA policy makers.

The first afternoon session was opened by Haakon Kavli from UP. His paper on "Portfolio Flows in a two-country DSGE model with financial intermediaries" was fairly technical, but resonated with the audience (in particular from the SARB) that has a background in DSGE modelling. The second paper in that session was entitled "Dynamic Integration of Emerging Market Bond Yield into the Global Bond Market" and presented by Anmar Pretorius from NWU. This session had some overlap with the work conducted in the Monetary Policy workstream, which, however, seemed to agree well with the research interest of the audience.

In the final session, Siyaduma Beniza (Wits) gave a controversial talk about "What is the Impact of Foreign Direct Investment on Unemployment in Post-Apartheid South Africa?" before Sulemana Mahawiya (UCT) closed the conference with a presentation on "Financial development, sources and threshold determination: Evidence from comparative study of ECOWAS and SADC". After the conference, a group of about 30, mostly younger researchers went for drinks to the State Theater. While the setting was not ideal, there was a lively discussion very quickly amongst participants. Feedback from them was encouraging and positive as they all mentioned the

workshop had been a great opportunity to get feedback on their own work, network with other SA researchers in their field, and be inspired by the presentations.

With regard to the previous workshop we made good progress in having policy makers from SARB and NT present as well. We also had fewer papers, but chose only those that are at a more advanced stage. There was still sizable heterogeneity in the maturity and quality of the presented papers. For the next workshop participants suggested to limit the number of papers even further and have a discussant for each completed paper. Work in progress should be allocated less time, which is a recurrent comment from the first workshop. Following the workshop we will conduct an online survey to determine the participants' needs. We had 34 submissions from which we selected 8 for the conference and 7 for the PhD workshop. We also had 4 very good submissions from international speakers which was the result of advertising the workshop on international websites such as inomics.com and ssrn.com. For future workshops this should be continued as some of the international speakers can provide their own funding and would thus add to the workshop without drawing on ERSA's resources.

11. Savings, credit and debt in South African history, STH University of Johannesburg, 21-24 January 2015, Workshop Convenor: Grietjie Verhoef

Prof Jonkers presented two very penetrating introductions to the 'new history of money', which is of specific concern to our own society. People have fundamentally different conceptions of 'value' and 'money', which translates into a wide variety of value exchanging transactions. Through history the social value of coin circulation and monetary transactions resulted directly from changes in social relations. These constitute important dimensions of the social interpretations of money, savings and debt. A strong theoretical discussion was presented by Prof Jonkers, allowing participants to apply that to the different disciplines within which their own studies are accommodated. Very interesting and engaging discussions followed the introductions by Prof Jonkers

The different papers presented, apart from one, all addressed aspects of savings behaviour, credit extension or the accumulation of debt, focusing on the different meaning of 'debt' in different socio-cultural contexts.

The topic remains a vital one that justifies serious exploration and commitment from the Economic History Working Group.

Logistics:

Yoemna Mosaval from the ERSA office offered excellent logistical support. People travelled safely, on time and with ample contact details of persons to contact should the need arise.

The workshop did not receive any ERSA stationary, lanyards or name tags for participants. The STH at UJ offered some stationary. It is assumed that the ERSA workshops should rather advertise the ERSA working group interest, than that of the physical venue.

No assessment forms for each participant were supplied for submission after the workshop. Arrangements for the visit to the Military Museum in Saxonwold were perfect. This was the only bit of tranquil relaxation during the workshop.

Problems:

1. The late and unenthusiastic advertisement of the workshop contributed to the disappointing turnout. Some participants used the workshop as a free transport ticket on their way to Zimbabwe. It is NOT acceptable to distribute a call for participation for a workshop at a time when most universities have already entered their final examination period at the end of a year. This coincided with the aftermath of a massive ERSA workshop only two weeks before this one was advertised, a workshop also almost depleting funding for the January 2015 workshop. It is on record that the outline for the January 2015 workshop was ready early in September 2014, but was neglected because of other interests of specific ERSA stakeholders. The preference was expressed early in 2014 for this workshop to be held in November 2014, but then strings were pulled to shift it to January 2015 in order to serve the interests of other stakeholders. I was just informed that this workshop could no longer take place in November 2014, but had to move to early 2015, since the representative of the Economic History Working Group had other ideas for May 2015. The impression was clear that this workshop was a routine exercise to fill the annual activity sheet, but not much more. I am personally not immensely impressed by the degree of ERSA commitment to this workshop.

The disappointing aspect of the workshop was the lack of attendance commitment by all participants. Some participants simply slept late, or never returned after lunch. It speaks to the need for a more robust selection process for future workshops. It was also disappointing that no member of the so-called Macro-economic interest group showed any interest to attend even one session.

2. The venue was not suitable. The Bunting Road campus of the University of Johannesburg is not conducive to tranquil, relaxed academic discourse, no gardens for relaxed personal discussions and the environment between the Holiday Inn and the meeting rooms is all but friendly, beautiful or safe. It is a bad place and it was actually embarrassing to host the participants there. Participants could not simply take a walk into a garden from the hotel. The venue also shows the lack of commitment to the workshop, the tight budget we

had to work with and a careless attitude. The venue could not accommodate the workshop on the last day - three days is standard, from midday, to a full day and then a final half day- and I had to rely on the hospitality of my home department to host the final day at an alternative venue. In actual fact, it would have been much more relaxing to have the entire workshop at my offices, since there are gardens, peace and quiet, limited traffic and urban loitering around. This is water under the bridge.

12. Imperfect Labour Markets, Park Inn Hotel, Newlands, Cape Town, 19-20 February 2015, Workshop Convenor: Jim Fairburn

This event followed on from the group's October 2014 workshop, Foundations of Labour Economics, which took place in Ballito, KwaZulu-Natal. There was a single notification of the two events and the majority of participants attended both.

Jan van Ours of Tilburg University was the guest presenter at the current workshop. He is co-author with Tito Boeri of the book Imperfect Labor Markets (2013, second edition, Princeton University Press), copies of which had been distributed to participants at the first workshop. Professor van Ours presented three of the five workshop sessions, covering various elements of labour market policy both in terms of the underlying principles and the econometric approaches which characterize best practice empirical work in this area. The presentations were extremely interesting and well-structured and Professor van Ours was an engaging, authoritative and approachable guest.

The remaining two sessions showcased local work including presentations by Rulof Burger (US), Patrizio Piraino (UCT) and Dieter von Fintel (US). Steve Koch (UP) presented joint work with Gauthier Tshiswaka-Kashalala. Gauthier had been a key participant in the earlier workshop but sadly died later that year.

The blend of international and local presentations was welcomed by participants and the workshop included a meeting with all attendees to discuss the way forward. The participant list included a balance of established and emerging researchers from a range of eleven different institutions, and was thus reasonably diverse. The venue was a new one for ERSA events and proved to be conveniently located and comfortable. Accounting for a few late withdrawals there were 21 participants in total and the workshop came in comfortably under budget.

13. Knightian Uncertainty in Economics and Finance, University of Pretoria, 18-19 February 2015, Workshop Convenor: Alex Zimper

Over the course of more than ten hours, Prof. Frank Riedel and Dr. Patrick Beissner (both from the Center of Mathematical Economics at the University of Bielefeld) gave lectures on the decision theoretic foundations for economic analysis of Knightian uncertainty as opposed to pure risk models whereby they highlighted several applications of these models in economics and finance. These lectures were organized within three different blocs:

Bloc 1: Knightian Uncertainty: Axioms and Models

Bloc 2: Strategic Ambiguity in Games

Bloc 3: Knightian Uncertainty in Financial Markets

Below please find a list of the participants:

Title	First Name	Surname	Affiliation
Prof	Piet-Hein	Van Eeghen	UNISA
Mr	Dzingai Francis	Chapfuwa	Office of the Premier
Miss	Louise	Clark	University of Pretoria
Miss	Nolwazi	Hlope	University of Pretoria
Mr	Alex	Zimper	Univervsity of Pretoria
Mr	Leseko	Makheta	National University of Lesetho
Mr	Forget Mingiri	Kapingura	University of Fort Hare
Mr	Thabani	Madlala	University of Kwa Zulu Natal
Dr.	Dambala Gelo	Kutela	University of Cape Town
Mr	Velenkosini	Matsebula	North-West University
Mr	Pavel	Parks	Nelson Mandela Metropolitan University
Mrs	Nicky	Nicholls	University of Pretoria
Mr	Augustine Julian	Williams	University of Zululand
Mr	Frank	Riedel	University of Bielefeld
Mr	Patrick	Beissner	University of Bielefeld
Mr	Ushe	Masunde	University of Venda
Mr	Ruthira	Nairadoo	University of Pretoria

The quality of the lecture series was very high, including discussions of papers that were recently published in Econometrica and JET. However, Prof. Riedel adjusted to the participants' level of knowledge by taking his time to explain complex issues. In my opinion, the lecture series was very successful in its mixture of presenting cutting edge research while simultaneously educating South African economists . Also see the following two email texts from participants:

"Dear Alex,

Just want to say that i very much enjoyed the recently held lecture series. Please inform me the next time you have something similar coming available.

Kind regards
Pavel Parks (Finance: 0723247245)"

"Hi Alex,

Greetings from Cape Town. Thank you for organizing such an interesting workshop. I have picked a lot from it. By the way, may I kindly ask you to send us the lecture slides of the workshop.

Kind regards, Dambala"

We managed to stay exactly within our budget:

	February
ERSA BUDGET	R106 976.50
ACCOMMODATION & CONFERENCE EXPENSES	
Venue - Hatfield Campus (Tukkiewerf 37)	R 0.00
Catering: On Site Campus Caters (Alders)	R 4 485
Accommodation delegates	R 15 000
TRAVEL COSTS	
Flight: Guest Speaker - Frank Riedel	R 45 000
Flights local - delegates	R 15 976
Shuttle costs	R 7 430
OTHER	
Honorarium	R 9 889
Dinner	R 4 061
Reimbursment (Ushe from Venda)	R 1 237
Reimbursment (Velenkosi & Dzingai)	R 3 898
TOTAL	R 106 976.50

14. Economics of Competition and Finance, Stellenbosch Mont Fleur, 9-10 March 2015, Workshop Convenor: Willem Boshoff

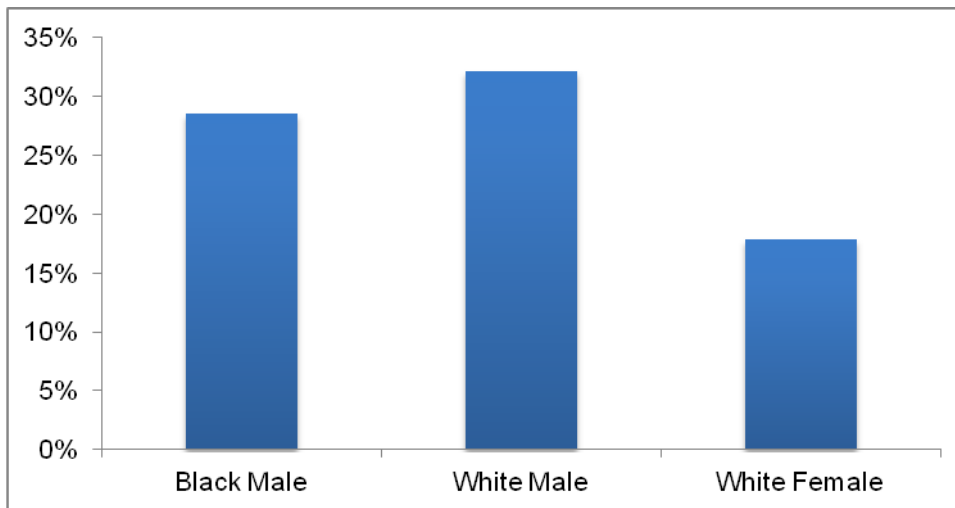
Willem Boshoff (Stellenbosch) and Lukasz Grzybowski (UCT) organized the event. This workshop is an annual workshop focused on encouraging research in competition policy and industrial organisation. The aim was to connect South African researchers in competition and IO to each other and to expose them to international researchers who can help to raise the quality of the South African papers. The community of South African researchers working in this field is small, but the signs from this year's workshop is encouraging – presentations included two PhD proposals in this field.

The one-and-a-half-day workshop was organised around a visit by Prof Luke Froeb (Vanderbilt) to South Africa. Prof Froeb is a leading authority in the antitrust scholarly literature, and especially his work on merger analysis has had a significant impact. From 2003 to 2005, Prof Froeb was also Director of the Bureau of Economics at the US Federal Trade Commission, which provides the economic analysis for the FTC's antitrust cases. Prof Froeb has also worked on software development, including merger simulation. Other European academics, including Prof Katja Seim (Wharton, University of Pennsylvania) and Prof Caroline Buts (Free University of Brussel) made important contributions at the workshops, including acting as discussants of South African papers. Other international academics, who happened to be in the vicinity, also attended (at their own cost) and significantly contributed to the academic discussions.

