



Draft

Economic Research Southern Africa Activity

April 2013 – March 2014

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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 publishes a Working Paper series, provides financial incentives to researchers to publish their papers in peer reviewed scholarly journals, runs a Workshop programme across a range of distinct focus areas in economics, and provides extensive support to graduate students in economics in Southern Africa.

For the Working and Policy paper series the number of published papers has now risen to 445.

Publications in peer reviewed journals of the ERSA Working Paper series also continues to rise steadily. The number of published papers has now reached 195, of which 135 have appeared in international journals, and 60 in national journals.

Workshop activity continues across research groups. During 2013-2014, 12 workshops were held, and attendance at the workshops continues to represent a diverse representation of national institutions and demographics. A total of more than 76 institutions, of which 64 were South African, have been represented at ERSA workshops from the inception of the programme.

An important innovation of 2013-2014, was the expansion of the Workshop programme beyond the five core areas of research that ERSA has historically supported through this mechanism. Consistent with ERSA's mandate to broaden the scope of research in economics, we have institutionalized support in four new areas, political economy, the economics of finance and banking, economic theory, empirical methods, and are in the process of extending support to natural resource economics also. The intention is to develop these new research nodes into fully fledged research groups in due course. The first round of workshops have either already been held, or are scheduled to occur in the next few months. Attendance and active participation have been active and spread across a range of institutions, promising a bright future for these new research areas.

During 2013/14, ERSA appointed three additional Policy Associates as full time researchers, to join Dr. Biniam Bedasso. Nonso Obikili, completed his PhD at the State University of New York at Binghamton, and has a research focus on the economic history of Africa, including political economy dimensions. David Garber completed his PhD at the University of Wisconsin, and is an established development specialist, with particular emphasis on computable general equilibrium modelling. Co-Pierre Georg, who has joined us as a part-time policy associate, completed his PhD at the Friedrich-Schiller-University Jena, with a research focus on the economics of finance.

I would like to welcome Nonso, David and Co-Pierre to ERSA and look forward to their contributions to the South African debate on questions in economics.

Under the ERSA scholarship scheme, 42 scholarships have been awarded to date, 39 for Masters, and 3 for PhD study. During the course of 2013 – 2014, 40 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 2014. The demographic breakdown of the 10 awardees is as follows: 2 black females, 2 white females, 2 black males and 4 white males.

Another important new initiative that was launched by ERSA during the last year 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. The first workshop under this initiative took place at the University of Pretoria on the 4 – 8 November 2013. Ten delegates, from 75 applications received from around the country were selected by the Skills Development Committee to attend this training. This existing cohort will go on to attend the 2nd Skills Development Training workshop in November 2014, with a new cohort selected to enter the programme in May 2014. My sincere thanks go to the members of the Skills Development Committee as well as the participating trainers for their time, dedication and commitment in contributing to the success of this initiative.

A further training initiative that ERSA is launching in 2014-2015 is an internship programme for graduate students and young researchers that have a strong policy research interest. The first cohort of eight interns will be serving during the Winter of 2014.

Once again I would like to extend my sincere thanks to the administrative staff of ERSA, who have continued to provide close and diligent support to all ERSA programmes. Given the expansion of ERSA's activities, Megan Gelderbloem has joined the ERSA administrative team during the course of 2014, and she deserves special welcome and thanks for her efforts in lending support to the ERSA programmes,

Similarly, the contributions of both group convenors and the members of the editorial committee of ERSA, who provide substantial inputs of time to ensure the smooth functioning of the paper and workshop series of ERSA require the strongest possible recognition, as well as the thanks of the economics community in South Africa who benefit from their continuing efforts. A special word of thanks is in order to the new research node convenors: they have provided extensive developmental insight and a great deal of their time in order to get the new research areas off the ground. I have every confidence that their initiative will be met with future development of the areas, and the successful unfolding of new research agendas.

Finally, the continuing financial support from the National Treasury, which has provided long term funding to the ERSA initiative, deserves ongoing thanks and recognition. 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 9 years.



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

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 Acting Chair of the Board: Christopher Loewald

- National Treasury: Fundi Tshazibana, Konstantin Makrelov, Pieter Roux
- 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 2013/14 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
 - 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 that was launched by ERSA during the last year 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.

Report from the Chair of the Academic Committee 2013/2014

ERSA has been gaining momentum every year in the economic community in South Africa, and this year has not been an exception. The increasing demand of tasks to perform has led to the appointment of two full- and one part-time research associates. The Academic Committee welcome them. The academic credibility of ERSA translates to quality and quantity of working papers published this year and the increasing number of workshops which covers now all branches of economics.

In particular the expansion of the Workshop programme has been beneficial to the community at large in that some academics who were still isolated are now part of new research groups. I salute this initiative and hope these groups will interact closely with the existing groups. I take this opportunity to welcome convenors of newly formed groups and trust that we are going to work closely together and push the frontiers of research in their fields in South Africa. The task awaiting them is to enlarge the participation of scholars in their fields.

The success achieved this year in terms of publications, workshops, scholarships awarded, prizes to students of various institutions, and involvement of different universities across South Africa is a result of diligence work of various members of the academic committee. I would like to convey my sincere gratitude to all members of academic committee for their hard work without which all these accomplishments would not be possible. You have made ERSA a pillar of networking and interaction in South Africa. I also acknowledge the support of economic departments across the country and the South African reserve bank in hosting different workshops this year.

In addition, the current success would not possible without the financial support of the national Treasury. Last but not least, I thank the ERSA Executive for investing time and energy beyond their call of duty with unwavering leadership in running this organization in line with its mission and vision.

This year is my first year as Chair of the Academic Committee. I am looking forward to working with in a collegial manner and I am sure that together we will strive to make ERSA the best economic research organization in the country.

Alain Kabundi

Chair: Academic Committee

May 2014

Income and Expenditure Statement: 1 April 2013– 31 March 2014

Statement of Financial Performance

| Figures in Rand | Note(s) | 2014 | 2013 |
|--|---------|------------------|------------------|
| Revenue | | | |
| Fund income | | 9,922,000 | 10,000,000 |
| Other income | | | |
| Tips income | | - | 81,679 |
| Interest received | 10 | 413,097 | 313,073 |
| | | 413,097 | 394,752 |
| Operating expenses | | | |
| Accounting fees | | 133,608 | 111,277 |
| Advertising | | 332 | 67,458 |
| Auditors' remuneration | 12 | 30,500 | 28,000 |
| Bank charges | | 12,199 | 3,264 |
| Board meetings | | 154,044 | 158,073 |
| Cleaning | | 10,070 | 8,970 |
| Computer expenses | | 219,874 | 132,787 |
| Depreciation, amortisation and impairments | | 56,455 | 69,522 |
| Donations | | 1,000 | - |
| Employee costs | | 2,469,627 | 1,443,759 |
| Entertainment | | 6,536 | 9,264 |
| Honorarium | | - | 25,000 |
| IT expenses | | 4,845 | 1,650 |
| Insurance | | 27,340 | 18,063 |
| Lease rentals on operating lease | | 473,080 | 439,967 |
| Legal expenses | | - | 6,270 |
| Office expenses | | 14,264 | 6,398 |
| Placement fees | | 219,224 | 59,658 |
| Postage | | 11,177 | 11,144 |
| Printing and stationery | | 46,537 | 38,557 |
| Prizes | | 209,300 | 82,700 |
| Repairs and maintenance | | 988 | 5,134 |
| Research fees | | 1,869,969 | 2,134,390 |
| Scholarships | | 649,648 | 640,000 |
| Small assets written off | | 8,789 | 6,315 |
| Staff welfare | | 11,817 | 14,177 |
| Stipend - board and conveners | | 129,356 | 115,000 |
| Subscriptions | | 17,113 | 4,700 |
| TIPS expenses | | 22,205 | 118,623 |
| Telephone and fax | | 27,720 | 29,917 |
| Travel - local | | 369,949 | 158,402 |
| Workshops | | 1,386,811 | 1,350,527 |
| | | 8,594,377 | 7,298,966 |
| Profit for the year | | 1,740,720 | 3,095,786 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 1,740,720 | 3,095,786 |

1. Policy Research Programme

Report from the Deputy Director Research 2013/2014

The past year has seen Economic Research Southern Africa establishing itself as a new independent research institution which produces work with both academic credibility and policy relevance.

After appointing 3 full time and 1 part time research fellows, ERSA has now the capacity to give a significant contribution to the economic debate in the country. The reports of the individual research fellows, which follow, give a clear indication of the amount of work we have already produced in the period 2013-2014. The reports also show the proactive role that each one of our research fellows is playing to make ERSA an important research entity in the national research and policy environment.

Our research work is complementary to the research that is already available in academic and policy institutions. Our aim is to strengthen and widen the research capacity in the country and to give a specific contribution in research areas that are underrepresented in South Africa.

Moreover, in line with the overall objectives of ERSA, we put a lot of emphasis to building linkages between our research fellows and researchers in academic and policy institutions. Our research fellows have been presenting their work all around the country and are promoters of new research nodes for ERSA research network. In the near future we want also develop ERSA as a depositor of resources (data, codes etc) in the area of political economy, public finance and financial economics that other researchers in the country can freely have access to and use in their own research.

Overall I am satisfied that the work done in this first year demonstrates the positive and direct role that ERSA can play in promoting the development of economic research in the country.

Nicola Viegi
Deputy Director Research
May 2014

ERSA Policy Associate Report: Biniam Bedasso

The work I have done as ERSA Policy Associate during the last one year can be summarized using the following four headlines:

1. Completed a paper on democratic transition in South Africa
2. Completed a paper on political protest in South Africa
3. Organized the first ESRA Political Economy workshop
4. Began preparation for research projects on industrial policy and affirmative action in higher education in South Africa

The first paper I have completed, the one on democratic transition, was presented at the Political Economy workshop in Johannesburg in October 2013. I am currently planning on submitting the paper to an academic journal. At the same time, I am considering writing a short policy note based on the findings of the main academic work. The second paper was completed only recently. Therefore, I would like to first get it published as ERSA Working Paper. In the meantime, I will work on a policy note based on the second paper as well.

I organized the first ESRA Political Economy workshop on October 29, 2013 in Johannesburg. About 20 researchers attended the workshop. Building on the encouraging feedback we received on the first workshop, we have already planned a second and bigger workshop to be held on September 18 and 19, 2014 in Soweto.

I am currently working on a research project on industrial policy and income inequality in South Africa. I intend to collaborate with David Garber on this project to apply Computable General Equilibrium analysis to evaluate the impact of industrial policy measures on income inequality.

Biniam Bedasso
ERSA Policy Associate
April 2014

ERSA Policy Associate Report: David S. Garber

David joined the ERSA policy research team in August 2013 after having spent two years as an economist with the United States Agency for International Development where he regularly conducted quantitative analysis to guide development policy makers. He comes to ERSA with expertise in computable general equilibrium (CGE) modelling and subject expertise in development, environmental, and public economics. Having worked extensively in and on various regions of Africa (Morocco, Chad, and Tanzania, in particular), he continues to solidify his reputation as an Africanist.

David's core work since his arrival has been to investigate South African fiscal policy from the revenue side. This is a particularly relevant field as evidenced by the recent formation of the David Tax Commission. He is constructing a CGE model that is able to illustrate the likely impacts on economic growth, poverty, and income distribution to various changes in tax structure.

His first paper, posted on ERSA's website, considers such impacts from taxes on under-productive assets (excess or vacant land, for example). The policy paper emerged from his presentation to the economic research team at the Treasury Department in March 2014. A similar presentation was also given to the economic department at the University of Pretoria in the same month. David continues to refine the economic model and gather the necessary data, with the intention of submitting a final product for publication over the next year.

David has also begun a collaboration with another ERSA policy associate to investigate industrial policy in South Africa. The focus of the research will be on the role of labour costs on the growth of manufacturing sector output, with a particular interest in employment outcomes.

David strives to interact closely with the South African community of economists. He attended the Economic Society of South Africa (ESSA) meetings in Bloemfontein in September 2013. He regularly attends seminar series meetings at the University of Cape Town and University of Stellenbosch, the latter where he is a member of its public economics working group. He looks forward to presenting his own ongoing

work as such events. David will also be supervising one of ERSA's policy research interns who will be joining the ERSA team during 4-6 weeks in June 2014.

David S. Garber, PhD

April 2014

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.

Since my start at ERSA I organized two workshops, one in December 2013 and one in March 2014. Our keynote speaker for the December 2013 workshop was Prof. Jose-Luis Peydro Alcalde from the Universitat Pompeu Fabra. Unfortunately, he had to cancel the trip on short notice due to his wife's sickness and was only able to deliver the keynote speech via skype. This, however, allowed us to save some money which we used to invite Prof. Falko Fecht from the Frankfurt School for a second "workshop" to Pretoria and Stellenbosch in March 2014. While the first workshop was a traditional ERSA workshop and saw about 30 participants, the second workshop was really two seminars with a total of ca. 60 participants (many from the SARB).

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. We are currently working out the details, but this would allow me to facilitate collaborations with the SARB. Note that there are very strict data confidentiality requirements on the SARB's side, so one of the challenges ahead will be to find ways for collaboration with external researchers.

My responsibilities include facilitating the exchange with international researchers and I am currently trying to obtain the funding to invite my co-authors Christoph Aymanns (Oxford University) and Tarik Roukny (Universite Libre de Bruxelles) for an extended stay of about one month to jointly work with me and MSc and PhD students from South Africa on a larger project to develop an agent-based model of the financial system. So far I have three South African students that are interested, others will potentially join us. For the next financial economics workshop in

November I was able to win Prof Franklin Allen (Wharton) as keynote speaker. Franklin is the former president of the American Finance Association and one of the most cited economists in corporate finance. The workshop will be jointly organized with the Wits Finance Initiative and the SARB. The other side of my attempts to create stronger international ties is that I am travelling quite frequently. In January 2014 I was visiting the New York Federal Reserve Bank, in April and May 2014 I am a Visiting Fellow at the Bendheim Center for Finance at Princeton University, in June 2014 I will be back at Deutsche Bundesbank to continue work on some empirical projects using supervisory data from the Euroarea.

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 December. 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).

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 in the past nine months.

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 I arrived in July.

I have made presentations at the University of Cape Town, Stellenbosch University and the University of Pretoria. I have also made presentations at the December 2013 economic history workshop in Potchefstroom. On a global level I presented at the 4th Annual Economic History Summer School in Montevideo, Uruguay in December of 2013 and at the Centre for the Study of African Economies annual conference in March of 2014.

I have also published three papers as part of the ERSA working paper series. "The Impact of the Slave Trade on Literacy in Africa: Evidence from the Colonial Era", "Social Capital and Human Capital in the Colonies: A Study of Cocoa Farmers in Western Nigeria", and "The Trans-Atlantic Slave Trade and Local Political Fragmentation in Africa". The first two are currently under review at academic journals. I am making recommended changes to the third paper but that should be sent to a journal soon.

In terms of current research I am working on four papers. The first of these aims to use night lights to estimate change in economic activity in Nigeria between 1999 and 2012. This paper has been submitted to the ERSA working paper series and is under review. The second paper aims to estimate the effect of education on subnational growth across various regions in Africa. The third examines the economic returns to anti-apartheid political activities. The fourth examines the relationship between change environmental conditions and violence in the Sahel region of Africa.

Nonso Obikili
April 2014

2. The Workshop Programme

Statement by the Director of Capacity Building, ERSA 2013/2014

Academic Workshops

Eleven workshops were held between March 2013 and March 2014, in six different places: Pretoria, Johannesburg, Cape Town, Bellville, Stellenbosch and Potchefstroom. The workshops were held by the following groups: Public Economics (3), Macro (1), Political economy (1), Economic History (1), Financial Economics (2), Trade and IO (1), Theory (1), and one special workshop on Financial Globalisation and sustainable finance. The convenors of the workshops met before each Academic Committee meeting to discuss collaboration and strategic direction of our research, while we learn from each other how to improve the respective workshops.

Skills development training

ERSA has expanded its capacity building program to include training in econometric skills for staff from previously disadvantaged universities. The first week long training program took place from 4-8 November 2013 at the University of Pretoria. Ten delegates were chosen by a committee appointed by the Academic Committee of ERSA, namely from Venda(2), NWU-Mafikeng(1), Fort Hare (3), Zululand(1), Walter Sisulu (1) and Limpopo(1). The topic of the training program was Time-Series econometrics.

The second training week took place from 26-30 May 2014, also at UP, on cross-section econometrics. The group was not identical to the first one because delegates do not all have the same needs or flexibility to attend different training weeks. Ten lecturers from mostly the same universities attended the week.

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

Scholarships to Master's students

ERSA awarded a second round of 10 scholarships to Master's students for 2014. A scholarship committee was appointed and chose ten students from nine different

universities to be awarded scholarships of R80 000 for studying at South African institutions.

ERSA working paper series

This remains one of the strongest tools provided to economics researchers in South Africa, and a separate report is available about the WPS.

A handwritten signature in blue ink, appearing to read 'J. van Heerden', is positioned above the printed name.