The first day was devoted to international trade topics, competition policy topics related to decision rules, demand modelling, and South African case studies in health and energy. The second day was devoted to demand/price modelling and cartel topics. Throughout, each paper was assigned a discussant, which significantly enhanced the quality of the debate.

The intended target audience were researchers, academics and graduate students in the fields of IO and competition policy as well as competition policy practitioners. 22 participants registered for the workshop. The participants came from a diverse set of institutions including National Treasury (1), Competition Commission (1), consulting

firms (4) and twelve universities (16). 29 percent of the participants came from historically disadvantaged backgrounds and 18 percent were female, as shown:



This year's workshop is a continuation of the 2013 workshop, as the 2014 event was a smaller event aimed at taking stock of our progress. We are happy to report that of the 8 South African papers presented at the 2013 workshop, four have been published and two have been released as peer-reviewed working papers. The South African presentations at the 2015 workshop can be split into new draft papers (6), PhD proposals (2) and a research programme proposal (1). We are confident about the quality of the draft papers and the proposed PhD work and expect publications from many of these papers. We are also encouraged by increased interest in PhD work from economists at the Competition Commission, including two from historically-disadvantaged individuals (we have already received requests for presentation of another PhD proposal at the next ERSA event). This is exactly the type of development needed to build a vibrant and diverse research group.

The feedback from the group – including students attending – was very positive. They found the in-depth discussion of papers especially helpful. The international and local participants were impressed by the quality of facilities and location of Mont Fleur. We recommend this venue for future workshops by other ERSA clusters.

We are already planning a September event and thank ERSA for the financial support.

15. Public Goods Games and Experiments, Premier Hotel Regent, East London, 16-17 March 2015, Workshop Convenor: Frederik Booyen

Professors James Cox and Susan Laury from the Experimental Economics Centre (EXcEN) at Georgia State University presented an introductory workshop to experiments and public goods games on 16-17 March 2015. In the first session, Professor Cox presented a brief introduction to the methodology and principles of experimental design. Following on this introduction, Professor Cox presented two in-depth case studies, namely:

Pay-off equivalent public good and common pool games

Trust in private and common property experiments

Professor Laury presented on issues of external validity and field experiments.

In the last session of the workshop, there was an opportunity for attendees to present their ideas. Three universities made use of this opportunity (University of Cape Town, Free State and Pretoria) and mapped out provisional plans regarding future research and/or existing research falling within the broader domain of Experimental and Behavioural Economics.

Teams of researchers were encouraged to apply. Teams from the universities of Fort Hare, Cape Town, Stellenbosch, Free State, Wits, Pretoria and North West attended together with delegates from other universities and institutions, including the Fiscal and Financial Commission (FCC). In regards to the budget, the project realized a surplus of R9,356.

The audience had a mixed range of prior knowledge on the workshop topics, ranging from a handful of participants who had conducted experiments previously to the majority of participants for whom this was a very first introduction to the subject matter. This meant that workshop material had to be dealt with at a slow pace and with reference to basic underlying principles. Nevertheless, this approach was especially enriching for the broader audience.

16. Measuring Institutions in Africa, Newlands Southern Sun, Cape Town , 20-22 October 2014, Workshop Convenor: Mare Sarr

The project “Measuring Institutions: Indicators of Political Freedom, Property Rights and Political Instability in Africa” will be undertaken in several phases. The first phase consists in data collection and indices construction for the following set of countries: Kenya in East Africa and four West African countries (Sénégal, Côte d’Ivoire, Ghana and Nigeria). The collection of data is being undertaken by two PhD students currently registered at the University of Cape Town and four researchers from West Africa.

In October 2014, ERSA organised a three-day workshop “Measuring Institutions in Africa” in which the researchers in charge of data collection were provided both theoretical and hands-on training on the specific leximetric methodology used in this project. The workshop facilitator was Mr E. Letete, an expert in this methodology. See Programme attached for more detail.

Following this workshop, the researchers are required to complete data collection and write a working paper containing a detailed and documented narrative of the evolution of the constructed institutional indices (in the five aforementioned countries) by December 2015.

List of Participants

First Name	Surname	Affiliation
George	Agbenyo	University of Ghana
Zie	Ballo	Université de Cocody CAPEC
Maty	Konte	UNI-Merit
Emmanuel	Letete	University of Lesotho/UCT
Mare	Sarr	University of Cape Town
Linda Ann	Amenan Akanvou	Pennsylvania State University

Appendix II: ERSA Working and Policy Papers published: April 2014- March 2015

Working paper 426

Title: Construction of a Social Accounting Matrix for Chad

Author(s): David S. Garber

Publication date: April 2014

Classification-JEL: C68, C82, O11, O55

Keywords: Social Accounting Matrix

Abstract: The use of Applied General Equilibrium (AGE) models to contribute to discussions on economic growth and poverty alleviation in less developed countries has become widespread, particularly as data collection capabilities have improved over the past several years. Nevertheless, the existence of a Social Accounting Matrix (SAM), the central source of data for any AGE model, remains lacking for many developing countries, often rendering the AGE exercise impractical in such cases. This paper details the construction of a SAM for a particularly data-challenged context, that of Chad. The SAM was built for use in an AGE model that looks at the interactions between Chad's oil revenue spending decisions and subsequent impacts on economic growth and household welfare. The resulting SAM is the only publically available example for Chad to account for economic flows at the dawn of the country's oil economy. The paper offers the AGE researcher interested in data-poor countries an example of a strategy to weave together sparsely available information into a SAM of sufficient credibility as input to a model.

Working paper 427

Title: Assessing regional variation in the effect of the removal of user fees on institutional deliveries in rural Zambia

Author(s): Chitalu M. Chama-Chiliba and Steven F. Koch

Publication date: April 2014

Classification-JEL: I10, I18, I19, R10, R15, R58

Keywords: Maternal care, Institutional devices, User fees, Spatial dependence

Abstract: This paper examines regional differences in the effect of user fee removal in rural areas of Zambia on the use of health institutions for delivery. The analysis uses quarterly longitudinal data covering 2003q1-2008q4. When unobserved heterogeneity, spatial dependence and quantitative supply-side factors are incorporated in the Interrupted Time Series (ITS) design, user fee removal is found to immediately increase aggregate institutional deliveries, although the national trend was unaffected. Drug availability and the presence of traditional birth attendants also influence institutional deliveries at the national level, such that, in the short-term, strengthening and improving community-based interventions could increase institutional deliveries. However, there is significant variation and spatial dependence masked in the aggregate analysis. The results highlight the importance of service quality in promoting institutional deliveries, and also suggest that social and cultural factors, especially in rural areas, influence the use of health facilities for delivery. These factors are not easily addressed, through an adjustment to the cost of delivery in health facilities.

Working paper 428**Title:** The Reliability of South African real-time output gap estimates**Author(s):** Jessica Kramer and Greg Farrell**Publication date:** April 2014**Classification-JEL:** C32, E32**Keywords:** Output gap, Real-time data, Monetary policy, South Africa

Abstract: Estimates of the output gap are an important component of policy-makers' toolkits. Both the theory underlying monetary policy analysis and the empirical models employed by central banks suggest that the output gap is a key variable explaining inflation. In this view, the estimate of the output gap provides not only an indication of how well the economy is operating relative to its potential, it also signals whether inflation is likely to increase or decrease in the future. The reliability of estimates of the output gap is therefore extremely important for policy making. However, a large literature has highlighted both conceptual and practical problems in measuring the gap, including the difficulty of using real-time data that will be revised in the future. The contribution of this paper is to assess the reliability of real-time estimates of the South African output gap, by estimating output gaps using a range of univariate methods applied to real-time gross domestic product (GDP) data. Consistent with the results of similar studies conducted in other countries, it is found that the real-time South African output gap estimates are in fact quite unreliable and are significantly revised over time. Furthermore, the source of these revisions is largely attributed to new data points becoming available, indicating the unreliability of end-of-sample estimates, rather than data or parameter revisions.

Working paper 429**Title:** The Experience of Private Investment in the South African Water Sector: the Mbombela Concession**Author(s):** Sugen Chetty and John M. Luiz**Publication date:** May 2014**Classification-JEL:** H41, H54, H83, L95**Journal:** Development Southern Africa**Keywords:** Water, South Africa, privatisation, social, economic trade-offs

Abstract: South Africa is a water-stressed country that over a protracted period has suffered from poor water service delivery. The major problems are inefficient operations, lack of capacity in spending allocated budgets, unclear management structures, and a long term decline in capital expenditure. Economists have long argued that private investment will bring good fiscal control and efficient structures and improve service delivery. However, there may be trade-offs between this improved economic efficiency and the necessity to pursue more egalitarian social outcomes. The purpose of this research is to explore the experience of private sector investment on operational efficiencies and social objectives in the South African water sector in the Mbombela concession. The study concludes that in this case private investment has enhanced service delivery by improving efficiency, technical skills and the capacity to spend allocated budgets without any significant negative impacts on equitable water distribution.

Working paper 430

Title: User Fee Abolition in South Africa in 1994 and 1996: Differences-in-Differences

Author(s): Anna S. Brink and Steven F. Koch

Publication date: May 2014

Classification-JEL: I11, I18

Keywords: Abolition, South Africa

Abstract: South Africa waived user fees for primary health care, first in 1994, and again, in 1996. Since the 1994 plan focused on young children and older adults, as well as pregnant and nursing mothers, the 1996 change, which waived fees for the remainder of the population, subject to means tests, can be examined via differences-in-differences (DD). DD is applied to a subsample of children, underpinned by a multinomial logit regression of health-seeking behavior amongst ill and injured children. Although the policy provided free primary care to all at public clinics, the results of the analysis do not support the hypothesis that free primary care significantly increased public clinic visits amongst ill and injured children. However, there is strong evidence that ill and injured children were more likely (by 6%) to seek at least some sort of treatment following the change in policy, implying that the policy was indirectly successful.

Working paper 431

Title: Education and Fertility: Panel Time-Series Evidence from Southern Africa

Author(s): Manoel Bittencourt

Publication date: May 2014

Classification-JEL: I20, J13, O55

Keywords: Education, Fertility, Africa

Abstract: In this paper I investigate whether secondary school enrolment has played any role on total fertility rates in all of the fifteen countries of the Southern African Development Community (SADC) between 1980 and 2009. The evidence, based on panel time-series analysis (I make use of the Pooled OLS, Fixed Effects, Common Correlated Effects and Fixed Effects with Instrumental Variables estimators), robustly suggest that education has reduced fertility rates in the community, or that the community is already trading-off quantity for quality of children. The results are important because lower fertility, caused by education, implies more capital per worker, higher productivity and therefore higher growth rates, and also because - in accordance to the united growth theory— they suggest that southern Africa is experiencing its own transition from the Malthusian regime into sustained modern growth.

Working paper 432

Title: Primary Education and Fertility Rates in Southern Africa: Evidence from Before the Demographic Transition

Author(s): Manoel Bittencourt

Publication date: May 2014

Classification-JEL: I20, J13, O55

Keywords: Education, Fertility, Africa, panel time-series

Abstract: I investigate whether primary school completion has played any role on total fertility rates in all fifteen countries of the Southern African Development

Community (SADC) between 1980 and 2009. The evidence, based on panel time-series analysis (I use the Pooled OLS, Fixed Effects and Fixed Effects with Instrumental Variables estimators in order to deal with heterogeneity and endogeneity in thin panels), suggests that primary education has indeed reduced fertility rates in the SADC, or that the community is already trading-off quantity for quality of children. The results are important because lower fertility, caused by education, implies more capital per worker, higher productivity and therefore higher growth rates, and also because - in accordance to the unified growth theory - they suggest that the SADC, like other regions in the past, is experiencing its own transition from the Malthusian regime into sustained growth.

Working paper 433

Title: Democracy and Education: Evidence from the Southern African Development Community

Author(s): Manoel Bittencourt

Publication date: May 2014

Keywords: Democracy, Education, Africa

Abstract: In this paper I investigate whether democracy in the Southern African Development Community (SADC) has had any effect on education during the 1980-2009 period. The results, based on panel time-series analysis (I use the Pooled OLS and Fixed Effects estimators in order to deal with heterogeneity and statistical endogeneity and Fixed Effects with Instrumental Variables, eg the end of the cold war is one of the contemporaneous external sources of variation to democracy, to deal with reverse causality in thin panels), suggest that democracy, and the better governance that tends to be associated with it, has played an important role in terms of widening access to education in the community. All in all, the results are significant because democracy is in its infancy in the continent and to make it work is an aim in itself in Africa, and also because education is an important determinant of growth and development.

Working paper 434

Title: Using a Natural Experiment to Examine Tobacco Tax Regressivity

Author(s): Adel Bosch and Steven F. Koch

Publication date: May 2014

Keywords: Tobacco tax, Regressivity

Abstract: We take advantage of a tobacco tax hike that occurred during the collection of the South African Income and Expenditure Survey to examine the regressivity of tobacco taxes. We are also able to examine the relative change in regressivity following the tax increase. Like previous research into commodity taxes, we find that tobacco taxes are regressive. However, we find that tobacco tax increases reduce the tax burden at the lower end of the income distribution, such that after the cigarette tax increase, cigarette taxes are less regressive than before the increase.

Working paper 435

Title: Disaggregated Credit Extension and Financial Distress in South Africa

Author(s): Leroi Raputsoane

Publication date: June 2014

Classification-JEL: C32, E44, E51, G21

Keywords: Disaggregated credit extension, Financial distress

Abstract: This study analyses the relationship between disaggregated credit extension and financial distress in South Africa. It commences by constructing a composite indicator of financial distress and then examines its correlation with components of disaggregated credit extension. Of particular interest is to isolate the components of disaggregated credit extension that show a strong relationship with the measure of financial distress for financial stability purposes. The empirical results reveal that aggregate total domestic credit extension is robustly positively correlated with the composite indicator of financial distress, while there is a mixed relationship between the components of disaggregated credit extension and the composite indicator of financial distress. In particular, the study finds that total domestic credit extension, instalment sale credit, loans and advances to households, investments and total loans and advances are highly correlated with the composite indicator of financial distress and hence conjures that these components could be aggregated into a single measure of credit extension that could be used for financial stability purposes in South Africa.

Working paper 436

Title: Dynamic Integration of Emerging Market Bond Yields into the Global Bond Market

Author(s): Anmar Pretorius and Alain Kabundi

Publication date: June 2014

Classification-JEL: F15, F36, G12, G15

Keywords: Bond Yields, Financial Integration, Arbitrage Pricing Theory, Dynamic Factor Model, Rolling Regression

Abstract: This paper investigates empirically the integration of bond markets of emerging market economies into the global bond markets from 2003 to 2012. The paper employs factor analysis based on the Arbitrage Pricing Theory to extract global factors from a panel of 38 bond yields of advanced and emerging market economies. The results reveal that bond yields in advanced economies, which constitute the driving forces behind the global bond market, do not dominate in explaining the variation of emerging market bond yields. Instead, the dynamics in emerging market bond yields can also be attributed to movements in the equity markets in both advanced and emerging market economies as well as emerging market currencies. In addition, the degree of emerging market integration changes over time and across countries.

Working paper 437

Title: Is Democracy Eluding Sub-Saharan Africa?

Author(s): Carolyn Chisadza and Manoel Bittencourt

Publication date: June 2014

Classification-JEL: O10, O55, P16

Keywords: Democracy, Sub-Saharan Africa

Abstract: This paper analyses the modernisation hypothesis in the sub-Saharan African region. Using a sample of 48 countries from 1960 to 2010 and dynamic panel data analysis, we find a significant and negative relationship between income and democracy, an indication that the hypothesis may not hold in the region. We also

investigate further by distinguishing between exogenous and endogenous democracy. The former explains whether external factors, such as the end of the Cold War, as well as regional influence, play a role in the process of democratisation in sub-Saharan Africa. Results indicate that the end of the Cold War has a significant influence on the democratisation process probably because of the pro-democracy policies advocated by international organisations, while regional organisations play no significant role in the region. We also obtain significant results for democracy when we proxy for international organisations with an IMF programme variable.

Working paper 438

Title: An Examination of Sub-National Growth in Nigeria: 1990-2012

Author(s): Nonso Obikili

Publication date: June 2014

Classification-JEL: O47, O55

Keywords: Measurement of Economic Growth, Africa

Abstract: I use satellite imagery on night time lights to measure growth across states and local government areas in Nigeria since the return of democracy in 1999. I show that states in Southern Nigeria have grown faster on average than states in the North. I also evaluate the effects of violence on growth in Plateau, Yobe and Borno states. I find that the crisis in Plateau state has resulted in slower growth compared to other states in the region. I also show that Yobe and Borno states had performed worse than other states in the North even before the outbreak of violence related to the Boko Haram sect. Finally using OLS I estimate a relationship between change in night lights and real GDP growth in Africa. I then use the coefficients to estimate GDP growth for states and local government areas in Nigeria over the period.

Working paper 439

Title: The Welfare Cost of Sovereign Default and Liquidity Injections

Author(s): Guangling Liu

Publication date: June 2014

Classification-JEL: E50, E58, E63, G18

Keywords: sovereign default, welfare cost, debt crisis, rollover risk, liquidity

Abstract: This paper develops a dynamic general equilibrium model with endogenous default on entrepreneur loans and funds borrowed from the central bank (liquidity injections) and investigates the welfare cost of sovereign default. The results show that sovereign default affects production through households' investment decisions and the bank's asset portfolio adjustment. The effect of sovereign default on entrepreneurs tends to be in favor of production. Sovereign default reduces the variability of the output gap and hence the welfare loss. Liquidity injections reduce the variability of the output gap and improve price stability during the period of sovereign debt crisis, resulting in an increase in households' welfare.

Working paper 440

Title: Remittances and sustainability of family livelihoods in Zimbabwe: Case Study of Chegutu Town

Author(s): Syden Mishi and Lilymore Mudziwapasi

Publication date: June 2014

Classification-JEL: D100, D120, F220, F240

Keywords: Consumption, Households, International Migration, Remittances, Economics of labour migration

Abstract: Zimbabwe had witnessed socio-economic challenges that resulted in mass exodus of its populace across its borders mainly from the late 1990s. Migration can be individual or household strategy for survival and remittances play a role in transforming the household income. Making use of ordinary least squares estimation techniques, this article examines the impact of international remittances on sustainability of family livelihood in small mining town of Chegutu located in Mashonaland West Province of Zimbabwe using survey data. I found out that remittances go a long way in providing income for basic services like municipal services, food, medical expenses and disturbingly to a lesser extent education.

Working paper 441

Title: The Good African Society Index

Author(s): Ferdi Botha

Publication date: July 2014

Classification-JEL: I31, O55, Z13

Journal: Social Indicator Research

Keywords: Good Society Index, Well-being, quality of life, suffering, Africa

This paper constructs a Good Society Index for 45 African countries, termed the Good African Society Index (GASI). The GASI consists of nine main indexes: (i) economic sustainability, (ii) democracy and freedom, (iii) child well-being, (iv) environment and infrastructure, (v) safety and security, (vi) health and health systems, (vii) integrity and justice, (viii) education, and (ix) social sustainability and social cohesion. Each component is split into four sub-components for a total of 36 indicators. Tunisia ranks highest on the GASI, followed by Cape Verde and Botswana. Chad has the lowest GASI score, followed by Central African Republic and Cote d'Ivoire. The GASI is strongly related to the 2012 Human Development Index and, to a lesser extent, GNI per capita.

Working paper 442

Title: The Economic Approach to Fertility: A Causal Mediation Process

Author(s): Gauthier T. Kshalala and Steven F. Koch

Publication date: July 2014

Classification-JEL: C14, D13, I38, J13, J38

Keywords: Fertility, Mediation analysis

This study develops an economic fertility model which explicitly incorporates both the costs of childrearing and contraception behaviour. In this setting, a couple capacity to procreate depends on their fecundity, as well as their contraception and sexual behaviours; and the ideal number of children is chosen by maximizing the utility of children, subject to a budget constraint reflecting the couple's income, and their specific explicit and implicit costs of rearing children. Using a non-parametric causal mediation framework (Pearl, 2009; Heckman and Pinto, 2013), our analysis explicitly explores the role of family planning services and the cost of children in mediating the causal effect of income on fertility, subject to unmeasurable fecundity and unobserved sexual risk taking behaviour. In particular, we discuss the definition,

identification and estimation of a variety of causal effects, namely, the direct income effect, the contraception effect, and price effect.

Working paper 443

Title: Financial Stress Indicator Variables and Monetary Policy in South Africa

Author(s): Leroi Raputsoane

Publication date: July 2014

Classification-JEL: C32, C51, E52, E61, G01, G10

Keywords: Financial stress indicator variables, Monetary policy

This paper analyses the relationship between financial stress indicator variables and monetary policy in South Africa with emphasis on how robust these variables are related to the monetary policy interest rate. The financial stress indicator variables comprise a set of variables from the main segments of the South African financial market that include the bond and equity securities markets, the commodities market and the foreign exchange rate market. The empirical results show that the set of financial stress indicator variables from the bond and equity securities markets as well as those from credit markets and property markets are robustly associated with the monetary policy interest rate, while the set of financial stress indicator variables from commodities markets and the foreign exchange rate market are weakly associated with the monetary policy interest rate.

Working paper 444

Title: Democratisation in Africa: The Role of Self-Enforcing Constitutional Rules

Author(s): Sophia du Plessis, Ada Jansen and Krige Siebrits

Publication date: July 2014

Classification-JEL: D7, N4, N9

Keywords: Constitutional rules, self-enforcing constitutions, informal institutions, Democracy, civil war, Africa

Following several decades during which violent civil conflict was common in African countries, the period from 1990 onwards was notably marked by a spreading and deepening of adherence to democratic principles. However, it is true to say that many African countries are still experiencing political instability and civil unrest. This raises the question of why these countries cannot attain sustainable conflict resolution. Drawing on economic ideas about contracts and institutions, this paper outlines a conceptual framework for thinking about the role of constitutional rules in achieving political stability, and we elucidate the main requirement for sustainable democratic systems. The gist of the argument is that constitutional rules must become self-enforcing in order to safeguard democratic systems and to avoid relapses into violent civil conflict. We discuss selective examples where constitutions do not adhere to the framework of self-enforcement, making them unable to prevent the recurrence of civil war in these countries.

Working paper 445

Title: Credit Procyclicality and Financial Regulation in South Africa

Author(s): James Bernstein, Leroi Raputsoane and Eric Schaling

Publication date: July 2014

Classification-JEL: C32, E32, E61, G21

Keywords: Credit Procyclicality, Financial Regulation

This study assesses the behaviour of credit extension over the economic cycle to determine its usefulness as a reference guide for implementing the countercyclical capital buffers for financial institutions in South Africa. The study finds that the common reference guide for implementing the countercyclical capital buffers, which is based on the gap between the ratio of aggregate private sector credit to gross domestic product and its long term trend, increases during the economic cycle busts, while such a relationship is broken during the economic cycle booms. The study also finds that this common reference guide decreases during the upturns in the economic cycle, while it increases during the periods of downturns in the economic cycle. Thus credit extension should be used with caution as a common reference guide to determine the level of the countercyclical capital buffers for financial institutions in South Africa.

Working paper 446

Title: A Portrait of Informal Sector Credit and Interest Rates in Malawi: Interpolated Monthly Time Series

Author(s): Harold Ngalawa

Publication date: July 2014

Classification-JEL: Z13, E43, E44, E51

Journal: The African Finance Journal

Keywords: Informal financial sector, low income countries, interpolation

Although informal finance forms a large part of their financial sector, nearly all low income countries exclude informal transactions in official monetary data. Usually, informal finance data are nonexistent and occasionally, they are available only from surveys that often occur at irregular intervals and mostly with incomparable data. Using two survey datasets, indigenous knowledge, and elements of Friedman's data interpolation technique, this study constructs monthly time series of informal credit and interest rates for Malawi. The study argues that datasets constructed in this manner may be used with minimal loss of substance in place of the actual but nonexistent data.

Working paper 447

Title: Programmatic Procurement: A Political Economy Review of the Transnet Freight Rail Competitive Supplier Development Programme

Author(s): Ayabonga Cawe

Publication date: July 2014

Keywords: Political Economy, Freight Rail, Supplier Development Programme

Procurement policies in a country like South Africa have been targeted as a vehicle to achieve a range of social objectives. Public procurement allows the government to combine two functions, that of a purchaser in the market, and at the same time regulating the market through the use of its purchasing power to achieve social justice.

Working paper 448

Title: Intergenerational Earnings Mobility and Equality of Opportunity in South Africa

Author(s): Patrizio Piraino

Publication date: August 2014

Classification-JEL: J62, D63

Journal: World Development

Keywords: Intergenerational earnings mobility, inequality of opportunity

The paper estimates the degree of intergenerational earnings persistence in South Africa. It explores the link between this measure of social mobility and an index of inequality of opportunity. Using microdata from the National Income Dynamics Study (NIDS), the paper finds that intergenerational earnings mobility in South Africa is low. In addition, a limited set of inherited circumstances explains a significant fraction of earnings inequality among male adults. Adding South Africa to the existing international literature supports the hypothesis that low levels of intergenerational mobility and equality of opportunity are emblematic of high-inequality emerging economies.