Jan van Heerden

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 2013-2014, ERSA has hosted a total of 12 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:

- Public Economics: Taxation and Regulation, Micro-simulation and Health
- Special: Financial Globalisation and Sustainable finance: Implications for Policy and Practice
- Macro: The Future of Monetary Policy
- Political Economy workshop
- Skills Development: Time-series Econometrics (Cohort 1)
- Economic History: A Country of Migrants – Advances in South African Economic History
- Financial Economics and the Nexus of Growth, Stability and Efficiency
- Trade and IO: Industrial Organisation workshop
- Theory: First Annual Theory workshop

A full list of workshops, including their institutional affiliation, the location in which they were held, for the April 2013 – March 2014 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. Petar Stankov, University of National and World Economy, Bulgaria – Presented at the Financial Globalisation Workshop, held at the Stellenbosch Business School from 29-31 May 2013.
2. Selcuk Caner, International Monetary fund, – Guest Speaker at the Micro-simulation workshop held at the University of Pretoria, from 5 to 6 August 2013.
3. Dr Lucrezia Reichlin, London Business School – Presented at the Third Annual Monetary Economics workshop entitled: “The Future of Monetary Policy” held at the SARB from 29 to 30 August 2013.
4. Axel Schimmelpfennig, International Monetary Fund, – Presented at the Third Annual Monetary Economics workshop entitled: “The Future of Monetary Policy” held at the SARB from 29 to 30 August 2013.
5. Peter Smith, Imperial College Business School and Centre for Health Policy, Presented at the Symposium and training workshop: Critical choices around universal health coverage – 6-7 February 2014, Stellenbosch Institute for Advanced Study (STIAS).
6. Ranjeeta Thomas, Imperial College, London – Presented at the Symposium and training workshop: Critical choices around universal health coverage – 6-7 February 2014, Stellenbosch Institute for Advanced Study (STIAS).
7. Katharina Hauck Presented at the Symposium and training workshop: Critical choices around universal health coverage – 6-7 February 2014, Stellenbosch Institute for Advanced Study (STIAS).
8. Eddy van Doorslaer, Erasmus University, The Netherlands - Presented at the Symposium and training workshop: Critical choices around universal health coverage – 6-7 February 2014, Stellenbosch Institute for Advanced Study (STIAS).

9. Falko Fecht, Frankfurt School of Finance and Management, Germany – Presented two seminars: 1 at the SARB and 1 University of Stellenbosch on 10 and 13 March 2014, respectively.
10. Katja Seim, Wharton, University of Pennsylvania, Philadelphia – Presented at the Industrial Organisation workshop held at the STH of University of Johannesburg on 17 March 2014.
11. Frank Riedel, Center for Mathematical Economics at Bielefeld University, Germany – Guest speaker at the First Annual Theory Workshop held in Cape Town from 26-28 March 2014.

A total of 334 people attended the 12 ERSA workshops of 2013/14. 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: March 2013 - March 2014

| Workgroup | Name of Workshop | Convenor | Date | Institution/Place | WM | BM | WF | BF | Total |
|--------------------|---|---|-----------------------|--|------------|------------|-----------|-----------|--------------|
| Public | Workshop on Taxation and Regulation | P. Burger | May 13 | UNISA, Pretoria | 28 | 17 | 10 | 11 | 66 |
| Special | Financial Globalisation and Sustainable Finance: Implications for Policy and Practice | M. Aziakpono | May 13 | USB, Bellville | 3 | 6 | 1 | 1 | 11 |
| Public | Microsimulation workshop | P. Burger | Aug 13 | UP, Pretoria | 10 | 13 | 5 | 3 | 31 |
| Macro | The Future of Monetary Policy | N. Vieg | Aug 13 | SARB, Pretoria | 13 | 18 | 3 | 6 | 40 |
| Political | Political Economy workshop | B. Bedasso | Oct 13 | UJ, Johannesburg | 7 | 9 | 2 | 0 | 18 |
| Skills Development | Time-series Econometrics: Cohort 1 | SD Committee R. Van Eyden R. Naraidoo | Nov 13 | UP, Pretoria | | 7 | | 3 | 10 |
| History | A Country of Migrants: Advances in South African Economic History | J. Fourie | Dec 13 | NWU, Potchefstroom | 9 | 3 | 7 | 2 | 21 |
| Financial | Financial Economics and the Nexus of Growth, Stability, and Efficiency | C. Georg | Dec 13 | GSB, Cape Town | 11 | 13 | 3 | 6 | 33 |
| Public | Health Symposium and Training | R. Burger | Feb 14 | STIAS, Stellenbosch | 9 | 13 | 15 | 10 | 47 |
| Financial | Seminar: Relationship lending in the interbank market and the price of liquidity by Prof Falko Fecht (only ERSA sponsored delegates listed) | C. Georg | 10 Mar & 13 Mar 14 | SARB, Pretoria and US, Cape Town | 2 3 | 4 5 | 0 0 | 3 1 | 9 9 |
| Trade and IO | Workshop on Industrial Organisation | W. Boshoff | Mar 14 | School of Hospitality and Tourism, University of Johannesburg | 8 | 12 | 1 | 1 | 22 |
| Theory | First Annual Theory workshop | A. Zimper | Mar 14 | Townhouse, Cape Town | 9 | 5 | 0 | 3 | 17 |
| | Total | | | | 112 | 125 | 47 | 50 | 334 |

Table 2: Institutions represented at ERSA Workshops

| |
|---|
| ABSA |
| Accounting, University of Stellenbosch |
| Actuaries Without Frontiers |
| African Bank |
| African Institute for Mathematical Science |
| Alexander Forbes |
| American Cancer Association |
| Applied Fiscal Research Centre (AFReC) |
| Association for Savings & Investment South Africa (ASISA) |
| Australian National University |
| Bank of Namibia |
| BANKSETA |
| Benguela Health Group |
| Black Sash |
| British Museum |
| Bureau for Economic Research (BER) |
| Cadiz Securities |
| Cass Business School |
| Central European University |
| Centre for Affordable Housing Finance |
| Centre for Competition, Regulation and Economic Development |
| CEPR |
| Clinton Foundation |
| Columbia University |
| Community of Mandela Rhodes Scholars |
| Competition Commission South Africa |
| 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 |

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| 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 |
| ERSA |
| Erasmus University, The Netherlands |
| 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 |
| Frost & Sullivan |
| Gauteng Provincial Government |
| Gauteng Provincial Treasury |
| Genesis Analytics |
| Ghana Statistical Services |
| Glen Steyn Consulting Economist |
| 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 Monetary Fund |
| Kenya Bankers Association, Nairobi, Kenya |
| 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 |

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| 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 Energy Regulators of South Africa |
| National Film and Video Foundation |
| National Treasury |
| National Youth Development Agency |
| Nelson Mandela Metropolitan 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) |
| Oxford Policy Management |
| Oxford University |
| Oxford University Press |
| P&DM Wits |
| Pan-African Investment & Research Services |
| Parliament |
| Penn State University |
| Ports Regulator of South Africa |
| Presidency Office |
| Provincial government of the Western Cape |
| Public Investment Corporation |
| Quantec |
| 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 |
| South African Bureau of Standards |
| South African Government |
| South African Institute of International Affairs |
| South African National Treasury |
| South African Reserve Bank |

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| 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 |
| Tariff and Trade Intelligence |
| Thebe Employee Benefits |
| Tinbergen Institute |
| Trade and Industrial Policy Strategies |
| Transunion |
| Treatment Action Campaign |
| Tshwane University of Technology |
| T-Systems International |
| United States Census Bureau |
| Universidad de los Andes |
| Universidad de la Republica |
| Universitat Pompeu Fabra |
| Université Libre de Bruxelles |
| Universite de Montreal |
| Universitie 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 Glasgow |
| University of Gothenburg |
| University of Guanajuato – Mexico |
| University of Helsinki |
| University of Johannesburg |
| University of KwaZulu Natal |
| University of Lagos |
| University of Limpopo |
| University of London |

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| University of Mannheim |
| 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 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 |
| 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. The Working and Policy Paper 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 342 Working Papers and 20 Policy Papers. Since April 2013 to date, this has increased to 445 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, 195 out of the 425 Working Papers have been published, with a

number of additional papers forthcoming. Thus the publications rate currently stands at 46%. Also noteworthy is that of the published papers, 148 have appeared in internationally ranked journals, and 47 in unranked journals, giving a 75% 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.

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 Viegi | 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 |

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|----|--------------------------|---|--|------------------------|
| 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 |

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|----|----------------------------|---|--|------------------------|
| 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 |

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|----|--------------------------------------|---|--|------------------------|
| 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 |

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|----|-------------------------------------|---|--|------------------------|
| 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 Uwillingiye | Measuring the welfare cost of inflation in South Africa | 2008, South African Journal of Economics | Internationally ranked |

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|----|---------------------------------|--|---|------------------------|
| 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 |

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|-----|---------------------------|--|--|------------------------|
| 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 Zimmer | 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 Zimmer | 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 |

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|-----|-----------------------------|---|--|------------------------|
| 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 |

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|-----|---------------|--|--|------------------------|
| 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 |

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|-----|------------------------------------|--|--|------------------------|
| 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 |
| 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 |

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|-----|-----------------------------------|--|--|------------------------|
| 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 |
| 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 macroeconometric 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 |

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|-----|---------------------|---|--|------------------------|
| 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 |

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|-----|-----------------------------|---|--|---------------|
| 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 |

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|-----|----------------|---|--|------------------------|
| 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 Procyclicality | 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 |

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|-----|--------------------------|--|---|------------------------|
| 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 |

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|-----|------------------|---|---|------------------------|
| 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 |

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|-----|------------|--|--|------------------------|
| 268 | J Fourie | The wealth of the Cape Colony: measurements from probate inventories | 2012, Economic History Review | International |
| 275 | D Liu | Will the SARB always succeed in fighting inflation with contractionary policy? | 2013, South African Journal of Economics | Internationally ranked |
| 283 | A Mahomedy | Islamic Economics: Still in search of identity | 2013, International Journal of Social Sciences | 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 |

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|-----|-------------|--|--|------------------------|
| 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 |
| 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 |

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|-----|-------------|---|---|---------------|
| 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 |
| 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 |

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|-----|---------------|--|---|---------------|
| 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 |
| 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 |
| 390 | A Zimper | Biased Bayesian learning with an application to the risk-free rte puzzle | 2014, North American Journal of Economics & Finance | International |
| 396 | M Kohler | Differential electricity pricing and energy efficiency in SA | 2013, Energy | International |

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|----------------------|------------------------|--|--|------------------------|
| 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 |
| 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 2013 to March 2014

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 425 working papers, 20 policy papers and one research brief. We would like to increase the policy papers and research briefs significantly in the next period.

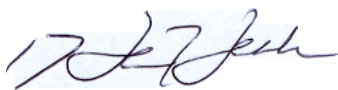
The popularity of the WPS has been growing, and this is clear from the fact that in the period Jan 13 – March 14 there were 142 papers received and sent out for review. 15 of these were accepted unconditionally, 19 were rejected outright, while most others were sent back with comments to be revised and resubmitted. During the above mentioned reporting period, 104 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 2012 – 2013 period.

1. Petar Stankov, University of National and World Economy, Bulgaria – Presented at the Financial Globalisation Workshop, held at the Stellenbosch Business School from 29-31 May 2013.
2. Selcuk Caner, International Monetary fund, – Guest Speaker at the Micro-simulation workshop held at the University of Pretoria, from 5 to 6 August 2013.
3. Dr Lucrezia Reichlin, London Business School – Presented at the Third Annual Monetary Economics workshop entitled: “The Future of Monetary Policy” held at the SARB from 29 to 30 August 2013.
4. Peter Smith, Imperial College Business School and Centre for Health Policy, Presented at the Symposium and training workshop: Critical choices around universal health coverage – 6-7 February 2014, Stellenbosch Institute for Advanced Study (STIAS).
5. Ranjeeta Thomas, Imperial College, London – Presented at the Symposium and training workshop: Critical choices around universal health coverage – 6-7 February 2014, Stellenbosch Institute for Advanced Study (STIAS).
6. Katharina Hauck Presented at the Symposium and training workshop: Critical choices around universal health coverage – 6-7 February 2014, Stellenbosch Institute for Advanced Study (STIAS).
7. Eddy van Doorslaer, Erasmus University, The Netherlands - Presented at the Symposium and training workshop: Critical choices around universal health coverage – 6-7 February 2014, Stellenbosch Institute for Advanced Study (STIAS).
8. Falko Fecht, Frankfurt School of Finance and Management, Germany – Presented two seminars: 1 at the SARB and 1 University of Stellenbosch on 10 and 13 March 2014, respectively.

9. Katja Seim, Wharton, University of Pennsylvania, Philadelphia – Presented at the Industrial Organisation workshop held at the STH of University of Johannesburg on 17 March 2014.
10. Frank Riedel, Center for Mathematical Economics at Bielefeld University, Germany – Guest speaker at the First Annual Theory Workshop held in Cape Town from 26-28 March 2014.

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 | M. Hall | J. Chihota | R. Albuquerque | | | |
| | Second Place | D. Thornicroft | R. Bashir | S. Madyise | | | |
| Nelson Mandela Metropolitan U | First Place | R. Heilig | T. Mhlauli | L. Toanezvi | C. Moyo | C. Ndlovu | M. Sale |
| | Second Place | N. Apopo | S. Fumba | K. Gardiner | M. Nogwina | G. Fernandes | G. Mugano |
| North West U Mafikeng Campus | First Place | M.P. Koboekae | K.P. Madubeko | T. Pule | Z.Z. Khumalo | | |
| | Second Place | K. Tlhogo | B.K. Mooketsi | K. Molefi | A. Marumo | | |
| North West U Potchefstroom Campus | First Place | A. Scholtz | D. Meintjes | M. Smith | A. L. Lombaard | C. Booysen | |
| | Second Place | M. Esterhuizen | S. Cornelius Venter | K. F. Joubert | R. M. Ackerman | A. van Niekerk | |
| North West U Vaal Campus | First Place | S.F. Fatmi | B. Snyman | S. J. Ferreira | N. P. Mncayi | R. N. Niyimbanira | S. H. Dunga |
| | Second Place | M.S.C Flint | C. Lerm | R. Du Plessis | D. Matakovic | F. P. Ndobo | |
| Tshwane University of Technology | First Place | D. Plakkie | N. Sehlangu | S. Mehloti | | | |
| | Second Place | K.O. Mahlaela | M.C. Sgudla | K. Mashigo | | | |
| U Cape Town | First Place | D.C. Ferrandi | D.L. Golden | A. Pople | S. Payne | C. Sumpter | G. Gamariel |
| | Second Place | A. Moolla | B. Van der Watt | R. Van Blerk | J. Standish-White | B. Meehan | D. Pieterse |
| U Fort Hare – Alice | First Place | Y. Mqulo | B. Madondo | M. Chipfunde | F. Ncube | | |
| | Second Place | T. Hatinzwani | R. Kudiwa | N. Ndlovu | A. Mili | | |
| U Fort Hare – E.L | First Place | S. Caza | L. Genukile | P. Ngonisa | D. Dewing | | |
| | Second Place | S. Pohlwana | T.A. Rabohome | P. Nkala | L. Munkombwe | | |
| U Free State | First Place | D. Botha | W. Nel | | | | |
| | | K. Lin | | | | | |
| | | N. Badenhorst | | | | | |
| | | S. du Toit | | | | | |
| Second Place | J. Botha | D. Basson | | | | | |
| U Johannesburg | First Place | T. Maluleka | S.T. Amoils | A.M.H. Schlosberg | M. Cordeiro | C.K Pretorius | T. Greyling |
| | | | | | M.A. Home | | |
| Second Place | S.G. Sekele | Z.S. Radebe | T.A. Maake | P.J. Venter | J. Mahabir | | |

| | | | | | | | |
|----------------|--------------|----------------|------------------|----------------|-----------------|------------------|--------------------|
| U Limpopo | First Place | K.C. Maluleke | B. Marakalala | R. Makgoke | S. Hlungwani | | |
| | Second Place | K.M. Manyaka | T. Nkwinika | P.P. Manenzhe | P.M. Kganyago | | |
| U Pretoria | First Place | M. De Vries | K. Yoo | M.N. Siwundla | L. Walters | J. Benadé | C.M. Chama-Chiliba |
| | Second Place | M. Mills | C. Van der Merwe | C.M. Baeta | M. Steyn | A. Razak | A. De Waal |
| U Stellenbosch | First Place | J. Germishuys | Z. Olivier | L.S. McLean | C. Hart | A.J. van Niekerk | M.R. Steinbach |
| | Second Place | P. Govindasamy | K. Smuts | C.N. de Bruyn | C. Garbers | P.W. van Lill | R. Uctu |
| U Western Cape | First Place | V.R.D. Hanslo | X. Zhou | T.J. Hendricks | F. Chiparawasha | C.S. Christian | |
| | Second Place | G. Johaardien | M.C. Gordon | T. Fransman | F. Fredericks | E. Baidoo | |

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 2013.

| Student Name | Institution | Course |
|-----------------------|----------------------------------|-----------------|
| Siyaduma Biniza | University of the Witwatersrand | Master's degree |
| Rowan Clarke | University of Cape Town | Master's degree |
| Nicholas Dakin | Rhodes University | Master's degree |
| Fadwah Fredericks | University of the Western Cape | Master's degree |
| Friedrich Kreuser | University of Stellenbosch | Master's degree |
| Velenkosini Matsebula | North West University - Mafikeng | Master's degree |
| Mariska Steyn | University of Pretoria | Master's degree |
| Jarred Sullivan | University of KwaZulu-Natal | Master's degree |
| Veron Vukeya | University of Zululand | Master's degree |
| Leone Walters | University of Pretoria | Master's degree |



7. Skills Development

30 November 2013

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 4 and 8 November 2013.

We believe that the workshop has achieved its objective of taking the first step in 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
4 – 8 November 2013

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 ten deserving academics selected from South African universities spread over a three-year period. The first component, focussing on Time-series Econometrics was offered during the week of 4 - 8 November 2013 (with a Microeconometrics course (cross-section techniques) to be presented during 2014 and a Panel Data Econometrics course to be presented during 2015).