Working paper 449

Title: A Note on the (continued) Ability of the Yield Curve to Forecast Economic Downturns in South Africa

Author(s): Ferdi Botha & Gavin Keeton

Publication date: August 2014

Classification-JEL: E32, E37, E43

Keywords: Yield spread, forecasting, economic downswings, interest rates, South Africa

In 2002/03 the yield spread falsely signalled a downswing that never materialised. This paper provides two reasons for this false signal. Firstly, while the Reserve Bank never actually officially declared the start of a downswing, by other important measures a downswing did actually occur. It is to this slowing in economic activity at that time that the yield curve pointed. Secondly, short-term interest rates in 2003 were higher than they should have been because of a mistake made in measuring consumer price inflation. Because South Africa had recently introduced an inflation targeting regime, policy interest rates were as a result of this error kept too high for too long. This policy mistake was rectified as soon as the error in the Consumer Price Index was discovered. Thus, the yield curve in 2002/03 pointed to the reality that short-term interest rates were too high and risked pushing the economy into recession. This is demonstrated by the fact that it was a fall in long bond interest rates that cause the yield spread to turn negative, indicating expectations that short-term interest rates would need to be cut – as indeed they were.

Working paper 450

Title: Contagious Synchronization and Endogenous Network Formation in Financial Networks

Author(s): Christoph Aymanns and Co-Pierre Georg

Publication date: August 2014

Classification-JEL: G21, C73, D53, D85

Keywords: social learning, endogenous financial networks, multi-agent simulations, systemic risk

When banks choose similar investment strategies the financial system becomes vulnerable to common shocks. We model a simple - financial system in which banks decide about their investment strategy based on a private belief about the state of the world and a social belief formed from observing the actions of peers. Observing a larger group of peers conveys more information and thus leads to a stronger social

belief. Extending the standard model of Bayesian updating in social networks, we show that the probability that banks synchronize their investment strategy on a state non-matching action critically depends on the weighting between private and social belief. This effect is alleviated when banks choose their peers endogenously in a network formation process, internalizing the externalities arising from social learning.

Working paper 451

Title: The African Middle Class in South Africa 1910-1994

Author(s): Roger Southall

Publication date: August 2014

Keywords: African, Middle class, South Africa

Alan Cobley (1990: 3) has argued that no sustained interest was taken in the subject of class in South Africa until the arrival of a generation of radical historians in the 1970s, and then the focus of concern was largely with the origins and development of a black working class in whose revolutionary potential the future was, by many, deemed to lie. In contrast, Jeremy Seekings (2009) has proposed that class was long a concern, if not necessarily the central one, of liberal scholars from the 1940s. Nonetheless, even though it is true that an emergent black middle class attracted considerable interest from liberal historians, anthropologists and social observers, it is fair to say that it was dealt with spasmodically, and then very often largely as a subordinated appendage of the black proletariat. Arguably, therefore, it is only now that the history of the African middle class, notably as it participated in and shaped the African National Congress (ANC), is beginning to receive its due. In part, this is because the lot of the middle class is often deemed in 'struggle history' to have been unheroic: indeed in some tellings, the only way for the bourgeoisie to contribute to liberation was by subjecting itself to the leadership of the working class! Yet even while, today, there is a growing interest in the multi-faceted nature of the struggle against apartheid, there has been a failure to trace the holistic evolution of the black middle class. In what follows I provide an overview of the development of the specifically 'African' segment of the 'black middle class' in the pre-democratic era, even while recognizing that this places severe limitations upon how we portray past struggles against racial oppression.

Working paper 452

Title: An Economic Model of the Apartheid State

Author(s): Anton D. Lowenberg

Publication date: August 2014

Classification-JEL: N47, O55, P48, D78

Keywords: South Africa, apartheid, public choice

Rather than a rigid racial ideology, it is argued that South African apartheid was a pragmatic response of a white oligarchy to changing economic and political constraints. Consequently, the degree to which apartheid principles were applied and enforced by the South African state varied over time. A public choice model is developed to explain apartheid as endogenous policy, the parameters of which are determined by political support-maximizing politicians. The model suggests that the enforcement of apartheid was responsive to changes in such exogenous variables as defence costs, the gold price and the reservation wage of black unskilled labour. Predictions of the model hold implications for the causes of the democratic transition of the 1990s, including the role played by international sanctions.

Working paper 453

Title: Assessing the Causal Impact of Tobacco Expenditure on Household Spending Patterns in Zambia

Author(s): Grieve Chelwa and Corné van Walbeek

Publication date: August 2014

Classification-JEL: D10, D11, D12, D13

Keywords: Crowding out, imperfect instrumental variables, household expenditure

This paper adds to the literature on the crowding out effect of tobacco expenditure in two ways. Firstly, the paper uses expenditure data from a low income sub-Saharan African country, Zambia, where most households are poor. Secondly, unlike previous studies, we relax the exclusion restriction and allow the standard instrumental variable used in the literature, the adult sex ratio, to be correlated with the error term. We consider the relaxation of this restriction to be reasonable given what we know about the effects of household structure on households' expenditure decisions. Our results confirm some findings in the literature. For example, we find that smoking households allocate less expenditure towards food, schooling, clothing, transportation and equipment maintenance. We also find evidence suggesting that the crowding out of food is more severe for poorer households. But unlike previous studies, we do not find instances of crowding in whereby tobacco leads households to allocate more expenditure towards a particular commodity. In sum, our results show that a broader accounting of tobacco's costs in Zambia should include the costs associated with under nutrition and under investment in education by households.

Working paper 454

Title: Credit spread variability in U.S. business cycles: The Great Moderation versus the Great Recession

Author(s): Hylton Hollander and Guangling Liu

Publication date: August 2014

Classification-JEL: E32, E43, E44, E51, E52

Keywords: Financial intermediation, credit spreads, financial frictions, Great Recession

This paper establishes the prevailing financial factors that influence credit spread variability, and its impact on the U.S. business cycle over the Great Moderation and Great Recession periods. To do so, we develop a dynamic general equilibrium framework with a central role of financial intermediation and equity assets. Over the Great Moderation and Great Recession periods, we find an important role for bank market power (sticky rate adjustments and loan rate markups) on credit spread variability in the U.S. business cycle. Equity prices exacerbate movements in credit spreads through the financial accelerator channel, but cannot be regarded as a main driving force of credit spread variability. Both the financial accelerator and bank capital channels play a significant role in propagating the movements of credit spreads. We observe a remarkable decline in the influence of technology and monetary policy shocks over three recession periods.

From the demand-side of the credit market, the influence of LTV shocks has declined since the 1990-91 recession, while the bank capital requirement shock exacerbates and prolongs credit spread variability over the 2007-09 recession period. Across the three recession periods, there is an increasing trend in the contribution of loan markup shocks to the variability of retail credit spreads.

Working paper 455

Title: 'Know Your Epidemic': The Effects of Expected Health and Contextual Health Uncertainty on Risky Sex

Author(s): Byela Tibesigwa, Martine Visser and Mintewab Bezabih

Publication date: August 2014

Classification-JEL: D1, D8, I10, I15

Keywords: Contextual factors, Risk Taking, HIV/AIDS, Sexual behaviour, Expected health, Health Uncertainty

This study measures the link between expected health and contextual health uncertainty on sexual behaviours associated with the risk of HIV infection. We extend similar studies on the subject by focusing on contextual factors as a way of explaining individual sexual behaviour in low and high HIV infection areas across sub-Saharan Africa. Overall, we find expected health and contextual health uncertainty to have significant effects on sexual risk taking. These results point to the fact that context is equally important than the widely held view that individual level characteristics (e.g. lack of HIV/AIDS knowledge) contributes to risky sexual practices. These findings give support to UNAIDS 'know your local epidemic', as health and uncertainty appear to be background factors shaping sexual behaviours associated with the risk of HIV infection. Thus it becomes paramount to look at the context within which sexual behaviours can be altered.

Working paper 456

Title: Effects of Social Norms on Multiple Partnerships: Evidence from Young Adults in the Metropolitan Communities of Cape Town, South Africa

Author(s): Byela Tibesigwa and Martine Visser

Publication date: August 2014

Classification-JEL: D1, D8, I10, I15

Keywords: Social interaction, HIV/AIDS, Social norms, Multiple partnerships

Even though antiretroviral treatment is becoming more efficient and available, new HIV infections still occur. This is particularly the case in sub-Saharan Africa. Sexual transmission of HIV is still the main mode of transmission in sub-Saharan Africa, and multiple sex partners have been shown to be crucial for the spread of the epidemic. It is therefore problematic that sexual risk-taking, in terms of multiple sex partners, persists in spite of HIV awareness and knowledge. This study examines the role of social norms on multiple partnerships using longitudinal data on young adults residing in the metropolitan communities of Cape Town, in South Africa. Overall, our results show that social norms, proxied by the average number of sex partners in the community, have a positive and significant influence on young adults' choice of number of sex partners. This effect appears to be stronger amongst male young adults, than female young adults.

Working paper 457

Title: Private Shareholding and Public Interest: An Analysis of an Eclectic Group of Central Banks

Author(s): Jannie Rossouw

Publication date: August 2014

Classification-JEL: E02, E40, E49, E50, E58

Keywords: central banks, central bank shareholding, institutional structure of central banks, recapitalisation of the Bank of Italy, shareholders

Although the title seems to be a contradiction in terminis, this paper shows that there are a small eclectic number of central banks with private shareholders. This paper reviews this selected group of central banks on which surprisingly little has been published. The first challenge is to identify these central banks, as no "generally accepted" or standardised list of such central banks exists, and very little has been published that identifies or compares them.

Working paper 458

Title: Political transition in a small open economy: Retracing the economic trail of South Africa's long walk to democracy

Author(s): Biniyam E. Bedasso

Publication date: September 2014

Classification-JEL: D72, P16, O55

Keywords: democratization, capital mobility, inequality, South Africa, Africa

This paper seeks to offer an economic explanation for the emergence of democracy in societies with high income inequality and narrow middle-class such as Apartheid South Africa. The presence of a credible threat of capital flight is shown to render democracy less unpleasant to the elites by making future tax concessions possible. However, inequality should be sufficiently low for the poor to have enough incentive to concede less redistribution to avoid capital flight. The development of the finance sector in South Africa in the later years of Apartheid made the exit option a major part of the democratic bargain.

Working paper 459

Title: The spatial persistence of population and wealth during apartheid: comparing the 1911 and 2011 census

Author(s): Waldo Krugell

Publication date: September 2014

Classification-JEL: N97, R12

Journal: Economic History of Developing Regions

Keywords: apartheid, population, spatial development, Agglomeration, Zipf's Law, South Africa

This article examines the spatial distribution of people and wealth in South Africa over the period 1911 to 2011. Economic development is typically characterised by agglomeration, but Apartheid policies tried to separate people and disperse economic activity. Zipf's Law is used to examine the balance of these forces. The results show that Apartheid's interventions could not stop agglomeration, which seems to have continued to the point of over-concentration today. Wealth has become increasingly concentrated in places of initial white settlement and the large urban agglomerations.

Working paper 460

Title: Climate change and economic growth in sub-Saharan Africa: A nonparametric evidence

Author(s): Paul Alagidede and George Adu

Publication date: September 2014

Classification-JEL: C14, C23, O11, O13, O40, Q54

Keywords: climate change, Sub-Saharan Africa, Sustainable Growth, Nonparametric techniques

Climate change has been classed as the greatest and urgent global issue facing humanity today, yet the empirics of the debate remain largely muted, more so with reference to sub-Saharan Africa (SSA), where the impact of warming global temperatures are forecasted to have the worst impact. This paper is a contribution to the empirics of climate change and its effect on sustainable economic growth in SSA using nonparametric regression techniques. We establish the following: the relationship between real GDP per capita on one hand and climate change on the other hand, is intrinsically linear and monotonically decreasing at a constant proportionate rate. This relationship holds for both temperature and precipitation.

Working paper 461

Title: A Network Analysis of the Evolution of the German Interbank Market

Author(s): Tarik Roukny, Co-Pierre Georg and Stefano Battiston

Publication date: September 2014

Classification-JEL: G2, G21, D85

Keywords: financial networks, interbank market, credit default swaps, liquidity

In this paper, we report a descriptive investigation of the structural evolution of two of the most important over-the-counter markets for liquidity in Germany: the interbank market for credit and for derivatives. We use end-of-quarter data from the German large credit register between 2002 and 2012 and characterize the underlying networks. Surprisingly, the data show little or no impact of the 2008 crisis on the structure of credit market. The derivative market however exhibits a peak of concentration in the run up to the crisis. Globally, both markets exhibit high stability for most of the networks metrics and high correlation amongst them.

Working paper 462

Title: Water Taxation and the Double

Author(s): Nicholas Kilimani

Publication date: September 2014

Classification-JEL: C68, H23, E62, Q52

Keywords: Environmental Taxation, Revenue recycling, Double dividend, economic growth

The double dividend hypothesis contends that environmental taxes have the potential to yield multiple benefits for the economy. However, empirical evidence of the potential impacts of environmental taxation in developing countries is still limited. This paper seeks to contribute to the literature by exploring the impact of a water tax in a developing country context, with Uganda as a case study. Policy makers in Uganda are exploring ways of raising revenue by taxing environmental goods such as water. Whereas their primary focus is to raise revenue, we demonstrate how taxes on environmental goods can yield other benefits beyond addressing a country's fiscal needs.

This study employs a computable general equilibrium model to shed light on the impact of a water tax policy when a tax is accompanied by a recycling scheme of the same magnitude. We seek to establish whether taxation and recycling can induce more growth, employment and industry output. The results show that a mechanism which leaves a neutral fiscal balance yields dividends for the economy. In other

words, whatever the degree of regressivity resulting from the environmental tax, it is possible to design a recycling scheme that renders the tax policy to be beneficial to the economy.

Working paper 463

Title: The Fundamental Determinants of Competitiveness in African Countries

Author(s): Julius A. Agbor and Olumide Taiwo

Publication date: September 2014

Classification-JEL: O11, O40, F43

Keywords: Competitiveness, Real Effective Exchange Rate, Manufacturing Export Shares, Trade-Weighted Value-added, Generalized Double Diamond Model

This study investigates the drivers of competitiveness in African economies. While the macroeconomic perspective focuses on the behavior of the real effective exchange rate (REER), and the international competition framework emphasizes export market shares (EXPS), the business strategy framework emphasizes high-value production by means of domestic and foreign factors in a way that is consistent with global supply chains. In this paper, we assess competitiveness in the business strategy framework through a Trade-Weighted Value added index (TWV). The empirical section estimates fixed effects models explaining the measures of competitiveness by a set of factors using a panel dataset of African countries during 1980-2010. The results show that the TWV is the most consistent with the framework underlying the Global Competitiveness Report (GCR) in comparison with the other measures. Evidence based on the TWV suggests that the CFA franc zone economies are not less competitive than their sub-Saharan African counterparts as the exchange rate framework suggests. Indeed, movements in the REER are the least connected to the components of the GCR. The evidence also suggests that although there is no one-size-fits-all prescription for improving competitiveness in African economies, human capital stands out as a fundamental driver. In terms of policy, African states need to invest importantly in human capital, maintain a stable macroeconomic framework, while actively pursuing a number of regional and structural-context specific non-price competitiveness enhancing policies.

Working paper 464

Title: A Panel Ordered Response Model for Sovereign Credit Ratings in Africa

Author(s): Marinda Pretorius and Ilse Botha

Publication date: September 2014

In recent times there has been an increased focus on the myriad investment opportunities in Africa. According to Pricewater Coopers (2011:1) "the continent is home to some of the world's fastest-growing economies and offer the highest risk-adjusted returns on foreign direct investment among emerging economies." Sovereign credit ratings plays an imperative role in the decision-making process of where and when to invest and determine the interest that is paid to investors for sovereign debt borrowings. Sovereign credit ratings are used by investors to improve the effectiveness of investment decisions for bonds and other fixed-income instruments (Standard and Poor's, 2014).

Working paper 465

Title: Diagnosing Deep Roots of Development: Genetic, Disease and Environmental Factors

Author(s): Johannes W. Fedderke, Robert E. Klitgaard, James P. MacMurray, Valerio Napolioni

Publication date: September 2014

Classification-JEL: O1, O4, I15, I18

Keywords: deep roots of development, acid phosphate locus 1, economic growth

We examine the association between indicators of real GDP per capita and the ACP1 genetic adaptation to disease and ultraviolet radiation environment. We find a strong impact that varies across the A, B, and C alleles. The result is robust to controlling for reversal of fortunes, migration, and potential endogeneity of the genetic adaptation. It is also robust to controlling for other potential deep roots of development, geography, early adoption of technology, the population proportion that is European, and genetic diversity, as well as a range of factors held to be relevant by the economic growth literature. Policy prescriptions point to the importance of protection against ultraviolet radiation, control of tropical diseases, and the possible use of folic acid therapy and nutrient supplements in clearly identifiable geographic areas.

Working paper 466

Title: Art in Africa: Market Structure and Pricing Behavior in the South African Fine Art Auction Market, 2009 - 2013

Author(s): Johannes W. Fedderke, Kaini Li

Publication date: September 2014

In contrast to the international market in major centers such as New York and London, the South African market is distinguished by the presence of a clear market leader, and market follower amongst two auction houses that together virtually exhaust the domestic art market. A central concern of the present paper is how this market structure affects behavior in the market. We develop a theoretical framework to consider the interaction between market leader and follower in the context of a fine art market. Core implications are that the market follower is forced to issue excessive price estimates on art work that it attempts to attract for auction, at the cost of a higher buyin rate in auction. We test the implications of the theory against a data set of 7554 auction lots. A direct and an indirect test of the theory on our data robustly and strongly confirms the prediction of our model.

Working paper 467

Title: Effects of Reducing Tariffs in the Democratic Republic of Congo (DRC): A CGE Analysis

Author(s): Jean Luc Erero, Daniel Djauhari Pambudi & Lumengo Bonga-Bonga

Publication date: October 2014

Classification-JEL: C68, D58, E26, F16

Keywords: informal sector, CGE model, Democratic Republic of Congo

In this paper, the effects of reducing tariffs are analysed through a Computable General Equilibrium (CGE) model of the DRC. The specific DRC Formal-Informal Model (DRCFIM) is a multi-sectoral computable general equilibrium model that captures the observed structure of the DRC's formal and informal economies, as well

as the numerous linkages or transmission channels connecting their various economic agents, such as investors, firms, traders, and the government. The parameters of the CGE equations are calibrated to observed data from a social accounting matrix (SAM). In particular, this study draws the attention of policy makers to a different employment outcome when tariff reduction is taken into consideration. Tariff reduction increases formal employment and output but hurts informal producers. It considerably increases the output and employment of the formal sector by raising import competition without providing further opportunities for the informal sector to access foreign export markets. Nonetheless, it induces productivity improvements when local producers survive import competition by seeking importing input-saving technologies and production practices. These findings highlight the importance of differentiating between the formal and informal sector impacts of the DRC's socioeconomic policies.

Working paper 468

Title: Exploring Unbalanced Growth in South Africa: Understanding the Sectoral Structure of the South African Economy

Author(s): Johannes W. Fedderke

Publication date: September 2014

Keywords: unbalanced growth, South Africa, South African Economy

This paper explores the reasons for the unbalanced growth structure of South Africa. While a number of emerging markets show a high proportion of value added and employment being generated by the service sector, South Africa is one of very few such economies that also show a strong decline in manufacturing. In this paper we begin by an extensive presentation of the evidence that details the structural changes in the economy that have led to this unusual economic structure. In what follows we provide an explanation of the observed changes that rests of four distinct structural forces in the economy. First, on the supply-side of the economy, we confirm the well-known fact of differential total factor productivity (TFP) growth across sectors. Combined with a price elasticity of demand that is below unity, this leads to a prediction of labour shedding in sectors that have high TFP growth, and labour absorption in sectors with low TFP growth. Second, on the demand-side of the economy, economic sectors also face a differential income elasticity of demand, with "old" sectors such as agriculture and mining falling below unity, "new" sectors particularly in services reporting elasticities above unity. With income growth, this leads to a restructuring of demand from primary and secondary sectors to the tertiary sectors of the economy. Finally, we also consider the structural implications of inefficiencies in the labour and output markets of the economy. Pricing of labour, the rate of return on employment, and the pricing power of producers in output markets are all considered. The combination of the supplyside, the demand-side, and the factor market forces allow for a successful four category typology of sectors. Type 1 sectors are high TFP growth, labour shedding, with output growth moderated by low income elasticity of demand. Examples are Manufacturing and Construction. Type 2 sectors are low TFP and output growth, but with labour absorption moderated by low rates of return on the cost of employing labour. Examples are Agriculture and Mining. Type 3 sectors are high TFP growth, labour shedding, and output growth accelerated by high income elasticity of demand. Examples are the Utilities, Trade and Communications sectors. Type 4 sectors are low TFP growth, labour absorbing, with output growth accelerated by high income elasticity of demand. Examples are provided by the Finance sectors.

Working paper 469**Title:** Exchange Rate Policy and Export Performance in Efficiency-Driven Economies**Author(s):** Nicola Kim Rowbotham, Adrian Saville & Douglas Mbululu**Publication date:** October 2014**Classification-JEL:** F31, F43**Keywords:** Exchange rate, export performance, efficiency-driven economy

Increased globalisation, coupled with rising domestic competition, has led a growing number of firms to search beyond their traditional domestic markets for business opportunities in recent years. As a result, export-led economic growth has gained renewed attention amongst policy makers, particularly amongst those in industrialising nations, or so-called efficiency-driven economies. This search for drivers of economic growth has gained further impetus from the economic pressures brought about by the fall in growth in advanced markets following the global financial crisis coupled with the rising competitiveness of other industrialising emerging economies. A common policy proposal amongst countries trying to improve their competitiveness is to weaken the domestic exchange rate as a means to stimulate exports. However, depreciation also increases exchange rate risk. Given the renewed emphasis on this policy lever, this research examines the impact of exchange rate on export performance in a sample of nine efficiency-driven economies over the period 1990 to 2009. These economies that we survey include Brazil, the Dominican Republic, Malaysia, Mauritius, Mexico, Peru, South Africa, Thailand and Turkey, which all have floating exchange rate arrangements during the survey period. Panel data models using a fixed-effects method were used, and it was found that a weakening of the exchange rate does not necessarily improve export performance. To the contrary, for the nine countries surveyed, export growth seems to be associated with stronger exchange rates. Whilst our results suggest that the lag effect of exchange rate movement on export performance is slightly more pronounced, the relationship nevertheless remains statistically insignificant.

Working paper 470**Title:** Investigating the Sensitivity of Household Food Security to Agriculture-related Shocks and the Implication of Informal Social Capital and Natural Resource Capital: The Case of Rural Households in Mpumalanga, South Africa**Author(s):** Byela Tibesigwa, Martine Visser and Wayne Twine**Publication date:** October 2014**Classification-JEL:** Q1, Q5**Keywords:** agriculture-related shocks, caloric consumption, natural resource capital, informal social capital, formal social capital, weather-related crop failure, small-scale-subsistence farming households

Resource-poor rural South Africa is characterised by high human densities due to the historic settlement patterns imposed by apartheid, high levels of poverty, under-developed markets and substantially high food insecurity. This chronic food insecurity combined with climate and weather variability has led to the adoption of less conventional adaptation methods in resource-poor rural settings. This paper examines the impact of agriculture-related shocks on the consumption patterns of rural households. In our assessment we are particularly interested in the interplay between social capital (both formal and informal), natural resource capital and agriculture-related shocks. We use three years of data from a relatively new and unique panel of households from rural Mpumalanga Province, South Africa, who rely on small-scale homestead farming. Overall we make two key observations. First, the

agriculture-related shocks (i.e. crop failure from poor rainfall and hailstorm) reduce households' food availability and thus consumption. Second, natural resource capital (e.g. bushmeat, edible wild fruits, vegetables and insects) and informal social capital (ability to ask for food assistance from neighbours, friends and relatives) somewhat counteracts this reduction and sustains households dietary requirements. In general, our findings suggest the promotion of informal social capital and natural resource capital as they are easier, cheaper and more accessible coping strategies, in comparison to other more technical and capital-intensive strategies such as insurance, which remain unaffordable in most rural parts of sub-Saharan Africa. However, a lingering concern centers on the sustainability of these adaptation strategies.

Working paper 471

Title: Optimal Public Investment, Growth, and Consumption: Fresh Evidence from African Countries

Author(s): Augustin Kwasi Fosu, Yoseph Getachew, Thomas H.W. Ziesemer

Publication date: October 2014

Classification-JEL: D3, E1, O4

Keywords: Public Investment and Growth, Africa

This paper develops a model positing a nonlinear relationship between public investment and growth. The model is then applied to a panel of African countries using nonlinear estimating procedures. The growth-maximizing level of public investment is estimated at about 10 percent of GDP based on System GMM estimation. The paper further runs simulations, obtaining the constant optimal public investment share, that maximizes the sum of discounted consumption as between 8:1 percent and 9:6 percent of GDP. Compared with the observed end-of-panel mean value of no more than 7:26 percent, these estimates suggest that there has been significant public under-investment in Africa.

Working paper 472

Title: Financial Development and the Diffusion of Technologies under Uncertainty in Africa

Author(s): Zivanemoyo Chinzara

Publication date: October 2014

Classification-JEL: E44, G21, O30, O33

Keywords: Financial Depth, Technology Diffusion, Timing of Adoption, Economic Development, Macroeconomic Volatility, institutions, Dynamic panels, GMM

Using novel measures of technology diffusion and adoption developed by Comin and Hobijn (2012), we examine the role of finance in the timing of adoption and the diffusion of thirteen sectoral technologies in 44 Sub-Saharan Africa countries. These technologies cover sectors such as agriculture, communication and information technology, industry, and transport. The results show that financial development enhances the timing and diffusion of technologies both directly, and indirectly, through reducing the risk associated with new technologies. However, the results differ across technologies, with the information and communication technologies showing more responsiveness to changes in financial development. There is also evidence to suggest that, subject to the level of economic development, some technologies diffuse faster, while others diffuse slower. The latter result implies that some sector-specific technologies may diffuse quicker in less developed

economies, and thus economic theory needs to be extended to account for this technology-specific feature

Working paper 473

Title: A Life-Cycle Model with Ambiguous Survival Beliefs

Author(s): Max Groneck, Alexander Ludwig, Alexander Zimmer

Publication date: October 2014

Classification-JEL: D91, D83, E21

Keywords: Cumulative prospect theory, Choquet expected utility, Dynamic inconsistency, Life-cycle hypothesis, Saving puzzles

On average, “young” people underestimate whereas “old” people overestimate their chances to survive into the future. We adopt a Bayesian learning model of ambiguous survival beliefs which replicates these patterns. The model is embedded within a non-expected utility model of life-cycle consumption and saving. Our analysis shows that agents with ambiguous survival beliefs (i) save less than originally planned, (ii) exhibit undersaving at younger ages, and (iii) hold larger amounts of assets in old age than their rational expectations counterparts who correctly assess their survival probabilities. Our ambiguity-driven model therefore simultaneously accounts for three important empirical findings on household saving behavior.