Selection of participants

A large number of applications were received by ERSA, from which ten academics were selected by the ERSA Skill Development Committee. The group comprises representatives from the University of Venda (2), the North-West University, Mafikeng campus (2), University of Fort Hare (3), University of Zululand (1), Walter Sisulu University, Mthatha campus (1), and the University of Limpopo (1). They all hold master's level degrees and are all appointed in lecturer positions at their respective institutions. The majority are currently enrolled for a doctoral level degree, and in their applications expressed the need for a deeper understanding of econometric techniques to equip them better to do research and also to supervise students, which form part of their responsibilities. The participants in the first

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 |
|--------------------------|---|--|
| Ms Aluwani Maiwashe | Part-time lecturer Dept. Agricultural Economics & Agribusiness Management, University of Venda, Thohoyandou | MCom (Agr Economics), University of Venda Currently enrolled for PhD (Agr Economics), University of Venda |
| Mr Andrew Maredza | Lecturer School of Economic & Decision Sciences, North-West University, Mafikeng Campus | MSc (Economics), University of Zimbabwe MCom (Economics), University of Fort Hare Currently enrolled for DCom (Economics), University of Fort Hare |
| Mr Dumisani Hompashe | Lecturer Department of Economics, University of Fort Hare, Alice | MCom (Financial Markets), University of Fort Hare Prospective PhD candidate |
| Mr Forget Kapingura | Lecturer Department of Economics, University of Fort Hare, East London campus | MCom (Economics), University of Fort Hare Currently enrolled for DCom (Economics), University of Fort Hare |
| Ms Gisele Mah | Lecturer School of Economic & Decision Sciences, North-West University, Mafikeng Campus | MCom (Economics), North-West University, Mafikeng Campus Currently enrolled for PhD (Economics), North-West University, Mafikeng Campus |
| Ms Siybulela Onceya | Lecturer Department of Economics, University of Fort Hare, Alice | MCom (Economics), University of Fort Hare |
| Ms Tembeka Ndlwana | Lecturer and Acting HOD Economics Department, Walter Sisulu University, Mthatha Campus, Unitra | Master's degree (Economics), City University of New York (CUNY) |
| Mr Tichaona Pfumayaramba | Lecturer Department of Agr Economics, University of Venda, Thohoyandou | MSc (Agr Economics), University of Zimbabwe Currently enrolled for PhD (Agr Economics), University of Venda |
| Mr Stephen Zhanje | Lecturer Department of Economics, University of Limpopo, Turfloop Campus, Polokwane | MSc (Economics), University of Zimbabwe |

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 provided in the 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 ($\frac{1}{2}$ 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.

It is our observation that the majority of the delegates still need some guidance in terms of how to package research results and how to successfully publish an article. Very few of them have published in the past, and we noticed some listed publications in obscure non-accredited journals that were likely also not subjected to peer-review.

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.

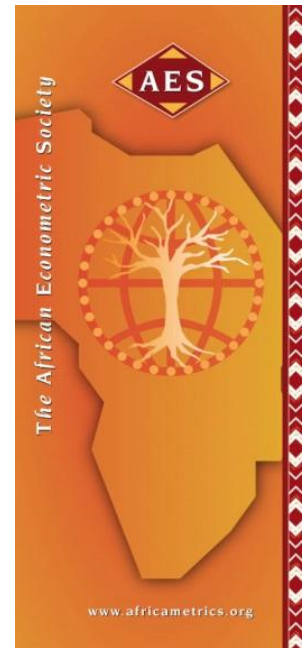
African Econometrics Society

A note on ERSA's support of the AES website

The 19th Annual Conference of the AES to be held during July 2014 will be hosted by the Ethiopian Economics Association in Addis Ababa. 2014 also marks the transitioning of the African Econometric Society into the Africa Region Chapter of the Econometric Society. The conference will henceforth be known as the Africa Regional Conference of the Econometric Society.

Economic Research Southern Africa's (www.econrsa.org) involvement in sponsoring the website (www.africametrics.org), making resources available for the maintenance and updating of the website, dates back to 2007 when the 12th Annual Conference of the AES was hosted by the University of Cape Town. For the first number of years, Ms Alison Siljeur was responsible for maintaining the site, while Mr Charles Tanton took over this responsibility at the beginning of 2013.

The office bearers of the AES and respective conference organisers acknowledge ERSA's contribution with much appreciation.



Appendix I: Workshop Reports: April 2012 – March 2013

1. Meeting of the Public Economics Workgroup, 16 and 17 May 2013, UNISA, Kgorong Building, Pretoria - Workshop Convenor: Philippe Burger

The Department of Economics at UNISA hosted the workshop. The official topics of the workshop were Taxation and the Economics of Regulation, though we also received a number of papers on other topics. In total eleven papers were presented. We furthermore also had a session on the Economics of Regulation.

1. Presentations and participants

Presentations came from individuals affiliated with a variety of institutions (see Table 1).

| | |
|---|---------------------------------|
| National Energy Regulator of South Africa | University of Johannesburg |
| National Treasury | University of Pretoria |
| Oxford Policy Management | University of South Africa |
| Ports Regulator of South Africa | University of Stellenbosch |
| Tariff and Trade Intelligence | University of the Free State |
| University of Cape Coast, Ghana | University of the Witwatersrand |
| University of Cape Town | |

Individuals from a large variety of institutions attended the workshop (see Table 2). Many attended just those sessions in which they were interested or able to attend. For instance, many individuals came to listen only to the regulators session, while others came the next day to listen to the expenditure session. At any given time about 40 individuals were present.

| | |
|---|---------------------------------|
| Creamer Media | T-Systems International |
| DNA Economics | Tariff and Trade Intelligence |
| Econex | University of Cape Coast, Ghana |
| Economic Development, Environmental Affairs and Tourism, Eastern Cape | University of Cape Town |
| Economic Research Southern Africa | University of Fort Hare |
| Genesis Analytics | University of Johannesburg |
| Human Sciences Research Council | University of KwaZulu-Natal |
| Mpumalanga Provincial Government | University of Pretoria |
| National Energy Regulator of South Africa | University of South Africa |

| | |
|---------------------------------|---------------------------------|
| National Treasury | University of Stellenbosch |
| Oxford Policy Management | University of the Free State |
| Ports Regulator of South Africa | University of the Western Cape |
| Sanlam Ltd | University of the Witwatersrand |
| South African Revenue Services | |

In terms of demographics, 57% of participants were White, and females constituted only 21% of participants.

| Black Male | Black Female | White Male | White Female | Total |
|------------|--------------|------------|--------------|-------|
| 17 | 11 | 28 | 10 | 66 |
| 26% | 17% | 42% | 15% | 100% |

Table 4 presents the averages to the questions of the workshop assessment questionnaire. There were 23 respondents and all questions received a 4 or higher.

| Q1 | Q2 | Q3 | Q4 | Q5 | Q6 | Q7 | Q8 |
|-----|-----|-----|-----|-----|-----|-----|-----|
| 4,2 | 4,5 | 4,4 | 4,5 | 4,2 | 4,0 | 4,3 | 4,7 |

2. Expenditure

The expenditure for the workshop came in well below the budgeted R200 000 (see Table 5).

| | |
|-------------------------------------|--------------|
| ERSA BUDGET | R 200 000,00 |
| ACCOMMODATION & CONFERENCE EXPENSES | |
| Osborne House | R 31 500,00 |
| TRAVEL COSTS | |
| Air tickets | R 43 166,00 |
| Shuttles: Buzz around | R 13 650,00 |
| OTHER | |
| Dinner | R 8 788,45 |
| Catering | R 28 200,00 |
| Courier service delivery fee | R 230,00 |
| TOTAL | R 125 534,45 |
| Surplus (+)/deficit (-) | R 74 465,55 |

3. Assessment

The sessions on income distribution and government expenditure were quite good, with some very interesting papers on state transfers, municipal grants, health and

education expenditure. Unfortunately the session on taxation contained three rather weak papers. The authors of one of these papers sent a summary of their paper, which claimed that the government will face a fiscal cliff in 15 years, to the Mail&Guardian, which promptly published a full-pager on the results. The National Treasury is in the process of responding to that full-pager. The weakness of the tax papers, in contrast to the success of the previous workshop on taxation, suggests that in some topics there is still not enough depth to have two workshops in succession on the same topic. It also points to where the developmental needs are, relative to a topic that requires much more academic and scholarly attention.

The session on the Economics of Regulation was a very good session. Given that no university in South Africa has any expertise in this field, our intention with this session was to spur interest among academics into the various issues relating to regulation. Hence, the presentations by the four regulators (from the National Treasury, NERSA and the Ports Authority) set out what they considered the most pressing issues in the Economics of Regulation that warrants serious academic and scholarly attention. Participants responded very well to this session. Whether this session will be a success in the longer term will depend on whether or not some academics present at the workshop take up the challenge and focus some of their research in this area.

We are, of course, aware of the incentives that ERSA currently provides to authors of working papers who are successful in getting their working papers published. However, what our experience with under-researched areas such as Taxation and the Economics of regulation suggests, is that ERSA should perhaps consider incentivising particular under-research topics – not all topics are created equal and some might need a nudge.

For the second workshop in 2013 a training workshop on micro-simulation is planned for early August. We secured, with the help of SARS, the expertise of Selcuk Canner from the IMF to present the workshop. We are also discussing with the Department of Economics at the University of Pretoria to use their computer labs, while SARS is preparing an anonymised, aggregated database for the workshop.

For the first workshop of 2014 Ronelle Burger from the University of Stellenbosch suggested a workshop on Health Economics. More detail on this will follow later.

Lastly, our thanks to Yoemna Mosaval for the excellent arrangements she made for the workshop.

2. Financial Globalisation and Sustainable Finance: Implications for Policy and Practice, 28-30 May 2013, University of Stellenbosch Business School, Bellville, Cape Town, Workshop Convenor: Meshach Aziakpono

The University of Stellenbosch Business School (USB) jointly with the European Centre for Corporate Engagement (ECCE) of the Maastricht University hosted this conference at USB's Bellvillepark Campus in Cape Town, South Africa.

Interest in the conference was high and resulted in more than 250 submitted papers. All papers were reviewed by the conference committee and a selection of papers was accepted for presentation. The final program consisted of 82 papers indicating a 33% acceptance rate and reflecting the high-quality standard that USB and ECCE envisioned for the conference. 96 participants were from universities and institutions such as investment funds or central banks from Africa, Europe, The Americas and Asia. About one third of the participants were from Africa. In addition, the conference provided African participants with the opportunity to expose their research to the international academic community.

Participants presented and discussed their assessment of the sustainability of the global financial sector in a series of 28 parallel sessions. Financial & economic development, financial liberalization, financial FDI, (inter)national governance and regulation and resulting patterns of financial sector linkages were identified as critical issues. As long-term effects of the 2007/08 financial crisis can still be felt in many economies worldwide, participants explored the links between financial globalization and the crisis with a view on deriving sustainable standards for monetary policy, governance approaches, banking and financial markets regulation. The program (page 10 in the conference brochure) reflects this theme. Parallel sessions A1 to A7 explored bank and banking-market specific aspects of financial globalization and sustainable finance while sessions B1 to B7 focused on corporate aspects, sessions C1 to C7 on macro-economic aspects and sessions D1 to D7 on financial market aspects.

The sessions were anchored by two keynote speakers, Mallam Sanusi Lamido Sanusi (CON), Governor of the Central Bank of Nigeria and Bill Megginson, Rainbolt Chair in Finance at the University of Oklahoma's Michael F. Price College of Business.

Mallam Sanusi was appointed as the 10th Governor of the Central Bank of Nigeria (CBN) at the height of a global financial crisis in June 2009. The Nigerian banking system was on the verge of collapse due to a large exposure to the stock market in the form of bubble capital, excessive margin lending as well as concentration of lending to specific industries. Under his leadership, the Central Bank of Nigeria moved swiftly and boldly to implement far-reaching reforms in the banking industry aimed at addressing the root causes of the crises in poor corporate governance and risk management practices, management fraud, insider abuses and weak regulation supervision and enforcement. Mallam Sanusi focused in his speech on banking sector reforms in Nigeria and the implications for financial globalisation and sustainability.

Bill Megginson is Professor and Rainbolt Chair in Finance at the University of Oklahoma's Michael F. Price College of Business. He has published widely in top academic journals, held (visiting) professorships at numerous universities worldwide and has served as a privatization consultant for the New York Stock Exchange, the OECD, the IMF, the World Federation of Exchanges, the World Bank, and multiple national governments. His research interest has focused in recent years on the privatization of state-owned enterprises, the investment policies of sovereign wealth funds, and the valuation and management of global investment banks. In his keynote speech Bill Megginson explored the global impact of sovereign wealth funds as investors and development financiers.

The social program of the conference included a reception sponsored and hosted by USB on May 29 during which Professor John Powell, the director of USB opened the conference and Professor Ike Mathur, editor of the Journal of Banking and Finance welcomed the participants. A conference dinner was held on May 30.

Next to the sponsoring from Universteitsfonds Limburg (SWOL), the conference received sponsoring from Economic Research Southern Africa (ERSA) and JP Morgan. The USB generously made available its facilities for the use of the conference. The prestigious Journal of Banking and Finance will dedicate a special edition to selected papers presented at the conference. For more information, please refer to the enclosed conference brochure or go to the official conference website at <http://www.ecce-usb-conference2013.org/>.

3. Report on ERSA Public Economics workshop, Pretoria 16-17 May 2013, Workshop Convenor: Philippe Burger

The Public Economics Working Group of ERSA, with the assistance of the South African Revenue Service and the Department of Economics at the University of Pretoria, presented an introductory micro-simulation workshop from 5-6 August 2013. On day 1 of the workshop Dr Selcuk Caner, a micro-simulation expert from the IMF presented attendants with the basic theory and practical considerations behind the building of micro-simulation models. On the second day Dr Wynona Steyn and Ms Yolande Jordaan from SARS presented a practical session in the computer lab of the Economics Department at the University of Pretoria. The models presented included a corporate income tax model, a personal income tax model as well as a VAT model. The models used data provided by the South African Revenue Service.

In total there were 31 attendants (including the three presenters). Table 1 contains the institutional breakdown, while Table 2 contains the racial and gender breakdown.

Table 1

| Affiliation | # |
|--|----------|
| ABSA | 1 |
| Dept Economic Development, Tourism & Environmental affairs | 1 |
| Gauteng Provincial Treasury | 1 |
| IMF | 1 |
| National Treasury | 8 |
| North West University | 2 |
| South African Revenue Services | 4 |
| University of Cape Town | 1 |
| University of Fort Hare | 2 |
| University of KwaZulu-Natal | 2 |
| University of Pretoria | 3 |
| University of the Free State | 1 |
| University of the Witwatersrand | 4 |
| Total | 31 |

Table 2

| | |
|---------------|----|
| Black males | 13 |
| Black females | 3 |
| White males | 10 |
| White females | 5 |

We were able to save a substantial amount of money on this workshop, generating a surplus of almost a R100 000, which we now can use to support the CGE workshop of Prof Van Heerden. The details regarding expenditure appear in Table 3.

Table 3

| University of Pretoria EXPENSES FOR Public Economics - 5-6 August 2013 | Initial estimate |
|---|--------------------|
| ERSA BUDGET | R200 000,00 |
| <i>ACCOMMODATION & CONFERENCE EXPENSES</i> | |
| Osborne House | R 19 600,00 |
| Additional accommodation | R 2 800,00 |
| <i>TRAVEL COSTS</i> | |
| Air-tickets | R 32 000,00 |
| Shuttles: Buzz around | R 10 000,00 |
| <i>OTHER</i> | |
| Speaker costs | R 10 000,00 |
| Dinner | R 10 000,00 |
| Catering | R 17 000,00 |
| TOTAL | R101 400,00 |
| Surplus | R 98 600,00 |

Workshop attendants were rather satisfied with the workshop. Of the total of 31 attendants, 17 completed the assessment form (the three presenters and myself of course did not complete it, so that 17 out of the 27 completed it). On none of the questions did the workshop score less than 4/5:

1. Quality & Focus of workshop content – 4.5
2. The timing of workshop Sessions – 4.1
3. The pace of the workshop – 4.1
4. Opportunity for discussion and feedback – 4.2
5. Relevance to progress with academic work – 4.0
6. Relevance to progress in policy context – 4.4
7. Quality of workshop venue – 4.6
8. Quality of workshop organisation – 4.8

Individual comments were also favourable, with one attendant suggesting that in future reading material is distributed prior to the workshops.

Overall assessment: This workshop was an introductory workshop intended to stimulate interest in micro-simulation and more specifically the application of micro-simulation in the context of tax analysis. Of course two days are very limited – initially Selcuk Caner suggested a full week for the workshop (which was not feasible from both a financial and time perspective) – but it nevertheless gave participants a

good sense of what can be done with the models and what type of intellectual investment would be necessary to master the method. It is also hoped that the workshop stimulated interest in tax analysis in general, given that significant amounts of data is set to be released by SARS into the public domain. Two senior SARS members, Ms Mamiky Leolo (Executive: Forecasting and Budgeting) and Dr Randall Carolissen (Group Executive: Revenue Planning, Analysis, Reporting and Research), also made a goodwill visit to the workshop on the second day. In that sense ERSA's link with SARS is strengthened, tying them closer into the public economics research community.

4. Economic History Workgroup: Year in Review, 2013 Workshop Convenor: Johan Fourie

The Economic History group held two workshops in 2013. The first was held in Cape Town from 18 to 20 March. The topic was The Economics of Apartheid. 46 scholars attended the workshop, with the most diverse audience to date. Table 1 provides a racial breakdown of the attendees.

Table 1: Attendance of ERSA 9

| Black Male | Black Female | White Male | White Female |
|------------|--------------|------------|--------------|
| 14 | 7 | 16 | 9 |
| 30% | 15% | 35% | 20% |

I've provided a brief summary of proceedings on my blog: <http://johanfourie.wordpress.com/2013/03/23/lessons-from-apartheid/>. The EHDR has also already been approached to publish a special issue which will include some of the papers that were presented at the workshop. The special issue is scheduled for December 2014.

The second workshop of the year – and the tenth in total – was held in Potchefstroom from 4 to 5 December 2013. The theme of the workshop was Migration in South African history. 20 scholars attended the workshop. Several fascinating papers were presented using large, historical datasets. The workshop also benefited from the contributions of historians working on family and ethnic histories, and their valuable methodological contributions in the study of migration.