Working paper 474

Title: The Relative (in)Efficiency of South African Municipalities in Providing Public Health Care

Author(s): Josue Mbonigaba and Saidou Baba Oumar

Publication date: October 2014

Classification-JEL: I12

Keywords: Municipalities, DEA, public, health care, technical efficiency, South Africa

Previous studies in South Africa have not dis-aggregated efficiency analysis across municipalities which are health system components of the broader national health system. The purpose of this paper is therefore to assess whether the relative efficiency of South African municipalities in primary health care and hospital care is different and whether South African municipalities can learn from each other to improve on their efficiency. The paper employs efficiency scores, estimated with Data Envelopment Analysis (DEA) using data from the District Health Barometer of the Health Systems Trust to rank South African municipalities across primary health care and hospital health care. The finding is that that the ranking of municipalities is not the same across both types of health care when efficiency scores and efficiency score growth are contemplated. These results imply that municipalities in South Africa are generally inefficient, but with the possibility of learning from each other’s practice in order to increase their technical efficiency. The health system authority should monitor service-specific best practices among municipalities so that they can use them as practice guidelines for other municipalities.

Working paper 475

Title: The Impact of Obesity on Employment in South Africa

Author(s): Modeste Some, Naiefa Rashied & Abieyuwa Ohonba

Publication date: October 2014

Classification-JEL: I10, J64, J71, J82

Keywords: Health Economics, Obesity, health, Employment

Obesity is a growing health problem in South Africa. This health problem could have various implications for the South African economy. The aim of this study was to investigate the impact of obesity on employment status in South Africa with the use of household survey data. The study followed a quantitative research design that involved household survey data analysis through the use of a bivariate probit model to validate the relationship between obesity and employment. The data was gathered in the National Income Dynamic Study (NIDS) and administered by the South African Labour and Development Research Unit (SALDRU). The findings suggest that obesity has a negative impact on employment status in South Africa.

Working paper 476

Title: Counter-Cyclical Capital Buffers and Interest-Rate Policy as Complements – The Experience of South Africa

Author(s): Roy Havemann

Publication date: November 2014

Classification-JEL: E58, G18, C53

Keywords: macroprudential, counter-cyclical capital buffer, macro modelling.

Counter-cyclical capital buffers are increasingly popular new "macroprudential" tools. However, there is limited empirical evidence on both the intended and unintended consequences of using these buffers. During the pre-crisis period (2002--2007), South Africa increased capital adequacy ratios to curb rapid credit extension, and so provides a useful test case. Using a new data set from that period, this paper extends a standard large-scale macroeconomic model to include capital adequacy ratios as a policy lever. It is found that a 1 percentage point shock to the capital adequacy ratio has similar effects to an interest-rate shock of between 0.3 and 0.4 percentage points. These results are in line with those in other jurisdictions. The econometric results are only indicative -- if actively used as a tool, counter-cyclical capital buffers may have their own complexities, including asymmetric impacts and endogeneity problems. Monetary policy issues, such as signalling, time inconsistency, expectation and communication challenges also apply, reducing the usefulness of proactive macroprudential policy. Nevertheless, macroprudential policies have an important complementary role to play

Working paper 477

Title: Father's Employment and Sons' Stature: The Long Running Effects of a Positive Regional Employment Shock in South Africa's Mining Industry

Author(s): Martine Mariotti

Publication date: November 2014

Classification-JEL: I31, N37

Keywords: living standards; stunting; difference-in-difference; fetal origins hypothesis

I exploit the unexpected increase in employment in 1975, 76 and 77 in the South African homelands to compare the long term adult outcomes of children whose fathers benefitted from the employment increase to those who did not. Using a standard difference in difference approach I find that the shock affected males who were either newborn or in utero at the time, providing support to the fetal origins

hypothesis and showing the importance of mother's nutrition. The income increases did not raise household incomes above the poverty datum line, explaining why older individuals were not affected. This study provides previously unmeasured individual level information on the quality of life in the homelands during apartheid, an era when African living standards were neglected but unmeasured because of a lack of data collection.

Working paper 478

Title: The Impact of the 2014 Platinum Mining Strike in South Africa: An Economy-Wide Analysis

Author(s): Bohlmann, HR, Dixon, PB, Rimmer, MT and Van Heerden, JH

Publication date: November 2014

Classification-JEL: C68, J52

Keywords: Platinum mining strike, computable general equilibrium, UPGEM

In this paper we measure the economy-wide impact of the 2014 labour strike in South Africa's platinum industry. The strike lasted five months, ending in June 2014 when producers reached an agreement with the main labour unions. The immediate impacts on local mining towns were particularly severe, but our research shows that the strike could also have long lasting negative impacts on the South African economy as a whole. We find that it is not the higher nominal wages itself that caused the most damage, but the possible reaction by investors in the mining industry towards South Africa. Investor confidence is likely to be, at least, temporarily harmed, in which case it would take many years for the effects of the strike to disappear. We conduct our analysis using a dynamic CGE model of South Africa.

Working paper 479

Title: Monetary Integration in SADC: Assessment of Policy Coordination and Real Effective Exchange Rate Stability

Author(s): Mulatu F. Zerihun, Marthinus C. Breitenbach and Francis Kemegue

Publication date: November 2014

Classification-JEL: C23, E63, F15, F31

Keywords: Real Effective Exchange Rate, Monetary Integration, Policy Coordination, SADC

This paper evaluates the strength of policy coordination in Southern African Development Community (SADC) as well as real effective exchange rate stability as indicative of sensible monetary integration. The underlying hypothesis goes with the assertion that countries meeting OCA conditions face more stable exchange rates. The quantitative analysis encompasses 12 SADC member states over the period 1995-2012. Correlation matrixes, dynamic pooled mean group (PMG) and mean group (MG) estimators, and real effective exchange rate (REER) equilibrium and misalignment analysis are carried out to arrive at the conclusions. The PMG model shows that there are common policy variables that influence REERs in the region. However, the REER equilibrium misalignment analysis reveals that SADC economies are characterised by persistent overvaluation at least in the short term. This calls for further improvement of policy coordination in the region. The findings in this paper have important policy implications for economic stability and policy coordination as SADC proceeds with monetary integration.

Working paper 480**Title:** The Characteristics of volunteers in South Africa**Author(s):** Ferdinand Niyimbanira & Waldo Krugell**Publication date:** November 2014**Keywords:** Volunteers, volunteerism, labour, South Africa

Volunteers are people who supply labour for the production of goods and services, for the benefit of others. Volunteer work is of significance in a time when social safety nets are weak and there are ever increasing demands on welfare organisations. The question is, who are these good Samaritans? This paper uses data from the South African Volunteer Activities Survey and examines the links between individuals' resources and volunteerism, tests the consumption model and looks for confirmation of the investment model of volunteerism. The results show that Blacks volunteer on average almost double the number of hours that the other population groups do, but this cannot be explained by individual assets such as gender, education, work status and income. Other factors play a role and more research is needed.

Working paper 481**Title:** Construction and analysis of a composite quality of life index for a region of South Africa**Author(s):** Talita Dalton-Greyling and Fiona Tregenna**Publication date:** November 2014**Classification-JEL:** C38, I31, O15, O18, R11**Keywords:** quality of life, wellbeing, composite indices, Gauteng City-Region, measuring instruments

This study employs a novel approach to measure and analyse quality of life in the Gauteng City-Region of South Africa. A comprehensive composite index is constructed. Comparing the quality of life of different groups, such as Africans, residents in urban informal settlements and females scoring relatively low. The weighting of the dimensions of quality of life is compared across groups, with 'housing and infrastructure' and 'social relationships' explaining the most variance for groups with lower and higher quality of life respectively. The findings emphasise the unevenness of wellbeing. The study provides a basis for measuring and analysing quality of life in other countries.

Working paper 482**Title:** Financial Structure and Economic Development in Africa**Author(s):** Nyasha Mahonye and Kalu Ojah**Publication date:** November 2014**Classification-JEL:** G15, O11**Keywords:** 15 African countries, financial structure, fixed effect instrument variable technique and economic development

This paper explores the relationship between economic development and financial structure: that is, whether the degree of financial system structure matter for pace and character of economic development in 15 African countries for the period of 1995 to 2011. The paper utilizes the fixed effect instrument variable technique for econometric estimation. None of the financial structure indicators enters any of the economic development regressions significantly at the conventional 10% level, which

is inconsistent with bank-based and market-based system view of financial system. Therefore, financial structure does not matter for economic development in these African countries. Rather, financial services are a significant determinant of economic development for our sample of 15 African countries. The overarching policy implication therefore is that relevant authorities should invest in accumulating both quantity and quality financial services in order to impact economic development in Africa.

Working paper 483

Title: A Dream Deferred: The Microfoundations of Direct Political Action in a Pre- and post-democratization South Africa

Author(s): Biniyam Bedasso

Publication date: November 2014

Classification-JEL: D74, P16

Keywords: protest, relative welfare, cohort, democratization, South Africa

Persistent protests might endanger the stability of young democracies because the economic legacies of the old autocratic regimes tend to outlive their political structures. This paper seeks to explore the micro-level predictors of protest potential in South Africa before and after the end of apartheid. The results of the cohort analysis reveal that the political consciousness of the anti-apartheid struggle has a lasting effect. The gap between actual income and expected returns to education explains protest potential better than comparison of one's income with that of a reference group. The effect of race on protest potential has diminished over time.

Working paper 484

Title: The Impact of Announcing Future Punishment Opportunities in a Public Goods Game

Author(s): Martine Visser, Alex Child, Jamil Moorad and Wisdom Akpalu

Publication date: December 2014

Classification-JEL: C9, H41, H30, Q58

Keywords: future punishment opportunities, public goods game

We explore the effects of announcements of future punishment opportunities in public goods games. Announcements can influence subject behaviour, through changing expectations, before the institution is implemented (adjustment effect) or after implementation (adaptation effect). Our results indicate that announcements do not lead to significant adjustment effects, nor increased free-riding before implementation. Once punishment opportunities are implemented, those forewarned with announcements exhibit positive adaptation effects. The number of contributors to the public good increases relative to the no-announcement treatment; this is partly mediated by increased utilisation of punishment, but diminished anti-social use of the institution. Announcements can therefore increase the efficacy of institutional change.

Working paper 485

Title: A Simple Method for Computing Equilibria when Asset Markets Are Incomplete

Author(s): Wei Ma

Publication date: December 2014

Classification-JEL: C68, C63

Keywords: Incomplete asset markets, General equilibrium theory, Homotopy method

The problem of computing equilibria for general equilibrium models with incomplete real asset markets, or GEI models for the sake of brevity, is reconsidered. It is shown here that the rank-dropping behavior of the asset return matrix could be dealt with in rather a simple fashion: We first compute its singular value decomposition, and then, through this decomposition, construct, by the introduction of a homotopy parameter, a new matrix such that it has constant rank before a desired equilibrium is reached. By adjunction of this idea to the homotopy method, a simpler constructive proof is obtained for the generic existence of GEI equilibria. For the purpose of computing these equilibria, from this constructive proof is then derived a path-following algorithm whose performance is finally demonstrated by means of two numerical examples.

Working paper 486

Title: The state of the Eastern Cape schools in a period almost the second decade of democracy

Author(s): Thobeka Ncanywa

Publication date: January 2015

Keywords: education production function, Quantile regressions, annual national assessments

This paper explore the state of the Eastern Cape schools by employing an education production function approach using the Ordinary Least Squares (OLS) and quantile regression techniques in 2013, a period almost twenty years into democracy in South Africa. The study benefited from the availability of Annual National Assessment (ANA) results from the examination directorate as a measure of schooling outcomes. In the education production function, scores from ANA were estimated against educator characteristics, school characteristics and community characteristics. The results of this study indicated that in the Eastern Cape learner performance is strongly influenced by educator quality, school and community characteristics.