The workshop included an afternoon where the future of Economic History teaching and research in South Africa was discussed, with several proposals emerging from the discussion. One of these proposals is to organize an annual Summer School in Economic History for graduate Economics and History students. This proposal will be tabled at a next Academic Committee meeting.

Table 2: Attendance of ERSA 10

| Black Male | Black Female | White Male | White Female |
|------------|--------------|------------|--------------|
| 3 | 2 | 8 | 7 |
| 15% | 10% | 40% | 35% |

The Economic History group plans to host two workshops in 2014. The first is scheduled for March in Cape Town. The theme will be The Environment and the Economy in South African history.

A second workshop is planned for November to be held in Grahamstown. The proposed theme is Institutions of Credit and the Rise of Modern South Africa.

Although the Economic History community is still small, I am happy to report that it is strong and growing. Much of this is a result of the contribution of the ERSA workshops. I would like to thank ERSA and their staff for their excellent support in this regard.

5. Financial Economics - Financial Economics and the Nexus of Growth, Stability, and Efficiency 5-6 December 2013, UCT Graduate School of Business, Workshop Convenor: Co-Pierre Georg

~30 Participants

Before the workshop there was a PhD Tutorial on „How to Succeed in Academia–Or Have Fun Trying“ hosted by Co-Pierre Georg where about 15 PhD Students attended. The idea was to give them 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.

The first session was concerned with alternative financial models that are based on the notion of uncertainty rather than risk. While the paper by Charles Cadogan develops a new model of beliefs in financial markets, John Muteba Mwamba's work is more empirically oriented and analyzes different models and their performance.

The second session started off with Nico Katzke who used an extended GARCH model to analyze sectoral return correlation in the SA economy, a topic of great relevance for South African investors. Informal financial markets play a major role in the South African economy. Moses Muthinja sheds light on the role of money lenders as providers of credit to households without collateral or assets. The section was closed by Nyasha Mahonye who analyzed the link between financial development and economic development in Africa.

The second day started with observing a minute of silence to mourn the death of former president Nelson Mandela. Alyeh Tsegaye was the first speaker in the first session and spoke about the impact of capital adequacy requirements on loan pricing in South Africa. He spoke about various determinants for loan interest rate spreads. Nyankomo Marwa analyzed the technical and scale efficiency of saving and credit cooperatives in Tanzania. He pointed out the extensive growth in the number of microfinance institutions in Tanzania and asked whether this is a sustainable development.

The session was followed by our keynote speaker Jose-Luis Peydro-Alcalde who gave his presentation via skype. He spoke in some detail on the origins of systemic risk and presented recent empirical work on the effects of countercyclical capital buffers in Spain. Part of a larger macroprudential toolbox, but implemented already well before the recent financial crisis, these buffers provide an excellent testing ground for the effectiveness of macroprudential policy. In his presentation Jose emphasized the role of good data in guiding good research. This part was particularly interesting for many of the workshop participants since the paper he presented is currently being revised for a top international journal and Jose gave valuable insights into the whole process.

The final session was opened by Manoel Bittencourt to speak about „Inflation and Economic Growth in the SADC: Some Panel Time-Series Evidence“. His work indicates that there is a negative relation between growth and high inflation rates. The session was completed by Dave Liu who spoke about „The welfare cost of default: when sovereign bonds are no longer riskless and liquid“.

The workshop was concluded by a final discussion within the audience on how to proceed with the node. Participants said that they would want to have both a pillar on formal (e.g. traditional banking and finance) finance and informal finance (e.g. microfinance) since both aspects are extremely relevant in the South African context. One suggestion was to have submissions longer in advance, with dedicating some sessions to completed papers and others to work-in-progress. For the completed papers we should have proper discussions and get discussants to streamline the feedback. The question was raised why nobody from the SARB was at the workshop and participants stated that they would like to have a closer involvement with the industry and practitioners. When asked about the need for capacity building everyone emphasized that a course either on financial econometrics or microfinance would be much appreciated and helpful for the participants' research.

6. Symposium and Training workshop: Critical Choices regarding Universal Health Coverage, Stellenbosch Institute of Advanced Study (STIAS), 6-7 February 2014, Workshop Convenor: Ronelle Burger

The Public Economics Working Group of ERSA hosted a symposium on universal coverage on 6 February and a course on economic evaluation on 7 February. We designed the programme so that the big international names (Peter Smith and Eddy van Doorslaer) could introduce the topic of universal coverage; discussing the international experience with different avenues/options and acknowledging the trade-offs between priorities. Eddy van Doorslaer and Peter Smith both appear on Wagstaff and Culyer (2011)'s authoritative ranking of the top 100 health economists (based on citations over the past 40 years). Eddy van Doorslaer is ranked amongst the top 10 (number 9) and Peter Smith amongst the top 50 (at number 43). Peter Smith was the keynote speaker at the last International Health Economics Association conference.

This first segment of the programme was followed by a panel discussion on reforms and financing that can best take advantage of private sector capacity. The panel discussion was chaired by Andrew Donaldson from National Treasury and included Mark Blecher (National Treasury), Nicola Theron (Econex), Brian Ruff (Discovery) and Alex van den Heever (WITS).

This was followed by four presentations by SA academics (Alex van den Heever from WITS, Jane Doherty (independent consultant), Jane Goudge from WITS, Dumisani Hompashe from Fort Hare and Bongikosi Mamba from Pretoria University) on the South African health system and the envisioned NHI. I have attached the symposium programme that provides more detail on the topics and speakers. The presentations are available on the ERSA website.

On Friday, 7th of February, ERSA hosted a training session providing participants with an overview of the principles of economic evaluation and impact evaluation in the health sector. These techniques are expected to become increasingly important in South Africa with the implementation of the NHI, requiring more sophisticated monitoring tools and more explicit motivation of the rationing of access to treatment. The training was presented by Katharina Hauck and Ranjeeta Thomas from Imperial College. The attached programme provides more detail on the material covered.

Affiliation: The events attracted 47 attendants (including the 13 presenters). Table 1 contains the institutional breakdown, showing a range of universities, private sector firms and government departments/agencies (21 different organisations in total). Significantly, the list of affiliated institutions includes academic institutions in four provinces and three universities that are not well-funded, i.e. University of the Western Cape, Vaal University of Technology and University of Fort Hare. As one would expect, Stellenbosch University and UCT have higher representation due to the location of the event, but even for these two institutions we find that the participants were spread across three different departments/centres within the university. Table 2 summarises the sectoral representation, showing that while the bulk of the participants came from the academic sector (60%), there were also considerable interest from private sector participants (17%) and the government (23%).

| Affiliation | No of participants |
|-----------------------------------|--------------------|
| Department of Health, WC | 3 |
| Discovery | 2 |
| Econex | 2 |
| Economic Research Southern Africa | 1 |
| Genesis Analytics | 2 |
| Imperial College | 3 |
| MediClinic Southern Africa | 1 |
| Metropolitan HRM | 1 |
| National Department of Health | 1 |
| National Treasury | 3 |
| Parliament | 4 |
| Stellenbosch University | 4 |
| University of Cape Town | 6 |
| University of Fort Hare | 1 |
| University of Johannesburg | 1 |
| University of KwaZulu-Natal | 3 |
| University of Pretoria | 1 |
| University of South Africa | 1 |
| University of the Western Cape | 2 |
| Vaal University of Technology | 1 |
| WITS | 4 |
| Total | 47 |

| Sector | Share of participants |
|--------------|-----------------------|
| Academic | 60 |
| Government | 23 |
| Private | 17 |
| Total | 100 |

Demographics: Table 3 shows the racial and gender breakdown. Just under half (49%) of the participants were black and more than half of the participants were female (53%). If we exclude our presenters, the share of black participants rises to 61%.

| Demographic group | Share of participants |
|-------------------|-----------------------|
| Black males | 28 |
| Black females | 21 |
| White males | 19 |
| White females | 32 |
| Total | 100 |

Budget: Because we planned the workshop to coincide with Eddy van Doorslaer's sabbatical and a research trip by the three Imperial College researchers – and because all four of the international presenters refused honorariums – we were able to save a considerable amount of money, leaving the ERSA public economics group with a budget surplus of R 62 452, which would presumably be available to spend on future events. The details of the symposium expenditures are listed below in Table 4.

| ERSA BUDGET | | R 200 000 |
|---|--|------------------|
| <i>ACCOMMODATION & CONFERENCE EXPENSES</i> | | |
| Accommodation for Guest Speakers | | R 11 500 |
| Accommodation for participants | | R 23 080 |
| Conference cost (STIAS) including wi-fi | | R 32 500 |
| Townhouse hotel | | R 6 180 |
| <i>TRAVEL COSTS</i> | | |
| Flights for local delegates | | R 33 147 |
| Shuttle services for the workshop (approximate) | | R 6 350 |
| Refunds | | R 1 000 |
| Shuttles arranged by Stellenbosch | | R 2 690 |
| Refund: Ralitza Dobрева | | R 2 094 |
| <i>OTHER</i> | | |
| Assistant: Anja Smith | | R 9 500 |
| Dinner at Johan's (Longridge) | | R 4 372 |
| Assistant: Jeanne Cilliers | | R 4 000 |
| Editor: Di Kilpert | | R 1 135 |
| | | |
| Total expenditure | | R 137 548 |
| | | |
| Surplus available after symposium | | R 62 452 |

No feedback forms were available for distribution, but Yoemna confirmed that this was because ERSA has decided to phase out the workshop feedback forms. However, all the presenters and the student assistants confirmed that feedback were overwhelmingly positive, with many participants asking whether we cannot make this an annual event.

In light of the planned health reform under NHI, we thought that it was crucial to ensure that the reported findings and debate around these findings reach a wider audience. Consequently, we have drafted three policy briefs. Two of these have already been published on the ERSA website, with the last one appearing by the end of next week.

Overall assessment: The symposium made a vital contribution to deepening the debate round health reform options and avenues. Individual comments indicated that there was significant appreciation for the role that ERSA played in initiating and hosting this inter-disciplinary and cross-sectoral dialogue on universal coverage. Despite the deep ideological divides and the diversity into sectors and disciplines, the symposium showed that there was significant consensus the problems in our health systems, and specifically where it fails the poor. There was also some emergent agreement on what policy options should be considered/examined, e.g. addressing private-public polarisation, enabling more competition, gatekeeping, improving monitoring/accountability at facility-level.

The training course was also well-attended, but attracted a subset of slightly younger participants, with a higher representation of graduate students. The feedback was also overwhelmingly positive and many participants asked about follow-on courses and were eager to get copies of the presentations. Despite it being held on a Friday, we had very little attrition during the day, demonstrating that the training course was valued by the participants. On Monday, I received a number of thank-you's via email.

The main disappointment of the symposium was that it was difficult to attract the high level decision makers from National Department of Health (despite exerting considerable effort in this direction). To ensure that policy-related workshops have the intended impact, it is important for ERSA's public economics group to consider

new ways of marketing these events to government departments to ensure that we attract individuals at the right level. The symposium briefs are an attempt to address this problem.

In my experience this is not an isolated case; this has been a problem with many of the ERSA workshops I had attended. Hosting this workshop in Pretoria might have improved the attendance, but my conversations with various stakeholders in health suggested that this is the root of the problem. ERSA's marketing works mainly via attracting 'big names', researchers who are well-known academic circles. In academic circles there is consequently little need for additional or more intensive marketing and in my experience ERSA events tend to attract a good mix of representatives (junior and senior) from universities. However, except for National Treasury, we rarely attract departmental representatives in high level posts (DG/DDG levels) and I think it is partly because the contribution of research continues to be undervalued in many government departments and the 'big names' are consequently often not known in these circles. It is vital that we (including ERSA) find ways to address this problem.

Ronelle Burger & Alex van den Heever

17/05/2014

7. Industrial Organisation Workshop: 17 March 2014, School of Tourism and Hospitality, University of Johannesburg, Workshop Convenor: Willem Boshoff

This workshop is the second attempt at organising an IO-specific event. Ryan Hawthorne, Willem Boshoff and Lukasz Grzybowski organised the event. The aim of the workshop was, firstly, to reconnect researchers following the 2013 workshop and, secondly, to discuss how best to structure IO events in future. Workshop participants also benefitted from the perspectives of Prof Katja Seim from the Wharton Business School, who is on a longer-term visit to South Africa.

The larger part of the one-day workshop was devoted to papers by researchers at South African universities. Similar to the previous year, each paper was assigned a discussant, which greatly facilitated debate. Different from the previous year, fewer papers were presented, allowing sufficient time for discussion of each paper. The last part of the day was committed to an open discussion on the state and future of ERSA-based IO research activities. Two broad topics were discussed.

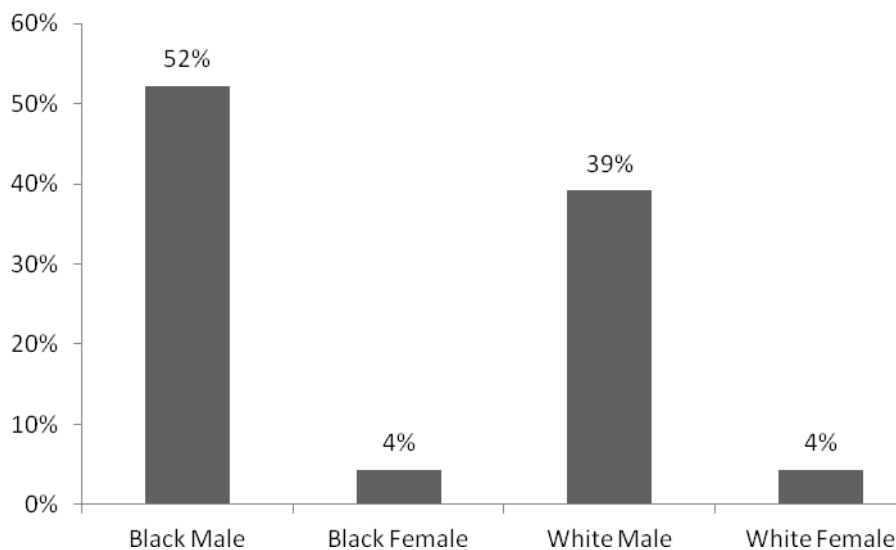
First, participants identified research training, specifically via doctoral research, as the key to building the IO research community in South Africa. The number of IO researchers in South Africa with a Ph.D. is limited. There is significant interest in pursuing research, but many participants hailing from non-academic institutions find only limited financial support that would enable them to pursue such research opportunities full-time. In particular, the lack of doctoral scholarships is a constraint. Participants suggested that ERSA engages with the AERC to consider including IO research topics in the AERC doctoral programme. One way of engaging with the AERC may be to consider organising a joint research event.

Second, participants – including Prof Simon Roberts – suggested a number of important research areas in the South African context. Prof Roberts suggested that multi-year research programmes could be formed around (i) particular sectors in SA prone to competition problems, (ii) cartels, (iii) impact of competition problems on low-income consumers, and (iv) the nature of barriers to entry.

Third, participants discussed data-related challenges to IO research in South Africa. Further discussion revealed that participants were concerned about the lack of econometric skills – which is again a reflection of the lack of doctoral training.

The conclusions from the discussion can be summarised as follows. Firstly, IO group leader to engage with ERSA/AERC on developing doctoral research opportunities and funding. This could also include further skills training, although it seems that stand-alone econometric skills training workshops are less useful. Secondly, IO-specific workshop should be maintained in its current form. The feedback from the group was very positive in this regard; participants found the in-depth discussion of papers helpful.

The intended target audience of this workshop included researchers, academics and graduate students in the fields of IO and competition policy as well as competition policy practitioners. 23 participants registered for the workshop. The participants came from a diverse set of institutions including Competition Commission (2), National Treasury (1), Department of Transport (3), consulting firms (2), the SABS (1), and eight universities (14). 60 percent of the participants came from historically disadvantaged backgrounds and 8 percent were female, as shown in the figure below.



8. First Annual Theory Workshop, 26-27 March 2014, The Townhouse Hotel, Cape Town, Workshop Convenor: Alexander Zimper

The workshop brought together (the rather small group) of SA-based Economists who aim to publish their research on Economic Theory in high quality international journals. Out of the 16 participants 14 participants were either presenting their own work or they gave a detailed discussion about a presented paper designated to them, (see Table 1 for the participants' list).

Table 1 : List of participants

| # | Name | Affiliation |
|----|----------------------|----------------------------|
| 1 | Cadogan, R | University of Cape Town |
| 2 | Charlton, R | University of Cape Town |
| 3 | Du Rand, G | University of Stellenbosh |
| 4 | George, C | University of Cape Town |
| 5 | Jahed, M (assistant) | Parliament – Budget Office |
| 6 | Kagee, S | University of Cape Town |
| 7 | Liu, D | University of Stellenbosh |
| 8 | Ma, W | University of Pretoria |
| 9 | Mupunga, N | Reserve Bank of Zimbabwe |
| 10 | Mwamba, J | University of Johannesburg |
| 11 | Naraidoo, R | University of Pretoria |
| 12 | Ncanywa, T | University of Fort Hare |
| 13 | Riedel, F | University of Bielefeld |
| 14 | Ross, D | University of Cape Town |
| 15 | van Lill, D | University of Stellenbosh |
| 16 | Zimper, A | University of Pretoria |

The quality of the presented papers was, in average, pleasantly good as were the enfolding discussions. Almost all participants were highly motivated and committed to the workshop's success. The presenters benefitted from the comments and suggestions they received and the discussants gained experience from their exposure to current research. The keynote speaker, Prof. Riedel, started the workshop with a motivational talk about the responsibility of Economic Theorists in the aftermath of the Financial Crisis and he closed off the workshop with a scientific presentation about financial markets under incomplete ambiguity preferences. His critical impact throughout the presentations was particularly valuable because he is an Associate Editor at several leading journals in Economic theory. Thanks to the ERSA administrators the organization of the workshop was very smooth. Below please find the list of expenses.

Table 2: Budget for First Theory Workshop

| | |
|---|--------------|
| ERSA BUDGET | R 200 000.00 |
| ACCOMMODATION & CONFERENCE EXPENSES | |
| Townhouse: Accommodation & Conferencing | R 37 228.00 |
| TRAVEL COSTS | |
| Flight: Frank Riedel | R 42 300.00 |
| Flights local | R 24 849.00 |
| Shuttle costs | R 3 240.00 |
| Car hire | R 2 076.73 |
| OTHER | |
| Honorarium | R 20 656.00 |
| Dinner & Entertainment | R 6 482.00 |
| TOTAL EXPENSES | R 136 831.73 |
| Surplus | R 63 168.27 |

Appendix II: ERSA Working and Policy Papers published: April 2013- March 2014

Working paper 343

Title: A Cost-Benefit Analysis of Concentrator Photovoltaic Technology Use in South Africa: A Case Study

Author(s): Mario du Preez, Justin Beukes and E. Ernest van Dyk

Publication date: April 2013

Journal: Journal of Energy in Southern Africa

Keywords: Cost-benefit analysis, concentrator photovoltaic technology, social discount rate

Abstract: The South African government currently faces the dual problems of climate change mitigation and the rollout of electricity provision to rural, previously disadvantaged communities. This paper investigates the economic efficiency of the implementation of concentrator photovoltaic (CPV) technology in the Tyefu area in the Eastern Cape, South Africa as a means of addressing these problems. A cost-benefit analysis (CBA), both from a social and a private perspective, is carried out in the study. The CBA from a private perspective investigates the desirability of the CPV project from a private energy investor's point of view, whilst the CBA from a social perspective investigates the desirability of the CPV project from society's point of view. The CBA from a social perspective found that the project was socially viable and was, thus, an efficient allocation of government resources. The CBA from a private perspective, on the other hand, found that investing in a CPV project was not financially viable for a private investor. It is recommended that the government consider CPV as an alternative to grid-connected electricity provision to rural, previously disadvantaged communities.

Working paper 344

Title: Short Run Underpricing of Initial Public Offering (IPOs) in the Johannesburg Stock Exchange (JSE)

Author(s): Gillian van Heerden and Paul Alagidede

Publication date: April 2013

Classification-JEL: G0, C12, C13

Journal: Review of Development Finance

Keywords: IPOs, JSE, underpricing, South Africa

Abstract: The underpricing of initial public offerings (IPOs) represents one of the anomalies observed in primary markets worldwide, however, the depth and breadth of it varies from country to country, and sector to sector. This study is an empirical analysis of short run performance of IPOs in the Johannesburg StockExchange (JSE). Using data for 138 South African IPOs that were listed on the JSE from 2006 to 2010, we found significant short run underpricing. A sector wise analysis of three broad sectors indicated that the financial sector had the largest IPO underpricing, particularly evident in 2007. The year-wise analysis is also documented.

Working paper 345

Title: Concentration Measures as an element in testing the structure-conduct-performance paradigm

Author(s): Johann du Pisanie

Publication date: April 2013

Abstract: The original structure-conduct-performance (SCP) paradigm, according to which market structure determines market conduct and market conduct determines market performance, underlies numerous competition policies. Since its development almost a century ago, the paradigm has been heavily criticised and numerous efforts have been made to test it by correlating measures of seller concentration with measures of market performance. The reliability of seller concentration measures that are frequently used, particularly in South Africa, was tested against the Hannah and Kay criteria, using hypothetical numbers of sellers and market shares. The premise is that a concentration measure must be reliable in the sense that it should lead to a correct conclusion when the relevant concentration curves do NOT cross. The following absolute concentration measures were found to meet the criteria: the Herfindahl-Hirschman index (HHI), the other Hannah and Kay indices [HKI(α)], the Rosenbluth index (RI), the numbers equivalent of the Hannah and Kay indices [HKIne(α)] and the entropy coefficient (EC). The discrete measures, concentration ratios (CRX) and the occupancy count (CRX%), do not always meet the criteria, nor do the relative concentration measures or measures of inequality, namely the Gini coefficient (GC), the variance of logarithms of market shares (VL) and the relative entropy coefficient (REC). The Horvath index (HI), an absolute concentration measure, does not always meet the criteria. Studies that employed the unreliable measures should be disregarded or reworked and students should be forewarned against the use of such measures.

Working paper 346

Title: Debt Relief under the HIPC Initiative: Why Some Countries Complete the Programme Faster Than Others

Author(s): William Akoto

Publication date: April 2013

Classification-JEL: C32, F14, F21, F43, G01

Keywords: HIPC, Hazard Models, Survival Analysis, Aid, Debt relief, Development

Abstract: The Highly Indebted Poor Countries (HIPC) initiative has been one of the primary avenues for delivering debt relief to developing countries in the past decade. However, the performance of countries in the HIPC programme has been vastly heterogeneous with some countries reaching completion point much faster than others. This paper uses Cox-Proportional hazard models to explain the wide disparity in completion times by examining how the economic, social and governance environments within a country affect the speed of completion. The findings suggest that better economic management, increased trade, more effective government machinery, and a more stable political environment among others are all significant in speeding up completion times.

Working paper 347

Title: Effects of Primary, Secondary and Tertiary Education on Conflict Intensity in Africa

Author(s): Julius A Agbor

Publication date: May 2013

Classification-JEL: O43, O15, O11

Keywords: School Education, Conflict, Economic Development, Africa

Abstract: This study investigates the impact of different dimensions of schooling education (primary, secondary and tertiary enrolment) on the intensity of intra-state conflicts in Africa during 1989-2008. It uses fixed-effects regressions in a panel framework and annual data for 25 African countries. Parameter estimates provide clear evidence that schooling education (irrespective of the dimension considered) reduces the intensity of conflicts in Africa and the channels of transmission vary according to the education dimension considered. While primary schooling works mainly through urbanization; secondary and tertiary schooling reduces conflict through both the urbanization and youth bulge channels. These results suggest that in order to reduce conflict intensity in Africa, policy makers should facilitate the urbanization of a great number of African school leavers; while at the same time raising the number of African youths with secondary and tertiary education. However, the findings also suggest that secondary schooling potentially intensifies conflict intensity through the democratization channel implying that efforts to expand secondary education in Africa need to go in tandem with the rapid entrenchment of democratic institutions. Disaggregating the sample into "Conflict-prone" versus "less Conflict-prone" countries generally confirmed the core finding that all education dimensions are important in reducing conflict intensity in Africa but no insightful results were obtained on the likely channels of transmission. Further research should consider a more robust investigating of this issue while also differentiating the impacts of education dimensions on conflict in "high income" versus "low income" countries.

Working paper 348

Title: International Trade and Labour Demand Elasticities: Is there Any Empirical Evidence from South Africa?

Author(s): Abdulkader Cassim Mahomedy

Publication date: May 2013

Keywords: International trade, labour demand, elasticities, empirical evidence, South Africa

Abstract: There are various pathways through which the impact of trade openness may be transmitted to the labour market. This study explores a relatively new linkage identified by the literature: the impact on labour demand elasticities via a substitution effect through increased factor substitutability and/or via a scale effect brought about by an increase in product market elasticities. More elastic factor demands have adverse implications for labourers vis-à-vis employers. Using an industry-level panel dataset covering the South African manufacturing sector spanning a period of over three decades, I empirically test for this relationship focusing primarily on the substitution effect. I am able to find, at best, only limited empirical support for my hypothesis of a positive and significant impact of trade liberalisation on labour demand elasticities. Whilst demand for labour appears to have become more elastic for manufacturing overall and in one of ten sectors within manufacturing, this result fails to hold for any of the other industries examined.

Working paper 349

Title: Life satisfaction and education in South Africa: Investigating the role of attainment and the likelihood of education as a positional good

Author(s): Ferdi Botha

Publication date: May 2013

Classification-JEL: I2, Z13

Keywords: subjective wellbeing, positional concerns, Education, South Africa

Abstract: This paper explores various dynamics in the relationship between life satisfaction and education in South Africa using the 2008 National Income Dynamics Survey. The results indicate a strong positive association between educational attainment and individual satisfaction with life, which is true in the overall sample and for men and women. This positive relationship also holds for Black and Coloured individuals, but is insignificant in the Asian and White samples. Evidence indicates that education is a positional good, in that people who have attained more than the mean level of education in their relevant cluster are significantly more satisfied with life compared to those possessing less than the mean education.

Working paper 350

Title: Monetary Policy Response to Foreign Aid in an Estimated DSGE Model of Malawi

Author(s): Chance Mwabutwa, Manoel Bittencourt and Nicola Viegi

Publication date: May 2013

Classification-JEL: C11, C13, E52, E62, F31, F35

Keywords: Taylor rule, DSGE model, Rule-of-Thumb, Spending, Absorption, Foreign exchange Rate

Abstract: This paper estimates a Bayesian Dynamic Stochastic General Equilibrium (DSGE) model of Malawi and uses it to account for short-run monetary policy response to aid inflows between 1980 and 2010. In particular, the paper evaluates the existence of a "Dutch Disease" following an increase in foreign aid and examines the Reserve Bank of Malawi (RBM) reaction to aid inflows under different monetary policy rules. The paper finds strong evidence of "Taylor rule" like response of monetary policy to aid inflows. It also shows that a 'Dutch Disease' did not exist in Malawi because aid inflows were found to be associated with currency depreciation and not the expected real currency appreciation. There is also evidence of a low impact of a positive aid shock on currency depreciation and inflation when RBM engages in targeting monetary aggregates than when the authorities use the Taylor rule and incomplete sterilisation.

Working paper 351

Title: Analysing the Effects of Fiscal Policy Shocks in the South African Economy

Author(s): Charl Jooste, Guangling (Dave) Liu and Ruthira Naraidoo

Publication date: May 2013

Classification-JEL: C54, D58, E32, E62, H31

Keywords: Rule-of-thumb consumers, Fiscal multiplier, Government spending, TVP-VAR, SVECM

Abstract: This paper is the first one to analyse the effect of aggregate government spending and taxes on output for South Africa using three types of a calibrated DSGE model and more data driven models such as a structural vector error correction model (SVECM) and a time-varying parameter VAR (TVP-VAR) to capture possible asymmetries and time variation of fiscal impulses. The impulse responses indicate first, that increases in government expenditure have a positive impact, albeit (at times) less than unity, on GDP in the short run; second, over the long run, the impact of government expenditure on GDP is insignificant; and third, increases in

taxes decreases GDP over the short run, while having negligible effects over longer horizons.

Working paper 352

Title: The Effect of Land Restitution on Poverty Reduction Among the Khomani San "Bushmen" in South Africa

Author(s): Johane Dikgang and Edwin Muchapondwa

Publication date: June 2013

Keywords: Access to nature, Instrumental variable, Khomani San, Land restitution, poverty

Abstract: This paper looks at the impact of land restitution involving the Khomani San "bushmen" in the Kgalagadi area of South Africa. It seeks to test whether there is a positive correlation between land restitution and poverty reduction among the beneficiaries. We run instrumental variable probit models on poverty and access to nature. Our results suggest that using restituted land by the claimants' has no positive effect on poverty alleviation. However, a positive link with greater access to nature is established. Therefore, land restitution should become part of a broader, carefully crafted rural developmental strategy for it to be effective. Otherwise land restitution risks enabling indigenous communities to continue with their "traditional" way of life and, in fact, keep them poor.

Working paper 353

Title: Valuing User Preferences for Improvements in Public Nature Trails Around the Sundays River Estuary, Eastern Cape, South Africa

Author(s): Deborah E. Lee, Stephen G. Hosking and Mario du Preez

Publication date: June 2013

Keywords: Estuary, willingness to pay, choice experiment, public access, recreational attributes

Abstract: Many valuations have been made of changes to in-estuary attributes but few have been made of out-of-estuary attributes. From a recreation perspective, an important type of out-of-estuary attribute is the availability of public paths by which to access attractive features of the estuary environment. This paper values an improvement in the level of public access in the form of an additional nature trail along the banks of the Sundays River Estuary in the Eastern Cape, but does not compare this value with the costs. By means of choice experiment modelling analyses it is estimated that in 2010 the marginal willingness-to-pay for an investment in a nature trail was R34 per user per annum. In order to determine whether the development of this trail is efficient, this benefit (R34 per user per annum) needs to be compared to the cost of the development, an analysis that remains to be done. However, this find does serve to provide guidance on how much funding could efficiently be allocated to such a development - about R1.22 million, assuming a social discount rate of 8.38%.

Working paper 354

Title: Bank Deposit Contracts Versus Financial Market Participation in Emerging Economies

Author(s): Alexander Zimper

Publication date: June 2013

Classification-JEL: O16, G14, G21

Keywords: Emerging economies, Demand deposit contract, Asset market, Asymmetric information

Abstract: The financial sector of emerging economies in Africa is characterized by a non-competitive banking sector which dominates any direct participation of agents in asset markets. Based on a variant of Diamond and Dybvig's (1983) model of financial inter-mediation, we formally explain both stylized facts through market inexperience of agents in emerging economies. While experienced agents correctly predict future market clearing equilibrium prices, inexperienced agents are ignorant about future market equilibria. As a consequence, a monopolistic banking sector can exploit these agents because their only outside option is an autarkic investment project.

Working paper 355

Title: The Export-Output Relationship in South Africa: An Empirical Investigation

Author(s): Paul Cipamba Wa Cipamba

Publication date: July 2013

Keywords: Export-led growth, Granger causality, South Africa

Abstract: This study re-investigates the empirical relationship between exports and economic growth in South Africa using econometric techniques of co-integration and Granger causality over the period 1970Q1-2012Q4. The Johansen approach of co-integration shows that exports and GDP evolved together overtime, though deviations from the steady state might happen in the short-run. Furthermore, Granger causality based on a Vector Error Correction model (VECM) reveals the existence of short and long run bi-directional causality between export and GDP growth. Similarly, Granger causality based on an augmented vector auto-regression (VAR) model confirms that export Granger causes GDP and vice versa. Overall, the empirical findings of this study support the validity of export-led growth and growth-driven export hypotheses in the case of South Africa. The main policy implication of these results is that a speedy and sound execution of government's plans aimed at stimulating and diversifying production for export will contribute to the improvement of growth and employment prospects.

Working paper 356

Title: CO2 Emissions, Energy Consumption, Income and Foreign Trade: South African Perspective

Author(s): Marcel Kohler

Publication date: July 2013

Keywords: CO2 Emissions, Energy, Foreign Trade

Abstract: The effect of trade liberalisation on environmental conditions has yielded significant debate in the energy economics literature. Although research on the relationship between energy consumption, emissions and economic growth is not new in South Africa, no study specifically addresses the role that SA's foreign trade plays in this context. A surprising fact given trade is one of the most important factors that can explain the Environmental Kuznets Curve. Our research employs recent SA trade and energy data and modern econometric techniques to investigate this. The main finding is the existence of a long run relationship between environmental quality, levels of per capita energy use and foreign trade in SA. As

anticipated per capita energy use has a significant long run effect in raising the country's CO2 emission levels, yet surprisingly higher levels of trade act to reduce these emissions. Granger causality tests confirm the existence of a positive bidirectional relationship between per capita energy use and CO2 emissions. Whilst we also find positive bidirectional causality between trade and income per capita and between trade and per capita energy use, it appears that SA trade liberalisation has not contributed to a long run growth in pollution-intensive activities nor higher emission levels.

Working paper 357

Title: Pricing of National Park Visits in Kenya: The Case of Lake Nakuru National Park

Author(s): Peter Chacha, Edwin Muchapondwa, Anthony Wambugu and Daniel Abala

Publication date: July 2013

Classification-JEL: C24, C25, I31, Q26

Keywords: Pricing, protected areas, international and domestic visits, travel costs

Abstract: This study analyses the factors influencing pricing of National Park visits in Kenya. A two step regression procedure is used to develop a pricing mechanism for Lake Nakuru National Park (LNNP). In the first stage, count data models are applied to estimate the Trip generating function to LNNP and in the second, the results from count data models are used to simulate visitation as price varied through an increase in the gate fee to LNNP. The simulated data is used to estimate the demand curves for LNNP. The finding shows that the current price set-up at LNNP of Ksh. 7,050 for international tourists and Ksh. 1,000 for domestic tourists is in fact cost recovery. However, there is greater scope to raise more revenue from an increase in entry fees. The study proposes price increase for international visits from the current Ksh. 7,050 (US\$75) to Ksh.20,000 (US\$230) in the medium term. This will yield a total revenue estimated at Ksh. 2,823 million (US\$33 million) without major decline in visitation days. With regard to domestic visitors, the Kenya Wildlife Service (KWS) can increase the price from the current Ksh. 1,000 (US\$11.8) to Ksh. 2,000 (US\$ 22) over the same horizon. This price increase will yield revenue equivalent to Ksh. 288 million (US\$ 3.4 million) but also lead to a decline in visitation levels from domestic group by 30 percent.

Working paper 358

Title: Speculative Trade Equilibria with Incorrect Price Anticipations

Author(s): Alexander Zimmer

Publication date: July 2013

Classification-JEL: D51, D53, G02

Keywords: Bounded Rationality, Speculative Trade, Rational Expectations, Incorrect Prices

Abstract: This paper introduces an equilibrium concept for boundedly rational agents who base their demand-supply decisions on incorrect price anticipations. Formally, we differentiate between equilibrium and out-of-equilibrium states. If the agents attach zero prior probability to all out-of-equilibrium states, our equilibrium concept coincides with Radner's (1979) concept of rational expectations equilibria (=REE). In contrast to REE, however, there may exist strict incentives for speculative asset trade whenever boundedly rational agents regard out-of-equilibrium states as possible.

Working paper 359

Title: Copious Structural Shifts in Exchange Rates of the South African Rand (Post-1994): Do They Matter for Unit Root Testing)? What are the Most Likely Triggers?