Working paper 487

Title: A comparison of the values of water inflows into selected South African estuaries: The Heuningnes, Kleinmond, Klein, Palmiet, Cefane, Kwelera and Haga-Haga

Author(s): Johane Dikgang and Stephen Hosking

Publication date: January 2015

Keywords: Contingent valuation, Estuary, freshwater, travel cost

Estuaries are open access public goods in the sense that it is difficult to exclude people from accessing and using them, and that the marginal cost of this use is low. Given the overwhelming evidence available on the significance of freshwater inflow to estuary functionality, it is clear that an important component of catchment management is the allocation of river water into estuaries. Economic guidance comes in the form of comparisons of value. The Contingent Valuation Method (CVM) values are compared with the Travel Cost Method (TCM). Thus, by carrying out a further validity test – comparing the CVM with the TCM, this study potentially fills an important research gap. The CVM generated values per m³ of freshwater inflow into the estuary ranges from R0.0022 to R0.0546 whereas the (TCM) willingness to pay

values per m³ of freshwater inflow ranges from R0.0035 to R0.0499. The difference between the CV and TC generated values is marginal. It ranges from -7.89% at the Kleinmond estuary to 0.57% at Cefane estuary. The findings in this study are that the values generated by the two methods are roughly consistent with each other.

Working paper 488

Title: A Network View on Interbank Market Freezes

Author(s): Silvia Gabrieli and Co-Pierre Georg

Publication date: January 2015

Classification-JEL: D85, E5, G1, G21

Keywords: Interbank loans, network topology, Financial Stability

We study the liquidity allocation among European banks around the Lehman insolvency using a novel dataset of all interbank loans settled via the Eurosystem's payment system TARGET2. Following the Lehman insolvency, lenders in the overnight segment become sensitive to counterparty characteristics and banks start hoarding liquidity by shortening the maturity of their interbank lending. This aggregate change in liquidity reallocation is accompanied by a substantial structural change that can best be characterized as a shrinking of the interbank network. Such a change in the network structure is consequential: banks with higher centrality within the network have better access to liquidity and are able to charge larger intermediation spreads. Therefore, we show the existence of a sizeable interbank lending channel.

Working paper 489

Title: Variance Bounds as Thresholds for 'Excessive' Currency Volatility: Inflation Targeting Emerging Economies

Author(s): Shaista Amod and Shakill Hassan

Publication date: January 2015

Classification-JEL: F31; E52

Keywords: Currency volatility, variance bounds, monetary exchange rate models, Inflation targeting, emerging markets

At what level does a currency's volatility become 'excessive', in a concrete sense? Any claim that an exchange rate is excessively volatile needs a benchmark for 'normal' variability. We compute variance bounds implied by exchange rate models as the norm, for a set of particularly volatile emerging market currencies; and that long-run exchange rate volatility does not breach the upper bound implied by the present value of underlying fundamentals –for each currency in our sample, except the Brazilian real. However, nominal exchange rate variances get closer to implied upper bounds under inflation targeting. We also find a reduction in real exchange rate misalignment under inflation targeting.

Working paper 490

Title: Optimal Monetary Policy with Learning by Doing

Author(s): Chris Redl

Publication date: January 2015

Classification-JEL: E52, J24, E31

Keywords: Monetary policy, Labor Productivity, Inflation

I study the implications of learning by doing in production for optimal monetary policy using a basic New Keynesian model. Learning-by-doing is modelled as a stock of skills that accumulates based on past employment. The presence of this learning-by-doing externality breaks the 'divine coincidence' result, that by stabilising inflation the output gap will automatically be closed, for a variety of shocks that are important in explaining the business cycle. In this context, the policy maker must consider the impact on future productivity of any trade-off between output and inflation today. The appropriate inflation-output trade off is between inflation today and the present value of deviations in the output gap. The approach to optimal monetary policy follows Woodford (2010) permitting a study of variations in key parameters and steady states which is uncommon in the literature that relies on a quadratic approximation to the utility function. Exploiting this variation I find that learning induces a small increase in the importance of the output gap under a cost-push shock for the (more realistic case) of a distorted steady state. The welfare costs of business cycles are shown to be significantly larger even under the optimal policy.

Working paper 491

Title: When Selection Trumps Persistence: The Lasting Effect of Missionary Education in South Africa

Author(s): Johan Fourie and Christie Swanepoel

Publication date: January 2015

Classification-JEL: N37, I25

Keywords: Missionaries, South Africa, Protestant, Cape Colony

To estimate the long-term, persistent effects of missionary education requires two strong assumptions: that mission station settlement is uncorrelated with other economic variables, such as soil quality and access to markets, and 2) that selection into (and out of) mission stations is unimportant. Both these assumptions are usually not sufficiently addressed, which renders the interpretation of the persistent effects of mission stations suspect. We use an 1849 mission census of the Cape Colony in South Africa to test whether, controlling for location and selection, mission station education can explain education outcomes 147 years later. Our first set of results show that Black and Coloured residents of districts with a mission station are today likely to attain more years of schooling than those in districts with no stations. In addition, when only modern-day controls are included, education seems to be the mechanism that explains this persistence. However, when we control for selection in 1849, literacy loses its explanatory power. Education outcomes may be highly persistent – even in the face of active repression by apartheid authorities – but the key factor is early selection and not education persistence.

Working paper 492

Title: Evaluating Non-Linear Approaches in Forecasting Tourist Arrivals

Author(s): Andrea Saayman and Ilse Botha

Publication date: January 2015

Keywords: forecasting, tourism demand, SARIMA, STAR, Spectrum analysis, basic structural model (BSM)

Quantitative methods to forecasting tourist arrivals can be sub-divided into causal methods and non-causal methods. Non-causal time series methods remain popular tourism forecasting tools due to the accuracy of their forecasting ability and general ease of use. Since tourist arrivals exhibit seasonality, SARIMA models are often

found to be the most accurate. However, these models assume that the time-series is linear. This paper compares the baseline seasonal Naïve and SARIMA forecasts of a seasonal tourist destination faced with a structural break in the data, with alternative non-linear methods, with the aim to determine the accuracy of the various methods. These methods include the unobserved components model, smooth transition autoregressive model (STAR) and singular spectrum analysis (SSA). The results show that the non-linear forecasts outperform the other methods. The linear methods show some superiority in short-term forecasts when there are no structural changes in the time series.

Working paper 493

Title: The South African Labour market, 1995 - 2013

Author(s): Lyle Festus, Atoko Kasongo, Mariana Moses and Derek Yu

Publication date: February 2015

Classification-JEL: J40

Keywords: South Africa, labour market trends, labour force, Employment, unemployment

This paper investigates the changes in the South African labour market in the post-apartheid period in 1995-2013 by updating the work by Oosthuizen (2006) and Yu (2008). The three main data sources used are the October Household Survey of 1995, the Labour Force Survey of September 2004 and the Quarterly Labour Force Survey of 2013 Quarter 4. It was found that while unemployment has risen over the period, employment has also increased. Nonetheless, the extent of employment increase was not rapid enough to absorb all net entrants in to the labour force, resulting in increasing unemployment, or an employment absorption rate of below 100 per cent. Unemployment continues to be concentrated in specific demographically and geographically defined groups, most notably blacks, the poorly educated and the youngsters residing in Gauteng. Unemployment is a chronic problem for the youth in particular, as nearly three quarters of them never worked before. Finally, the employment absorption rate was the highest in some less developed provinces like Northern Cape, Mpumalanga and Limpopo, thereby suggesting the possible success of the government's efforts to promote the development in the poorer provinces.

Working paper 494

Title: Comparing Linear and Non-linear Benchmarks of Exchange Rate Forecasting

Author(s): SJ Retief, M Pretorius and I Botha

Publication date: February 2015

Keywords: random walk, autoregressive (AR), moving average (MA), Kernel regression

Throughout the past 3 decades, the random walk model served as exchange rate forecasting benchmark to verify that a model is able to outperform a random process. However, its application as forecasting benchmark is contradictory. Rather than serving as a benchmark that explains exchange rate behaviour, it serves as a benchmark of what we do not understand in exchange rate forecasting – the random component. In order to accommodate for the observed mean reverting and non-linear patterns in exchange rate information, this study considers various univariate models to serve as linear or non-linear benchmarks of exchange rate forecasting. The results of forecasting performance indicate that the random walk model is an

insufficient benchmark to explain exchange rate movements for non-static models. As linear alternative, an autoregressive model performed best to explain the mean reverting patterns in exchange rate information for quarterly, monthly and weekly forecasts of the exchange rate. As non-linear alternative, a Kernel regression was best able to explain volatile exchange rate movements associated with daily forecasts of the exchange rate.

Working paper 495

Title: Assessment of Monetary Union in SADC: Evidence from Cointegration and Panel Unit Root Tests

Author(s): Mulatu F Zerihun, Marthinus C Breitenbach and Francis Kemegue

Publication date: February 2015

Classification-JEL: C32, E31, F15, F41

Keywords: SADC, OCA, GPPP, Real Exchange Rate, cointegration, panel unit root

In this paper we investigate the likelihood of a proposed monetary union in the Southern African Development Community (SADC) being successful from the viewpoint of the Generalised Purchasing Power Parity (GPPP) hypothesis and optimum currency area (OCA) theory. We apply Johansen's multivariate cointegration technique, panel unit root tests, Pedroni's residual cointegration test and error correction based panel co-integration tests. The findings from this study confirm that GPPP holds among SADC member countries included in this study on account of cointegration and stationarity in real exchange rate series. The South African rand normalised long run beta coefficients of all the real exchange rates are below one except in the case of the Mauritian rupee and all bear negative signs except in the case of the Angolan New Kwanza and Mauritian rupee. This evidence support monetary union in the region except for Angola and Mauritius. However, the absolute magnitudes of the short run adjustment coefficients of SADC countries' real exchange rates are low and bear positive signs in some cases. This finding implies that the observed slow speed of adjustment for the (log) real exchange rate of SADC member states might constrain the effectiveness of stabilization policies in the wake of external shocks, rendering SADC countries vulnerable to macroeconomic instability in the region. This result has important policy implications for the proposed monetary union in SADC.

Working paper 496

Title: Average and Heterogeneous Effects of Class Size on Educational Achievement in Lesotho

Author(s): Ramaele Moshoeshoe

Publication date: February 2015

Classification-JEL: H52, I21, I28, O15

Keywords: Class size, Instrumental variable, Quantile Treatment Effects

Understanding class size effects on educational achievement remains a preoccupation of many economists. But empirical results are, to this far, still inconclusive. I use the two-stage least squares and the instrumental variable quantile regression methods on Lesotho's grade 6 students maths and reading test scores to estimate, respectively, the mean and distributional effects of class size. I find strong evidence for putative class size effects on reading achievement, but not on maths achievement. Using the bounds methods of Conley et al (2012), I show that these findings are robust to weak violations of the instrumental variable

exclusion restriction requirement. I also find that a small class size generally benefits the low-ability students the most.

Working paper 497

Title: The Influence of Higher Moments and Non-Normality on the Sharpe Ratio: A South African Perspective

Author(s): Chris van Heerden

Publication date: February 2015

Classification-JEL: C04, C46, G01, G11

Keywords: Emerging market, higher moments, normality, Sharpe ratio

Although the general assumption is that daily and monthly returns data are normally distributed (Aparicio & Estrada, 2001), the correct statistical distribution of returns must first be established (Linden, 2001), as it constitutes one of the elementary building blocks that will ensure accurate financial analyses (Taylor, 1986). The assumption of normality is also critical when constructing reference intervals for variables (Royston, 1991). By evaluating the pre-, during and post- 2007-2009 financial crisis periods, this paper found that non-normality can be present in all data frequencies, especially in higher data frequencies. Further evidence also showed that the deviation from normality escalated over the crisis period and remained higher after the crisis, compared to the pre-crisis period. By comparing the traditional Sharpe ratio with adjusted versions, based on Gatfaoui's (2012) methodology, this paper accentuates the fact that the presence of non-normality and higher moments can influence the Sharpe ratio's performance rankings

Working paper 498

Title: "I would rather have a decent job": Barriers preventing street waste pickers from improving their socioeconomic conditions

Author(s): Kotie Viljoen, Phillip Blaauw and Rinie Schenck

Publication date: February 2015

Keywords: Informal economy, Street waste pickers, recycling

As a result of the high levels of unemployment in South Africa many unskilled people are forced to resort to a variety of income-generating activities in the informal economy. The activity of collecting and selling recyclables presents virtually no barriers to entry, making it a viable option. Very little research focusing on street waste pickers is done, and when done it mostly takes the form of case studies. This article reports the results of the first country-wide research into the barriers that prevent street waste pickers from improving their socioeconomic circumstances.

The study used a mixed method approach. Structured interviews were conducted between April 2011 and June 2012 with 914 street waste pickers and 69 buy-back centres in 13 major cities across all nine provinces in South Africa. Low levels of schooling, limited language proficiency, uncertain and low levels of income as well as limited access to basic social needs make it difficult for waste pickers to move upwards in the hierarchy of the informal economy.

The unique set of socioeconomic circumstances under which street waste pickers operate in the various cities and towns in South Africa makes the design for any possible policy interventions a complex one. Policy makers will have to take note of the interdependence of the barriers identified in this research. Failing to do so may

cause policies that are aimed at supporting street waste pickers to achieve the exact opposite and ironically deprive them of their livelihood.