Author(s): Cyril May

Publication date: July 2013

Classification-JEL: C22, F31

Keywords: Exchange rate, unit root, non-stationarity, stationarity, trend, structural breaks

Abstract: There is a theoretical case for real exchange rates to be stationary, but conventional unit root tests generally find nonstationarity in most economic data expressed in nominal terms; exchange rates in particular. Perron (1989) questioned the latter interpretation on the basis that the presence of a unit root may be a manifestation of not allowing for structural change — a finding reaffirmed later by Zivot and Andrews (1992) and Clemente et al (1998) when single and double sudden and gradual endogenous breakpoints are accounted for in unit root tests. This paper considers testing for structural breaks and unit roots — in the presence of structural shifts — in the univariate data generating process (DGP) of the key nominal foreign exchange rates of the South African rand. Additionally, the connexions between the timing of the structural shifts and important economic and noneconomic events are explored.

Working paper 360

Title: The Equity Price Channel in a New-Keynesian DSGE Model with Financial Frictions and Banking

Author(s): Hylton Hollander and Guangling Liu

Publication date: July 2013

Classification-JEL: E32, E43, E44, E51, G12

Keywords: Equity price channel, asset pricing, financial frictions, bank capital, New-Keynesian, Bayesian

Abstract: This paper studies the role of the equity price channel in business cycle fluctuations, and highlights its systemic risk across all sectors of the economy. We develop a canonical New-Keynesian dynamic stochastic general equilibrium model with a tractable role for the equity market in banking, entrepreneur and household economic interactions. The model is estimated with Bayesian techniques using U.S. data over the sample period 1982Q01 - 2012Q01. We show that a New-Keynesian DSGE model with an equity price channel well mimics the U.S. business cycle. Moreover, the equity price channel significantly exacerbates business cycle fluctuations through both the financial accelerator and bank funding channels. This study highlights the equity price channel as a different aspect to general equilibrium models with financial frictions, and emphasizes the consequences of the (in)stability of financial markets on the real economy.

Working paper 361

Title: Economic Growth and Inequality: Evidence from the Young Democracies of South America

Author(s): Manoel Bittencourt

Publication date: July 2013

Classification-JEL: E20, O11, O15, O54

Keywords: Growth, inequality, South America

Abstract: We investigate in this paper whether income growth has played any role on inequality in all nine young South American democracies during 1970-2007. The results, based on dynamic panel time-series analysis, suggest that income growth has played a progressive role in reducing inequality during the period. Moreover, the results suggest that this negative relationship is stronger in the 1990s and early 2000s, a period in which the continent achieved macroeconomic stabilisation, political consolidation and much improved economic performance. On the contrary, during the 1980s (the so-called "lost decade"), the negative income growth experienced by the continent at the time has hit the poor the hardest, which has consequently lead to an increase in inequality. All in all, we suggest that consistent growth, and all that it encompasses, is an important equaliser which should not be discarded as a plausible option by policy makers interested in a more equal income distribution.

Working paper 362

Title: Transmission of China's Shocks to the BRIS Countries

Author(s): Mustafa Yavuz Cakir and Alain Kabundi

Publication date: August 2013

Classification-JEL: C3, E32, F40, O57

Keywords: Dynamic Factor Model, Supply and demand shocks, Sign restrictions, BRICS

Abstract: This study examines the impact of China's dominant position among the BRIS countries, namely Brazil, Russia, India and South Africa. Particularly, by using a dynamic factor model estimated over the period 1995Q2-2009Q4, it investigates how supply and demand shocks from China are transmitted to these economies. The results show that China's supply shocks are more important than its demand shocks. Supply shocks produce positive and significant output responses in all BRIS countries. International trade is an important channel for the transmission of shocks across China and BRIS countries indicating that supply and demand shocks in China do not have similar effects on the BRIS countries and therefore they require different policy responses.

Working paper 363

Title: Family Functioning and Life Satisfaction and Happiness in South African Household

Author(s): Ferdi Botha and Frikkie Booysen

Publication date: August 2013

Classification-JEL: D10, Z13

Keywords: Family functioning, family, subjective well-being, South Africa

Abstract: Families form an integral part of society and in fostering individual well-being. Despite the acknowledged importance of family, the association between family functioning and individual well-being outcomes have remained unexplored in the current body of knowledge. This paper explores the association between family functioning and reported levels of life satisfaction and happiness in South Africa. The paper employs the Family Attachment and Changeability Index (FACI8) to measure family functioning, using data from the 2011 South African Social Attitudes Survey (SASAS 2011). Four measures of family functioning are utilised, namely the aggregate FACI8 scale, the attachment and changeability subscales, and family type. Improvements in the level of family functioning as well as in the levels of attachment

and changeability are positively associated with life satisfaction and happiness. In addition, individuals living in midrange or balanced family types are more satisfied with life and happier compared to persons living in extremely or moderately dysfunctional families. The findings highlight the importance of supportive intra-family dynamics in fostering greater individual well-being. This in turn places emphasis on the investigation of likely correlates of family functioning and impact evaluations of family-focused social work interventions' impact on family functioning as areas for future research.

Working paper 364

Title: Monetary Policy and Balance Sheets

Author(s): Deniz Igan, Alain Kabundi, Francisco Nadal De Simone, Natalia Tamirisa

Publication date: August 2013

Classification-JEL: E44, E52, G20

Keywords: monetary policy transmission, balance sheets, FAVAR, generalized dynamic factor models

Abstract: This paper evaluates the strength of the balance sheet channel in the U.S. monetary policy transmission mechanism over the past three decades. Using a Factor-Augmented Vector Autoregression model on an expanded data set, including sectoral balance sheet variables, we show that the balance sheets of various economic agents act as important links in the monetary policy transmission mechanism. Balance sheets of financial intermediaries, such as commercial banks, asset-backed-security issuers and, to a lesser extent, security brokers and dealers, shrink in response to monetary tightening, while money market fund assets grow. The balance sheet effects are comparable in magnitude to the traditional interest rate channel. However, their economic significance in the run-up to the recent financial crisis was small. Large increases in interest rates would have been needed to avert a rapid rise of house prices and an unsustainable expansion of mortgage credit, suggesting an important role for macroprudential policies.

Working paper 365

Title: Water Resource Accounts for Uganda: Use and Policy Relevancy

Author(s): Nicholas Kilimani

Publication date: August 2013

Classification-JEL: E01, Q56

Keywords: Water Accounts, Water utilization, Economic performance

Abstract: The increasing variability in the climatic pattern and its adverse effects on the Ugandan economy has become a major development challenge. For example, a key but climate sensitive sector like agriculture is increasingly experiencing severe disruptions as a result of its reliance on rainfall which has increasingly become unpredictable. Recent studies indicate a seemingly decreasing trend in the number of rainy days during the months which are crucial for crop growth. This trend is severely disrupting agricultural activity across the country. Since water is a vital input in many economic activities, we need to clearly understand the available supply of water resources and the level of utilization by the different sectors of the economy. This is with the view to establishing whether or not, there is room for increased utilization; within the framework of Integrated Water Resources Management. It is the objective of the study to provide this understanding through a water resource accounting framework. However, no developed water resource

accounts exist for the Ugandan economy. Hence the task of the study was to develop the water resource accounts for Uganda. The results show evidence of under utilization of the available water resources. The under utilization is prevalent across all productive sectors of the economy and is likely to constrain the scope for productivity improvements, economic growth and other development outcomes.

Working paper 366

Title: Managing Some Motorised Recreational Boating Challenges in South African Estuaries: A Case Study at the Kromme River Estuary

Author(s): Deborah E. Lee, Stephen G. Hosking and Mario Du Preez

Publication date: August 2013

Abstract: Estuaries in South Africa face negative crowding effects with respect to motorised boat use, due to competing demand. This paper proposes this be managed through user charges and that the setting of these charges be informed by applying a choice experiment to estimate user preferences for reduced motorized boat congestion on the Kromme River Estuary, Eastern Cape. The application of this method led the paper to deduce that users are willing to pay an additional supplementary charge of R483 per annum during peak periods in order to experience a decrease in negative crowding effects and an improvement in overall welfare.

Working paper 367

Title: Southern African Customs Union Revenue, Public Expenditures and HIV/AIDS in BLNS Countries

Author(s): Harold Ngalawa

Publication date: August 2013

Classification-JEL: H27, H51, I12

Keywords: Government expenditure, customs union, health, HIV prevalence

Abstract: This study sets out to investigate how revenue from the Southern African Customs Union (SACU) common revenue pool affect efforts to contain HIV/AIDS in Botswana, Lesotho, Namibia and Swaziland (BLNS countries). Using a panel data set of the BLNS countries covering the period 1990-2007 in annual frequency and a health production function, we show that an increase in either SACU revenue or aggregate government expenditure increases HIV prevalence rates. Disaggregating the government expenditures into health and non-health outlays reveals that the health expenditure component decreases HIV prevalence rates. We argue, therefore, that the type of public expenditure matters: public health expenditures decrease while public non-health expenditures increase HIV prevalence rates, with the ultimate direction of HIV prevalence rates determined by the dominant of the two effects.

Working paper 368

Title: Conservation Fees in the Kgalagadi Transfrontier Park between Botswana and South Africa in the Presence of Land Restitution

Author(s): Johane Dikgang and Edwin Muchapondwa

Publication date: August 2013

Keywords: Contingent behavior, conservation fee, demand, land claim, national park

Abstract: This paper estimates the visitation demand function for Kgalagadi Transfrontier Park (KTP) in order to determine the conservation fee to charge South African residents to maximise park revenue. We conducted contingent behavior experiments at KTP and three other national parks, which we assume are either substitutes or complements for visitors to KTP. Our random effects Tobit model shows that there is a wide variation in the own-price elasticities of demand between the parks but they are generally not elastic. The cross-price estimates indicate that there is limited substitutability in visitation demand among the four parks. The study uses the unitary elasticity rule to demonstrate that there is a possibility of raising conservation fees to revenue-maximising levels at KTP as well as the other parks, using methods such as a mandatory conservation fee increment or a community-bound voluntary donation above the regular conservation fee. Sharing conservation revenue with communities surrounding parks could demonstrate the link between ecotourism and local communities' economic development, promote a positive view of land restitution involving national parks, help address South Africa's heavily skewed distribution of income, and act as an incentive for the local communities to participate in conservation even more.

Working paper 369

Title: Modeling the Cost-effectiveness of HIV/AIDS Interventions in Different Socio-economic Contexts in South Africa (2007-2020)

Author(s): Josue Mbonigaba

Publication date: September 2013

Classification-JEL: I8

Keywords: HIV/AIDS, rural, urban, socio-economic, interventions, South Africa, modeling, Spectrum, projections

Abstract: Evidence of how cost-effectiveness (CE) of an HIV/AIDS intervention compares in a rural context and an urban context is deficient yet crucial to potential efficiency in resource allocations in South Africa. To inform policy makers about such potential, the CE of major HIV/AIDS interventions is estimated in these contexts over the period 2007-2020. Two versions of Spectrum Policy Modeling System (SPMS) are constructed; one for a rural context and another for an urban context. Then each version is populated with context-specific parameters, before being used to project the annual number of patients and health outcomes of an HIV/AIDS intervention and a related USUAL CARE. The cost evidence for an HIV/AIDS intervention and related USUAL CARE is applied to projected number of patients and the incremental CE ratio (ICER) of an HIV/AIDS intervention relative to USUAL CARE in each context is estimated. The ICERs in the two contexts for the same HIV/AIDS intervention are then used to compare the CE of that HIV/AIDS intervention across contexts. The paper finds that CE estimates of an HIV/AIDS intervention across a rural context and an urban context differ and the extent of that difference varies across HIV/AIDS interventions. Therefore, policy makers can increase efficiency by allocating resources in HIV/AIDS interventions in socio-economic contexts according to CE variations in such contexts.

Working paper 370

Title: Dependence on Environmental Resources and Implications for Household Welfare: Evidence from the Kalahari Drylands, South Africa

Author(s): Gladman Thondhlana and Edwin Muchapondwa

Publication date: September 2013

Keywords: Kalahari drylands, environmental resources, indigenous people, dependence, income diversification, household welfare

Abstract: This paper examines dependence on environmental resources and impacts on household welfare among the indigenous San and Mier rural communities neighbouring Kgalagadi Transfrontier Park in the arid Kalahari region, South Africa. Data on the various household income types, including environmental income, were collected through a structured survey of 200 households. Environmental income constituted 20% of total income, indicating a substantial dependence on environmental resources. The poorest income quintile had the highest environmental income share (31%), though absolute income from environmental resources increased with total income. Analysis of household income with and without environmental income shows that environmental resources shield households, especially the low-income ones, from poverty. Further, Gini-coefficient analyses revealed an important income inequality reduction potential of environmental resources among households. Given the current proposal to grant local communities access to environmental resources inside the Kgalagadi Transfrontier Park, our results predict household welfare improvements from such a proposal. However, the findings underscore the need to sustainably manage environmental resources (access and extraction) inside and outside the park to balance ecological and socio-economic needs.

Working paper 371

Title: The Quantitative Cape: Notes from a new Historiography of the Dutch Cape Colony

Author(s): Johan Fourie

Publication date: September 2013

Keywords: Eighteenth century, Cape Colony, Dutch East India Company

Abstract: The digitisation and transcription of rich archival sources and the use of statistical techniques combined with modern computing power, have, over the last decade, allowed social scientists to reinterpret eighteenth-century Cape history. This review essay summarises the main results from the burgeoning literature; assesses whether these new studies refute or support earlier hypotheses; shows how new quantitative evidence can inform our understanding of the process of economic development; and appeals to historians and economists to learn the language of the other.

Working paper 372

Title: Wage Subsidy in the DRC: A CGE Analysis

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

Publication date: September 2013

Classification-JEL: C68, D58, E24, E26, O17, R28

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

Abstract: This paper analyses wage subsidies on lower-skilled formal workers in the Democratic Republic of Congo (DRC). A multi-sectoral empirically-calibrated general equilibrium model capturing the economy-wide transactions between the formal and informal sectors is used to analyse one policy simulation in the DRC. The short and long run simulation in which the government provides wage subsidy to lower-skilled

workers indicates that the government is able to significantly improve the deficiencies of the formal and informal households' real disposable incomes. There is a general increase across formal and informal sectors in real household disposable incomes due to wage subsidy. The simulation results show that subsidy allocation narrowed the income gap between high and low income households, and between formal and informal sectors as well. The result seems somewhat insightful for wage policy simulation as the wage subsidy that targets lower-skilled formal workers increases real GDP from the expenditure side by 1.19% and 3.19% in the short and long run, respectively, from the baseline economy.

Working paper 373

Title: Health Care Facility Choice and User Fee Abolition: Regression Discontinuity in a Multinomial Choice Setting

Author(s): Steven F. Koch and Jeffrey S. Racine

Publication date: September 2013

Keywords: Health care facility, User fee abolition, Regression Discontinuity

Abstract: We apply parametric and nonparametric regression discontinuity methodology within a multinomial choice setting to examine the impact of public health care user fee abolition on health facility choice using data from South Africa. The nonparametric model is found to outperform the parametric model both in- and out-of-sample, while also delivering more plausible estimates of the impact of user fee abolition (i.e. the 'treatment effect'). In the parametric framework, treatment effects were relatively constant { around 7% } and that increase was drawn equally from both home care and private care groups. On the other hand, in the nonparametric framework treatment effects were largest for the least well-off (also around 7%) but fell for the most well-off. More plausibly, that increase was drawn primarily from the home care group, suggesting that the policy favoured those least well-off as more of these children received at least some minimum level of professional health care after the policy was implemented. Regarding the most well-off, despite having access to free public health care, children were still far more likely to receive health care at private facilities than at public facilities, which is also more plausible in South Africa's two-tier health sector.

Working paper 374

Title: Anatomy of the Southern African Customs Union: Structure and Revenue Volatility

Author(s): Harold P.E. Ngalawa

Publication date: September 2013

Classification-JEL: N17, H27, H50

Keywords: customs union, public expenditure, government revenue

Abstract: This paper studies the evolution of the Southern African Customs Union (SACU), tracing it from its inception in 1889 as the Customs Union Convention, the world's first customs union, to its current status. While the union has operated under different agreements, which have been negotiated and renegotiated with changing circumstances, the study identifies the agreements of 1889, 1910, 1969 and 2002 as key to the union's transformation. It is observed that SACU has evolved from a geopolitical organisation with a repressive colonial foundation to a well-integrated regional trading bloc that is perceived as a possible springboard for larger regional trading blocs in Africa. The study further explores evidence of declining SACU

revenue, and investigates its implications on government expenditures in the small members of the union, namely, Botswana, Lesotho, Namibia and Swaziland (BLNS Countries). It is found that among the members of the union, Lesotho and Swaziland are the most dependent on SACU transfers and consequently the most vulnerable to the current downward trend in SACU revenue. While Namibia has traditionally relied on diamond exports, it has also been receiving large SACU transfers relative to its GDP. In addition, the study observes that the present SACU revenue sharing formula adopted in 2002 exposes the BLNS countries to instabilities arising from global business cycles more than it does South Africa.

Working paper 375

Title: Important Channels of Transmission Monetary Policy Shock in South Africa

Author(s): Nombulelo Gumata, Alain Kabundi and Eliphaz Ndou

Publication date: September 2013

Classification-JEL: C11, C13, C33, C53

Keywords: Bayesian VAR, Monetary policy transmission; Balance sheets, large

Abstract: This paper investigates the different channels of transmission of monetary policy shock in South Africa in a data-rich environment. The analysis contains 165 quarterly variables observed from 1990Q1 to 2012Q2. We use a Large Bayesian Vector Autoregressive model, which can easily accommodate a large cross-section of variables without running out of degree of freedom. The benefit of this framework is its ability to handle different channels of transmission of monetary policy simultaneously, instead of using different models. The model includes five channels of transmission: credit, interest rate, asset prices, exchange rate, and expectations. The results show that all channels seem potent, but their magnitudes and importance differ. The results indicate that the interest rate channel is the most important transmitter of the shock, followed by the exchange rate, expectation, and credit channels. The asset price channel is somewhat weak.

Working paper 376

Title: Promotion and Relegation between Country Risk Classes as Maintained by Credit Rating Agencies

Author(s): Johannes Fedderke

Publication date: September 2013

Keywords: credit rating agencies, policies

Abstract: Credit rating agency assessments of sovereign risk bear weak statistical association with the quality of country policies. This paper demonstrates that where endogenous responses by policy makers to credit rating outcomes, and the degree of responsiveness of credit rating agencies to policy changes are accounted for, strong associations between policy quality and ratings should be present. The paper verifies these associations on panel data for 60 countries over the 1980-2013 period.

Working paper 377

Title: Sources of Subsectoral Growth in South Africa

Author(s): Fiona Tregenna

Publication date: September 2013

Classification-JEL: C67, D57, E20, O11, O14, O40

Keywords: Growth, sectors, factor decomposition, structural change, Chenery, South Africa

Abstract: While South Africa's growth performance has improved somewhat in recent years, it has generally been poor over the past few decades. This article uses Chenery's factor decomposition method to analyse the sources of growth in South Africa from 1970 to 2007. Using input-output data, the growth of each subsector is decomposed into components associated with export growth, import substitution, growth in domestic demand, and growth in intermediate demand. The results highlight the dependence on domestic demand expansion as a source of growth since 2000, especially for manufacturing. Subsectors which relied primarily on domestic demand expansion generally performed relatively poorly. Technological change is the only component of growth with a consistently positive and statistically significant correlation with subsectoral growth. The analysis contributes to a better understanding of growth in South Africa, particularly in terms of subsectoral dynamics.

Working paper 378

Title: The Impact of the Slave Trade on Literacy in Africa: Evidence from the Colonial Era

Author(s): Nonso Obikili

Publication date: October 2013

Classification-JEL: O10, N37, N97, I25

Keywords: Africa, Slave trades, Human Capital, Development

Abstract: Recent studies have highlighted the importance of Africa's history of slave exporting to its current economic development. In this paper I show that differences in investment in education may be one of the channels through which that history has affected current development. I combine data on literacy rates of administrative districts from the colonial censuses of Nigeria and Ghana from the 1950's with data on slave exports of different ethnic groups. I find a negative and significant relationship between slave export intensity before the colonial era and literacy rates during the colonial era. I also use contemporary data on literacy rates from the 2010 Nigerian Literacy Survey and find that this negative relationship is still present and significant. Thus, I show that the slave trades affected development through channels other than inter-ethnic group conflict or formal nation-state level institutions.

Working paper 379

Title: Nonparametric estimation of a hedonic price model: A South African case study

Author(s): M Du Preez, DE Lee and M Sale

Publication date: October 2013

Journal: J.Stud.Econ.Econometrics, 2013, 37 (2)

Keywords: Parametric regression model, hedonic price, South Africa

Abstract: Parametric regression models of hedonic price functions suffer from two main specification issues: the identification of appropriate dependent and independent variables, and the choice of functional form. Although the first issue remains relevant with the use of nonparametric regression models, the second issue becomes irrelevant since these models do not presume functional forms a priori. We

estimate a linear parametric model via OLS, which fails a common specification test, before showing that recently developed nonparametric regression methods outperform it significantly. In addition to estimating the models, we compare the out-of-sample prediction performance of the OLS and nonparametric models. Our data reveals that the nonparametric models provide more accurate predictions than the parametric model.

Working paper 380

Title: Does Education Promote Stable Property Rights?

Author(s): Biniam E Bedasso

Publication date: October 2013

Classification-JEL: O10, P16

Keywords: Property rights, Education, composite index

Abstract: This paper sets out to establish an empirical link between education and property rights. The analysis is based on a new index of property rights derived from a set of commonly used indicators. As expected, education has a generally positive impact on property rights. But the relationship is not linear. The effect also depends on level of income. More education might not always be good for property rights in low-income countries. Instrumental variable estimation demonstrates that the schooling of the least educated 60 percent population is better identified to measure the impact of human capital on property rights than mean years of schooling. The dynamic panel estimation of the relationship reveals that it takes some time before an increase in the human capital of the least educated 60 percent population bears a positive impact on property right institutions. The independent influence of education on property rights is found to be stronger than that of income in most specifications.

Working paper 381

Title: Social Capital and Human Capital in the Colonies: A Study of Cocoa Farmers in Western Nigeria

Author(s): Nonso Obikili

Publication date: October 2013

Classification-JEL: J24, D71, N37

Keywords: Human Capital, social capital, Africa

Abstract: I examine the relationship between social and human capital in colonial Western Nigeria. Using data on expenditure of cocoa farmers in 1952, I show that farmers in townships with higher social spending individually spend more on education. The relationship holds after controlling for various characteristics of the farmers and the townships. Thus I show that there is a relationship between social and human capital and that this relationship was already present during the colonial era.

Working paper 382

Title: Analysing the Effects of Fiscal Policy Shocks in the South African Economy

Author(s): Charl Jooste, Guangling (Dave) Liu and Ruthira Naraidoo

Publication date: May 2013

Classification-JEL: C54, D58, E32, E62, H31

Keywords: Rule-of-thumb consumers, Fiscal multiplier, Government spending, TVP-VAR, SVECM

Abstract: This paper is the first one to analyse the effect of aggregate government spending and taxes on output for South Africa using three types of a calibrated DSGE model and more data driven models such as a structural vector error correction model (SVECM) and a time-varying parameter VAR (TVP-VAR) to capture possible asymmetries and time variation of fiscal impulses. The impulse responses indicate first, that increases in government expenditure have a positive impact, albeit (at times) less than unity, on GDP in the short run; second, over the long run, the impact of government expenditure on GDP is insignificant; and third, increases in taxes decreases GDP over the short run, while having negligible effects over longer horizons.

Working paper 383

Title: The Economic Evaluation of Dryland Ecosystem Services in the South African Kgalagadi by the Local Communities

Author(s): Johane Dikgang and Edwin Muchapondwa

Publication date: October 2013

Keywords: choice experiment, conditional logit, ecosystem services, local communities, random parameter logit

Abstract: This study seeks to value ecosystem services in the Kgalagadi area by applying the Choice Experiment technique. The values placed on dryland ecosystem services by indigenous communities are estimated using a Conditional Logit model, Random Parameter Logit model and a Random Parameter Logit model with interactions. The results show that local communities would prefer getting increased grazing firewood collection, hunting opportunities and harvesting of medicinal plants.

Working paper 384

Title: The Economic Evaluation of Dryland Ecosystem Services in the South African Kgalagadi Area and Implications for PES Involving the Khomani San

Author(s): Johane Dikgang and Edwin Muchapondwa

Publication date: October 2013

Keywords: choice experiment, conditional logit, ecosystem services, Khomani San, random parameter logit

Abstract: The economic importance of the dryland ecosystem services in the Kgalagadi area is generally unknown, as is the distribution of benefits from use of the ecosystem services. This study seeks to value ecosystem services in the Kgalagadi area by applying the Choice Experiment technique and thereafter assess the potential for ecosystem services to contribute to the Khomani San livelihoods through a payment for ecosystem services (PES) scheme. The values placed on dryland ecosystem services by tourists are estimated using a Conditional Logit model, Random Parameter Logit model and a Random Parameter Logit model with interactions. The park visitors prefer getting more pristine recreational opportunities, increased chances of seeing predators and show disapproval of granting more access inside the Kgalagadi Transfrontier Park to local communities. This scenario shows that there is a possibility to craft a PES scheme where park visitors could compensate the local communities to accept a restriction of resource use in the Kgalagadi area.

Working paper 385

Title: Slave Prices and Productivity in the 18th Century at the Cape of Good Hope: The Winners and Losers from the Trade

Author(s): Sophia du Plessis, Ada Jansen and Dieter von Fintel

Publication date: October 2013

Keywords: Slave prices, productivity

Abstract: The question about the productivity of slavery is a strongly debated issue, for example in the USA the seminal work by Engerman and Fogel (1974), "Time on the Cross", sparked a flurry of publications debating the issue from different angles. The debate about the economic worth of slaves in the Cape of Good Hope already started with Pasques de Chavonnes (the only member of the Council of Policy who opposed the principle of using slave labour) who in 1717 remarked that slavery would inhibit economic development since 'the money spent on slavery is dead money'. In this paper we provide an overview of slave prices and the value of their marginal productivity in the Cape Colony and ultimately we ask whether Cape slavery was "dead money". Our approach is to estimate a hedonic price function for slaves in the Cape Colony for the time period 1700-1725 using the Changing Hands database, and comparing these with slave productivity estimates from the opgaafrollen. The initial price paid for a slave is, by conjecture, constituted by current marginal productivity of slaves plus the expected net present value of slave characteristics (which by implication will yield productivity returns in the future). These productive characteristics include gender, age and origin. We furthermore investigate whether the gradual increase in slave prices was driven by overall price levels in the economy, by the importation of "better quality" slaves over time or by the policy induced change in demand for labour away from European wage labour to slave labour. Lastly, we investigate whether slave prices matched the value of their marginal product by comparing estimates of the hedonic price series with estimates of marginal productivity. Real prices track marginal productivity closely, suggesting that slavery was profitable over most of the period. However, this effect is heterogeneous, with small farmers showing no signs of profitability and the opposite for large farmers. Small farmers attempted to mimic the production process of large farmers unsuccessfully, and consequently many impoverished farmers had made over-investments in slavery.

Working paper 386

Title: The impact of statistical learning on violations of the sure-thing principle

Author(s): Nicky Nicholls, Aylit Romm and Alexander Zimmer

Publication date: October 2013

Classification-JEL: C91, D81

Keywords: Prospect Theory, Choquet Expected Utility Theory, Multiple Priors, Expected Utility Theory, Sure Thing Principle, Independence Axiom

Abstract: This paper experimentally tests whether violations of Savage's (1954) subjective expected utility theory decrease if the ambiguity of an uncertain decision situation is reduced through statistical learning. Because our data does not show such a decrease, existing models which formalize ambiguity within an Anscombe-Aumann (1963) framework - thereby reducing to expected utility theory in the absence of ambiguity - are violated. In contrast, axiomatic models of prospect theory can accommodate our experimental findings because they allow for violations of von Neumann and Morgenstern's (1947) independence axiom whenever uncertain

decision situations transform into risky decision situations for which probabilities are known.

Working paper 387

Title: Evolution of Monetary Policy Transmission Mechanism in Malawi: A TVP-VAR with Stochastic Volatility Approach

Author(s): Chance Mwabutwa, Manoel Bittencourt and Nicola Viegi

Publication date: November 2013

Classification-JEL: C49, D12, D91, E21, E44

Keywords: Transmission Mechanism, price puzzle, Financial Reforms, Bayesian TVP-VAR

Abstract: This paper investigates the evolution of monetary transmission mechanism in Malawi between 1981 and 2010 using a time varying parameter vector autoregressive (TVP-VAR) model with stochastic volatility. We evaluate how the responses of real output and general price level to bank rate, exchange rate and credit shocks have changed over time since Malawi adopted financial reforms in 1980s. The paper finds that inflation, real output and exchange rate responses to monetary policy shocks changed over the period under review. Importantly, beginning mid-2000, the monetary policy transmission performed consistently with predictions of economic theory and there is no evidence of a price puzzle as found in the previous literature on Malawi. However, the statistical significance of the private credit supply remains weak and this calls for more financial reforms targeting the credit market which can contribute to monetary transmission and promote further economic growth in Malawi

Working paper 388

Title Determinants of Student Satisfaction with Campus Residence Life at a South African University

Author(s): Ferdi Botha, Jen Snowball, Vivian de Klerk & Sarah Radloff

Publication date: November 2013

Keywords: Life satisfaction, university life, residence

Abstract: Although there are a number of studies on the determinants of general quality of life among university students, these occur mainly in developed countries and do not focus specifically on campus-based residence life. It has long been accepted that factors outside the classroom ("the other curriculum") can contribute to academic success, as well as the achievement of other important outcomes such as the appreciation of human diversity. Striving towards equality of residence life satisfaction across different racial and gender groups, for example, is thus important for academic outcomes and for the development of well-functioning citizens. This study is based on the 2011 Quality of Residence Life (QoRL) Survey, conducted at a South African university, comprising roughly 2 000 respondents. Based on descriptive analyses and ordered probit regressions, the study investigates the association between satisfaction with QoRL and (i) residence milieu and characteristics, (ii) direct and indirect discrimination, (iii) perceptions of drug and alcohol issues in residence, (iv) safety, and (v) individual student characteristics. One of the main findings is that there are no significant differences in satisfaction with QoRL across racial and gender groups; a finding that suggests significant progress in university transformation and equity goals. The general atmosphere and characteristics of residences are also important predictors of QoRL satisfaction

Working paper 389

Title: Does Massive Funding Support of Researchers Work?: Evaluating the Impact of the South African Research Chair Funding Initiative

Author(s): J.W. Fedderke and M. Velez

Publication date: January 2014

Keywords: Massive funding, funding initiative

Abstract: Does knowledge and innovation need to come with a big price tag? The question of resource allocation to research is of perennial concern for management of both public and private entities. In this study we evaluate whether a substantial increase in public funding to researchers makes a material difference to their productivity. To do so, we compare performance measures of researchers who were granted substantial funding against researchers with similar scholarly standing who did not receive such funding. We find that substantial funding does raise researcher performance - though the impact is moderate. Moreover, the impact is strongly conditional on the quality of the researcher who receives the funding, and is more successful in some disciplines than others. Moreover the cost per additional unit of output is such as to raise questions about the viability of the funding model. The implication is that public research funding will be more effective in raising research output where selectivity of recipients of funding is strongly conditional on the established track record of researchers.

Working paper 390

Title: Biased Bayesian Learning with an Application to the Risk-Free Rate Puzzle

Author(s): Alexander Ludwig and Alexander Zimper

Publication date: November 2013

Classification-JEL: C79, D83

Keywords: Ambiguity, Non-additive probability measures, Bayesian learning, Truncated normal distribution, Risk-free rate puzzle

Abstract: Based on the axiomatic framework of Choquet decision theory, we develop a closed-form model of Bayesian learning with ambiguous beliefs about the mean of a normal distribution. In contrast to rational models of Bayesian learning the resulting Choquet Bayesian estimator results in a long-run bias that reflects the agent's ambiguity attitudes. By calibrating the standard equilibrium conditions of the consumption based asset pricing model we illustrate that our approach contributes towards a resolution of the risk-free rate puzzle. For a plausible parameterization we obtain a risk-free rate in the range of 3.5 – 5%. This is 1 – 2.5% closer to the empirical risk-free rate than according calibrations of the rational expectations model.

Working paper 391

Title: South African Capital Markets: An Overview

Author(s): Shakill Hassan

Publication date: November 2013

Classification-JEL: G10, F31

Keywords: Bonds, derivatives, emerging markets, equities, foreign exchange, market value, turnover

Abstract: This paper presents a overview and discussion of facts and research findings on South African equity, currency, bond and derivatives markets. It is not a

comprehensive literature review, but rather an assessment of where we stand - how the markets have developed, how the main markets compare internationally, what do we have a firm understanding of, and what are (some of) the areas in most evident need for further research.

Working paper 392

Title: Nominal GDP Targeting and the Monetary Policy Framework

Author(s): Shakill Hassan and Chris Loewald

Publication date: November 2013

Classification-JEL: E52, E58

Keywords: Monetary policy, nominal income targeting, Inflation targeting, Growth

Abstract: A nominal income target may provide credibility to a commitment to keep real interest rates exceptionally low, until a target output level is reached --even if expected inflation rises in the interim-- in economies where nominal interest rates are effectively at the zero lower bound, which is not the South African case. There are practical difficulties with adopting nominal income targeting as the monetary policy framework. These include issues on the choice of a target level, risk of unanchored inflation expectations, and increased likelihood of error due to data uncertainty and revisions. Responsiveness to output growth and supply shocks --two important attractions of nominal income targeting - can be largely accommodated within flexible inflation targeting. Neither regime will automatically resolve the challenges posed to monetary policy by volatile capital flows and exchange rates, and asset price bubbles. The case for abandoning flexible inflation targeting, to adopt nominal income targeting, in South Africa and other emerging economies, is not compelling.

Working paper 393

Title: Estimation of optimal conservation fees for international park visitors in the Kgalagadi Transfrontier Park

Author(s): Johane Dikgang and Edwin Muchapondwa

Publication date: November 2013

Keywords: conservation fee, demand, land claim, national park

Abstract: This paper estimates the visitation demand function for Kgalagadi Transfrontier Park (KTP) in order to determine the conservation fee to charge international tourists to maximise park revenue. International tourists account for approximately 20 percent of total number of visitors to South African national parks, with domestic visitors making-up the remaining portion. Though small, the South African international tourism market is mature, and accounts for a disproportionately large share of net revenue. The random effects Tobit model is used to estimate visitation demand at the KTP and three other national parks. Using the estimated elasticities, the revenue-maximizing daily conservation fees are computed to be R1 131.94 (US\$144.20) for KTP, R575.67 (US\$73.33) for Kruger National Park (KNP), R722.95 (US\$92.10) for Augrabies Falls National Park (AFNP) and R634.11 (US\$80.78) for Pilanesberg National Park (PNP). Our findings therefore imply that the conservation fees of R180 (US\$22.93) for KTP and KNP, R100 (US\$12.74) for AFNP, and R45 (US\$5.73) for PNP currently charged to international visitors are significantly lower. This indicates that international park fees could be raised.