Working paper 499

Title: Mechanism Between Mining Sector and Economic Growth in Zimbabwe, is it a Resource Curse?

Author(s): Nyasha Mahonye and Leonard Mandishara

Publication date: February 2015

Classification-JEL: Q5

Keywords: Mineral resources, institutions, economic growth and OLS estimation

The study investigates the role of mineral resources in economic development and sees how the extractive sector impacts the overall performance of the economy of a country endowed with a diverse minerals and metals. We analyzed the economic growth model using human capital, population growth, property rights, and political rights, share of mineral exports to total exports, real growth of mining, real growth of agriculture, real growth of manufacturing and growth in foreign direct investments for the period 1970 - 2008. In addition, the study employed the Ordinary Least Squares (OLS) since it is the widely used model in the field of study. The empirical results showed that real manufacturing growth, real mining growth, share of mineral exports to total exports, property rights and political rights are important determinants of economic growth. Of major importance the study accepts the hypothesis of the presence of a resource curse in Zimbabwe. Actually for the period under review the study could not reject the hypothesis that mineral resources have a negative impact on growth using both variables used to proxy resource abundance. The policy makers therefore ought to improve the management of mineral resources to realize economic gains from these endowments.

Working paper 500

Title: Art Critic Index: A Proxy for Cultural Value in the Context of the South Africa Art Market

Author(s): Matthew Olckers, Catherine Kannemeyer and Michael Stevenson

Publication date: February 2015

Classification-JEL: Z11, D46

Keywords: Cultural value, South African art market

This study creates a proxy for cultural value by constructing an Art Critic Index (ACI). Cultural value is a distinct and alternative concept of value that is used to understand the art market. The ACI is formed by analysing survey books on South African art. Using a hedonic regression model a positive relationship is found between the ACI and art prices. Further, certain outliers in the ACI against price relation are in line with the understanding of the relationship between cultural and economic value. The paper concludes that the ACI is a suitable proxy for cultural value but it is not without significant criticisms. The lack of variability in the index between artists and between artworks by the same artist is the major area of concern.

Working paper 501

Title: Buyer-Seller Relationships in International Trade: Do Your Neighbors Matter?

Author(s): Fariha Kamal and Asha Sundaram

Publication date: February 2015

Classification-JEL: F1, F6, F14, L14, R12

Keywords: exporter-importer match, trade networks, partner-specific spillovers

Using confidential U.S. customs data on trade transactions between U.S. importers and Bangladeshi exporters between 2002 and 2009, and information on the geographic location of Bangladeshi exporters, we show that the presence of neighboring exporters that previously transacted with a U.S. importer is associated with a greater likelihood of matching with the same U.S. importer for the first time. This suggests a role for business networks among trading firms in generating exporter-importer matches. Our research design also allows us to isolate potential gains from neighborhood exporter presence that are partner-specific, from overall gains previously documented in the literature.

Working paper 502

Title: Determining Visitor Preferences for Rhinoceros Conservation Management at Private, Ecotourism Game Reserves in the Eastern Cape Province, South Africa: A Choice Modeling Experiment

Author(s): Deborah E Lee and Mario Du Preez

Publication date: February 2015

Classification-JEL: C25, Q57

Keywords: Discrete choice experiment, implicit price, ecotourism, game reserve, rhinoceros

South Africa harbours 95 percent of the world's threatened white rhinoceros (18 000) population and 40 percent of the critically endangered black rhinoceros (1 950) population. Increased levels of rhinoceros poaching in South Africa, and the imminent threat of extinction, has emphasized the need for improved management and conservation policies. This pilot study employs a discrete choice experiment in order to value selected supply-side rhinoceros management and conservation strategies at private, ecotourism game reserves in the Eastern Cape Province, South Africa. The valuation setting is couched in real-world management and conservation strategies presently under consideration at state-owned and privately-owned nature reserves in South Africa. Results suggest that visitors to private, ecotourism reserves support the sale of stockpiled rhinoceros horn (as indicated by positive and significant derived values) but are strongly opposed to the introduction of trophy hunting or the continuation of rhinoceros darting experiences (as indicated by negative and significant derived values). Based on the findings of this study, it appears that the choice experiment technique is a promising instrument, which can inform the design of rhinoceros management and conservation policies for privately-owned, ecotourism game reserves in South Africa, with the possibility of extending its use to state-owned nature reserves.

Working paper 503

Title: Measuring Core Inflation in South Africa

Author(s): Stan du Plessis, Gideon du Rand & Kevin Kotzé

Publication date: February 2015

Classification-JEL: C43, E31, F31; E52

Keywords: wavelets, trimmed means, dynamic factor models, forecasting, core inflation

Measures of core inflation convey critical information about an economy. They have a direct effect on the policy-making process, particularly in inflation-targeting countries, and are utilized in forecasting and modelling exercises. In South Africa the price indices on which inflation is based have been subject to important structural breaks following changes to the underlying basket of goods and the methodology for constructing price indices. This paper seeks to identify a consistent measure of core inflation for South Africa using trimmed-means estimates, measures that exclude changes in food and energy prices, dynamic factor models and wavelet decompositions. After considering the forecasting ability of these measures, which provide an indication of expected second-round inflationary effects, traditional in-sample criteria were used for further comparative purposes. The results suggest that wavelet decompositions provided a useful measure of this critical variable.

Working paper 504

Title: The Migrant Network Effect: An empirical analysis of rural-to-urban migration in South Africa

Author(s): Caroline Stapleton

Publication date: March 2015

Classification-JEL: D1, I3, J1, J6

Keywords: Empirical migration, South Africa

Recent empirical migration literature in South Africa suggests that access to physical and human capital, in the way of finance and education respectively, are key factors in increasing one's probability of migrating. This paper attempts to extend this literature by directly measuring the extent to which social capital, broadly defined as one's access to a migrant network, affects the probability of rural-to-urban migration. Using the first nationally representative panel dataset in South Africa, the National Income Dynamics Study, I estimate a standard model of migration choice with the inclusion of one's connection to a migrant network. This connection is measured by being part of a household in the baseline wave that contains somebody with current or recent experience as a labour migrant. In line with international migration literature, the empirical results suggest that access to a migrant network increases the likelihood of becoming a migrant (by between 2-3 percentage points). These findings are robust to the inclusion of various controls and therefore suggest that social capital does indeed play a role along with physical and human capital in determining who migrates in South Africa.

Working paper 505

Title: Institutionalisation of Derivatives Trading and Economic Growth: Evidence from South Africa

Author(s): Audrey Nguema Bekale, Erika Botha and Jacobus Vermeulen

Publication date: March 2015

Keywords: African derivatives markets, capital market development, derivatives-growth relationship, growth volatility, GMM, Granger Causality with VECM, GARCH

The purpose of this paper is to foresee the likely developmental impact of the proposed institutionalisation of derivatives trading in sub-Saharan Africa(n) (SSA) countries. The case of South Africa is emphasised to illustrate how domestic derivatives trading could influence economic growth and economic growth volatility; measuring growth in real GDP. From an empirical standpoint, the influence of local derivatives activity on economic growth could not be proven, even though a long-run

Granger causality is reported from economic growth to the expansion of local derivatives. These results at least sustain the realistic view that developing derivatives markets is a rather long-run process, and that efficient trading could not be achieved over the short-run. GARCH (1, 1) representation of a significant negative effect of derivatives trading on growth volatility establishes the stabilising effect of derivatives markets on the economy, but this does not constitute sufficient evidence to prove that derivatives trading can contribute to economic growth. Recommendation is that further research should look into the impact of derivatives trading on the liquidity of capital markets so as to assess the extent to which derivatives markets are able induce liquidity in their underlying capital markets, and thus provide suitable conditions for their own expansion and survival.

Working paper 506

Title: A categorisation and evaluation of rhino management policies

Author(s): Douglas J. Crookes and James N. Blignaut

Publication date: March 2015

Keywords: rhino, Economics, Property rights, tragedy of the commons

Rhino populations are at a critical level and new approaches are needed to ensure their survival. This study conducts a review and categorisation of policies for the management of rhinos. Twenty seven policies are identified and classified into in situ (reserve based) and ex situ (market based) policies. The policies are then evaluated based on four target areas: poachers/hunters; consumers; intermediaries and the game reserves themselves. The study finds that protected areas management policies seem most beneficial in the short run, in particular the enforcement of private property rights over resource utilisation, as well as the establishment of wildlife sanctuaries that act as sustainable breeding grounds for rhino populations.

Working paper 507

Title: The Expected Well-being of Urban Refugees and Asylum Seekers in Johannesburg

Author(s): Talita Greyling

Publication date: March 2015

Classification-JEL: D6, F23, J11, O15

Keywords: Expected well-being, Johannesburg, Forced migrants, Refugees, Asylum seekers, South Africa, Well-being

The influx of asylum seekers and refugees from across Africa to democratic South Africa has increased significantly. The aim of this paper is to determine the factors that influence the 'expected well-being' of this unique group. 'Expected well-being' is an important determinant of both the decision to migrate and the choice of destination country. Therefore knowledge of this determinant informs refugee policies. The results show that only a few factors found in the literature to explain the 'expected well-being' of voluntary migrants also explain the 'expected well-being' of forced migrants. However, quite a number of factors found in the literature to explain the subjective well-being and well-being of refugees and asylum seekers also applied to explaining the 'expected well-being' of this group. These factors include: government assistance, culture, the time spent in South Africa, economic factors, crime, refugee status, the reasons for leaving their home countries and the number of people in the house. The findings of this study emphasise the differences between forced and voluntary migrants and highlights the factors that influences the

'expected well-being' of forced migrants. These factors in turn shed light on migration decisions and choice of destination countries.

Working paper 508

Title: How the 'Hand of Henry' Benefited the South African Economy

Author(s): Johan Fourie and María Santana-Gallego

Publication date: March 2015

Classification-JEL: C8, N3, N4

Keywords: mega-event, tourism, FIFA World Cup, football, soccer, South Africa, gravity model, counterfactual analysis

This paper highlights an aspect of mega-events that has been neglected: the changing composition of tourist arrivals during and after the event. The change happens because, in the FIFA World Cup, a quota of countries participates from each continent and this opens up new tourism markets. We show that the 2010 FIFA World Cup in South Africa had a smaller growth effect on South Africa's traditional tourism markets but attracted a large increase from non-traditional ones. However, the size of the effect, we find, is partly due to randomness: it depends on match results in the qualification phase of the tournament. We use a new longrun dataset of tourism flows to South Africa and a gravity model for tourism flows and run counterfactual examples of play-off matches during the qualification phase to estimate how much more South Africa could have benefited had larger or richer countries qualified. We conclude that the random results of a few play-off games significantly affect the extent to which the World Cup benefits the host country's economy.

Working paper 509

Title: Macroeconomic Uncertainty in South Africa

Author(s): Chris Redl

Publication date: March 2015

Classification-JEL: D80, E32, E31, E66, N17

Keywords: economic uncertainty, Business cycles, Inflation, South Africa

This paper develops a new index of economic uncertainty for South Africa for the period 1990-2014 and analyses the macroeconomic impact of changes in this measure. The index is constructed from three sources: (1) Disagreement among professional forecasters about macroeconomic conditions using novel data from a forecasting competition run by a national newspaper, (2) a count of international and local newspaper articles discussing economic uncertainty in South Africa and (3) mentions of uncertainty in the quarterly economic review of the South African Reserve Bank. The index shows high levels of uncertainty around the period of democratic transition in 1992-4, the large depreciation of the currency in 2001 and the financial crisis of 2008. The uncertainty index is a leading indicator of a recession. An unanticipated increase in the index is associated with a fall in GDP, investment, industrial production and private sector employment. Contrary to evidence for the U.S.A and U.K., uncertainty shocks are inflationary. These results are robust to controlling for consumer confidence and a measure of financial stress. I show that these results are consistent with a simple New Keynesian model subject to volatility shocks in technology. In this model, nominal rigidities induce firms to raise prices as a precautionary measure when future demand becomes more uncertain.

Working paper 510**Title:** Technical and Scale Efficiency of Tanzanian Saving and Credit Cooperatives**Author(s):** Nyankomo Marwa and Meshach Aziakpono**Publication date:** March 2015**Classification-JEL:** G21, D2, C5**Keywords:** Efficiency, Saving and Credit Cooperatives, data envelopment analysis, Tanzania

In measuring technical and scale efficiency of Tanzanian Saving and Credit Cooperatives we used a sample of 103 audited financial statements during 2011. Data envelopment analysis was employed to explore the efficiency scores. The results show that average scores are 42%, 52% and 76% for technical, pure technical and scale efficiencies respectively. Since most of the inefficiencies are either technical or scale in nature, the study recommends increasing the operating scale for smaller firms. Firms operating beyond the optimal scale may need to downsize. Also the managers from technically inefficient firms should reduce the waste of the productive resources by utilizing their inputs more efficiently.