Working paper 394**Title:** Kalman Filtering and Online Learning Algorithms for Portfolio Selection**Author(s):** Raphael Nkomo and Alain Kabundi**Publication date:** November 2013**Classification-JEL:** C3, E32**Keywords:** Online Learning, Portfolio Selection, Kalman Filter, Price Relative

Abstract: This paper proposes a new online learning algorithms for portfolio selection based on alternative measure of price relative called the Cyclically Adjusted Price Relative (CAPR). The CAPR is derived from a simple state-space model of stock prices and we prove that the CAPR, unlike the standard raw price relative widely used in the machine literature, has well de...ned and desirable statistical properties that makes it better suited for nonparametric mean reversion strategies. We find that the statistical evidence of out-of-sample predictability of stock returns is stronger once stock price trends are adjusted for high persistence. To demonstrate the robustness of our approach we perform extensive historical simulations using previously untested real market datasets. On all datasets considered, our proposed algorithms significantly outperform their comparative benchmark allocation techniques without any additional computational demand or modeling complexity.

Working paper 395**Title:** Race, Gender and Growth of the Affluent Middle Class in Post-Apartheid South Africa**Author(s):** Justin Visagie**Publication date:** November 2013**Keywords:** Middle class, Post-apartheid, South Africa

Abstract: This paper examines the development of the middle class in post-apartheid South Africa, using data from the 1993 Project for Statistics on Living Standards and Development, the 2000 Income and Expenditure Survey/Labour Force Survey and the 2008 National Income Dynamics Study. The affluent middle class are defined as individuals residing in a household with a per capita income of R1,400 – R10,000 per month in 2008 prices. The paper explores changes in the size of the middle class as well as the racial and gender profile of the middle class within the context of Black Economic Empowerment in South Africa. The affluent middle class experienced very modest growth over the period, only slightly ahead of population growth. There was however substantial churning in the racial composition of the middle class, with a large increase in the number of Africans accompanied by a fewer number of Whites. The gender profile of the middle class showed less conclusive evidence of transformation. The upper class similarly experienced significant racial transformation and more than doubled in size, and also accrued a higher share of total income (at the expense of the income shares of middle and lower classes).

Working paper 396**Title:** Differential Electricity Pricing and Energy Efficiency in South Africa**Author(s):** Marcel Kohler**Publication date:** December 2013**Classification-JEL:** Q41, C23**Keywords:** Electricity consumption, industrial, South Africa

Abstract: By international standards the economy of South Africa is extremely energy intensive with only a few countries having higher intensities. SA's primary energy use per unit of GDP is amongst the highest in the world. The high energy and electricity intensity of the economy partly reflects SA's resource endowments (in particular the abundance of coal) but is also a function of the historical under-pricing of coal and electricity by the authorities. South African mining & industrial electricity efficiency is particularly concerning and considerably lower than the global average. This paper sets out to fill a significant gap in the South African energy literature by highlighting the importance of incorporating electricity demand factors as part of the country's energy policy and electricity planning horizon. The paper focuses its attention on modeling the electricity consumption of SA's industrial and mining sectors given these account for the lion's share of electricity demand. A differential electricity pricing policy which targets electricity intensive industrial and mining activities (as practiced in China since 2004) is viewed by the author to be a superior policy to blanket electricity price increases administered by authorities in an effort to encourage electricity savings and improve energy efficiency in South Africa.

Working paper 397

Title: Measuring the Impact of Marginal Tax Rate Reform on the Revenue Base of South Africa Using a Microsimulation Tax Model

Author(s): Yolandé van Heerden and N.J. Schoeman

Publication date: December 2013

Keywords: microsimulation, tax efficiency, optimal tax, tax reform, personal income tax

Abstract: This paper is primarily concerned with the revenue and tax efficiency effects of adjustments to marginal tax rates on individual income as an instrument of possible tax reform. The hypothesis is that changes to marginal rates affect not only the revenue base but also tax efficiency and the optimum level of taxes that supports economic growth. Using an optimal revenue maximising rate (based on Laffer analysis) the elasticity of taxable income is derived with respect to marginal tax rates for each taxable income category. These elasticities are then used to quantify the impact of changes in marginal rates on the revenue base and tax efficiency using a microsimulation (MS) tax model. In this first paper on the research results much attention is paid to the structure of the model and the way in which the data base has been compiled. The model allows for the dissemination of individual taxpayers by income groups, gender, educational level, age group, etc. Simulations include a scenario with higher marginal rates which is also more progressive (as in the 1998/1999 fiscal year) in which case tax revenue increases but the increase is overshadowed by a more than proportional decrease in tax efficiency as measured by its deadweight loss. On the other hand, a lowering of marginal rates (to bring South Africa's marginal rates more in line with those of its peers) improves tax efficiency but also results in a substantial revenue loss. The estimated optimal individual tax to GDP ratio to maximise economic growth (6.7 per cent) shows a strong response to changes in marginal rates and the results from this research indicate that a lowering of marginal rates would also move the actual ratio closer to its optimum level. Thus, the trade-off between revenue collected and tax efficiency should be carefully monitored when personal income tax reform is being considered.

Working paper 398

Title: Land Use in the Democratic Republic of Congo (DRC)

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

Publication date: December 2013

Classification-JEL: C68, C88, D58, E26, O17, Q15, Q24

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

Abstract: This paper examines the effects of land use in the DRC through the application of DRC formal-informal sector computable general equilibrium model, developed with the 2007 DRC Social Accounting Matrix. Two policy options are analysed. Firstly, the hypothetical policy change introduced in the short and long run application of this model is a land use subsidy where a 10% cut in the price of land both in the formal and informal sector is applied. In tracing the impact of this shock on the economy, as expected, gross domestic product and employment increase. Intuitively one would expect positive contribution on GDP (0.34% in the short run and 0.26% in the long run) and employment (0.25% in the short run). The significant increase in employment can be explained as any gains due to the land price decrease which influences the activity level. Secondly, land use productivity is achieved through the shock applied to the factor technical change which causes the producers to make use of the three primary inputs, namely labour, capital and land, as well as intermediate inputs in a more efficient way. The advantages of the productivity increase cause producers to gain considerable enhancement in competitiveness which leads to considerable higher growth in exports with export volumes increasing by 1.74% and 0.41% in the short and long run respectively.

Working paper 399

Title: On the impossibility of insider trade in rational expectations equilibria

Author(s): Alexander Zimper

Publication date: December 2013

Classification-JEL: D51, D53, G02

Keywords: Levin-Coburn Report, Goldman Sach, Insider Trade; Rational Expectations

Abstract: Existing no trade results are based on the common prior assumption (CPA). This paper identifies a strictly weaker condition than the CPA under which speculative trade is impossible in a rational expectations equilibrium (REE). As our main finding, we demonstrate the impossibility of speculative asset trade in an REE whenever an insider is involved who knows the asset's true value. To model insider trade as an equilibrium phenomenon an alternative equilibrium concept than the REE is thus required

Working paper 400

Title: Do the Poor Benefit from Devolution Policies? Evidences from Quantile Treatment Effect Evaluation of Joint Forest Management

Author(s): Dambala Gelo, Steven F. Koch and Edwin Muchapondwa

Publication date: December 2013

Keywords: Market Linkage, Joint Forest Management, Quantile Treatment Effects, Welfare Distribution

Abstract: Existing literature have rarely evaluated distributive effect of Joint Forest Management (JFM) augmented with improved market linkages for non-timber forest products nor have they accounted for heterogeneity in the welfare effects. We assess the distributional impact of a unique JFM in Ethiopia in which additional support for

improved market linkages for non-timber forest products was provided. The analysis is based on matching and instrumental variable (IV) methods of quantile treatment effects (QTE) evaluation using household data from selected rural villages of Gimbo district, in southwest Ethiopia. The results confirm that the intervention affect outcomes heterogeneously across the welfare distribution. Specifically, the program was found to raise welfare for only those along upper half (median and above) of welfare distribution. Thus, we infer that the program is not pro-poor, and, therefore, is not equity enhancing. Our analysis also revealed that such distributional bias of the program benefit arises from elite capture.

Working paper 401

Title: Transformation, Job Creation and Subsidies to Creative Industries: The Case of South Africa's Film and Television Sector

Author(s): Alan Collins and Jen Snowball

Publication date: December 2013

Journal: International Journal of Cultural Policy

Keywords: South Africa, transformation, job creation, subsidy, creative industries

Abstract: Many governments have tried to stimulate economic growth via policy on the creative industries. South Africa is no different but additionally has an overarching aim of achieving social and labour market 'transformation' to move away from the legacy of the apartheid era. The effectiveness of incentives provided to the film and television sector in South Africa are considered in terms of their stated objectives of job creation, skills and knowledge transfer and the attraction of foreign direct investment. Informed by empirical analysis of incentive scheme data and supplemented by elite interviews with key informants, some specific policy revisions are proposed.

Working paper 402

Title: The Effects of Teacher Strike Activity on Student Learning in South African Primary Schools

Author(s): Gabrielle Wills

Publication date: January 2014

Classification-JEL: I21, J51, J52, J24

Keywords: Teachers, Strikes, Trade unions, Student Achievement, South Africa

Abstract: This paper investigates whether teacher strikes affect student achievement at the primary school level in South Africa. A cross-subject analysis with student fixed effects is used to eliminate sources of endogeneity bias at the school and student level. Results indicate that teacher strike participation negatively affects learning for students in the poorest three quarters of schools in South Africa. A negative effect size as large as ten per cent of a standard deviation is observed. There is also evidence that more marginalised students, both in terms of socio-economic status and academic performance, are affected most negatively by strike action. However, application of a technique by Altonji, Taber and Elder (2005) indicates that it is not possible to rule out that measured strike effects may be driven by omitted variable bias. The student fixed effects strategy fails to adequately control for unobserved teacher characteristics that may influence both a teacher's decision to strike and student achievement.

Working paper 403**Title:** Debt sustainability and financial crises in South Africa**Author(s):** Leroi Raputsoane and Ruthira Naraidoo**Publication date:** January 2014**Classification-JEL:** C22, C51, E62, H63**Keywords:** Debt sustainability, thresholds, financial crises

Abstract: This study assesses debt sustainability in South Africa allowing for possible nonlinearities in the form of threshold behaviour by fiscal authorities. A long historical data series on the debt-to-GDP ratio and models with fixed and time-varying thresholds allowing the level of debt to vary relative to its recent history and the occurrence of financial crises are used in the analysis. First, the results reveal that fiscal consolidation occurs at a much lower debt-to-GDP ratio of 46 percent in the period 1946 to 2010 compared to 65 percent in the period 1865 to 1945. Secondly, the results provide evidence of a statistically insignificant fiscal consolidation below these threshold levels. Thirdly, the results reveal that fiscal consolidation occur at a higher debt-to-GDP ratio during financial crises periods

Working paper 404**Title:** Inflation and Economic Growth in the SADC: Some Panel Time-Series Evidence**Author(s):** Manoel Bittencourt, Renee van Eyden and Monaheng Seleteng**Publication date:** January 2014**Classification-JEL:** E31, O11, O42, O55**Keywords:** Inflation, Growth, SADC

Abstract: In this paper we investigate the role of inflation rates in determining economic growth in fifteen sub-Saharan African countries, which are all members of the Southern African Development Community (SADC), between 1980 and 2009. The results, based on panel time-series data and analysis, suggest that inflation has had a detrimental effect to growth in the region. All in all, we highlight not only the fact that inflation has offset the prospective Mundell-Tobin effect and consequently reduced, the much needed, economic activity in the region, but also the importance of an institutional framework conducive to a stable macroeconomic environment as a precondition for development and prosperity in the community.

Working paper 405**Title:** Inflation and Economic Growth: Evidence from the Southern African Development Countries**Author(s):** Manoel Bittencourt, Renee van Eyden and Monaheng Seleteng**Publication date:** January 2014**Classification-JEL:** E31, O11, O42, O55**Keywords:** Inflation, Growth, SADC

Abstract: In this paper we investigate the role of inflation rates in determining economic growth in fifteen sub-Saharan African countries, which are all members of the Southern African Development Community (SADC), between 1980 and 2009. The results, based on panel time-series data and analysis, suggest that inflation has had a detrimental effect to growth in the region. All in all, we highlight not only the fact that inflation has offset the prospective Mundell-Tobin effect and consequently reduced, the much needed, economic activity in the region, but also the importance

of an institutional framework conducive to a stable macroeconomic environment as a precondition for development and prosperity in the community.

Working paper 406

Title: The Trans-Atlantic Slave Trade and Local Political Fragmentation in Africa

Author(s): Nonso Obikili

Publication date: January 2014

Keywords: Trans-Atlantic, Slave trade, Political

Abstract: I examine the possibility that the trans-Atlantic slave trades influenced the political institutions of villages and towns in precolonial Africa. Using anthropological data, I show that villages and towns of ethnic groups with higher slave exports were more politically fragmented during the precolonial era. I use instrumental variables to show that the relationship is at least partly causal. I argue this fragmentation is important for relative economic development because it still influences political institutions today. I support this argument by using more contemporary data to show that areas with higher precolonial political fragmentation have a higher incidence of bribery

Working paper 407

Title: Estimating broadband diffusion in the EU using NUTS1 regional data

Author(s): Magali Dauvin and Lukasz Grzybowski

Publication date: January 2014

Classification-JEL: L1, L96, L51

Journal: Telecommunications Policy

Keywords: Broadband diffusion, Inter-platform competition, Intra-platform competition

Abstract: In this paper we use panel data on NUTS 1 regional data for 27 EU countries in the years 2006-2010 to analyze determinants of broadband diffusion. We estimate both linear demand specification and the logistic diffusion function. We find that, after controlling for regional differences due to socioeconomic factors, inter-platform competition approximated by an inter-platform Herfindahl index has a significant positive impact on broadband diffusion. Broadband deployment is lower in countries in which DSL has a greater share in Internet access and it is higher in countries in which cable modem has a greater share in Internet access. Moreover, we find that competition between DSL providers has a significant and positive impact on broadband penetration. First, higher prices for a fully unbundled local loop connection, which represent the cost of providing copper-based Internet services, have a significant and negative impact on broadband penetration. Second, a greater incumbent share in DSL connections has a significant and negative impact on broadband penetration.

Working paper 408

Title: Savings and economic growth: A historical analysis of the relationship between savings and economic growth in the Cape Colony economy, 1850 -1909

Author(s): Grietjie Verhoef, Lorraine Greyling and John Mwamba

Publication date: January 2014

Classification-JEL: N27

Keywords: Cape Colony, economic growth, financial deepening, gross domestic product, savings

Abstract: The sub-optimal savings propensity in South Africa the past three decades causes concern for the ability of the country to support its economic development. An historical analysis of the development of the savings' trends in South Africa may assist in understanding the historical roots of the phenomenon. Apart from general descriptions of the nature of economic activity in the Cape Colony very little is known about the role financial sector development and savings played in the growing colonial economy. This paper explores the performance of the economy of the Cape Colony between 1850 and 1909, through the business cycles, financial sector stability, the nature and extent of economic activity and seeks to explain the relationship between savings and economic growth. The question is whether the general view that 'financial development is robustly growth promoting' can be substantiated in the last half of the nineteenth century Cape Colony? It contributes to the economic history literature on the colonial past of South Africa by using newly compiled data on the GDP of the Cape Colony during the last half of the nineteenth century. The paper finds that despite the expectations in the literature that financial deepening contributes to economic growth; the Cape Colony did not display such causal relationship between savings and economic growth in the period under review. The paper shows the different forms of savings in the colony and the trend of savings behavior in the period amidst the development of a relatively robust financial sector.

Working paper 409

Title: Analyzing the Theoretical and Empirical Foundations of Public Debt Dynamics in Zimbabwe

Author(s): Nebson Mupunga and Pierre Le Roux

Publication date: January 2014

Keywords: Automatic Debt Dynamics, Public Debt Dynamics, Snowballing Effect, Debt Stabilising Primary Balance

Abstract: This paper provides an analysis of the theoretical and empirical foundations of public debt dynamics in Zimbabwe. The analysis was undertaken by applying the debt dynamics equation that enables estimating the required primary balance, building on the government inter-temporal budget constraint to infer the factors that influence public debt, as well as to ascertain specific policy issues required to ensure a sustainable public debt structure. The results from the simulation analysis show that debt dynamics in Zimbabwe are largely composed of huge stock flow adjustments to finance social and political related expenditures. This underscores the need for prudent debt management to guard against unexpected changes in public debt, which are not explained by fundamentals. The major policy implication from the study is the need to minimize the interest rate growth differential and to implement growth enhancing fiscal policies to ensure a sustainable long term public debt position.

Working paper 410

Title: Modelling Stock Return Volatility Dynamics in Selected African Markets

Author(s): Daniel King and Ferdi Botha

Publication date: January 2014

Classification-JEL: C52, C58

Keywords: Stock returns, volatility, GARCH, Africa

Abstract: This paper examines whether accounting for structural changes in the conditional variance process, through the use of Markov-switching models, improves estimates and forecasts of stock return volatility over those of the more conventional single-state (G)ARCH models, within and across selected African markets for the period 2002-2012. In the univariate portion of the paper, the performances of various Markov-switching models are tested against a single-state benchmark model through the use of in-sample goodness-of-fit and predictive ability measures. In the multivariate context, the single-state and Markov-switching models are comparatively assessed according to their usefulness in constructing optimal stock portfolios. Accounting for structural breaks in the conditional variance process, conventional GARCH effects remain important in capturing heteroscedasticity. However, those univariate models including a GARCH term perform comparatively poorly when used for forecasting purposes. In the multivariate study, the use of Markov-switching variance-covariance estimates improves risk-adjusted portfolio returns relative to portfolios constructed using the more conventional single-state models. While there is evidence that some Markov-switching models can provide better forecasts and higher risk-adjusted returns than those models which include GARCH effects, the inability of the simpler Markov-switching models to fully capture heteroscedasticity in the data remains problematic.

Working paper 411

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

Author(s): M du Preez and MC Sale

Publication date: January 2014

Classification-JEL: C50, R14, R15

Keywords: Municipal Assessments, Sales Price, hedonic price, South Africa

Abstract: In most hedonic price model studies, the actual sales price of a property is employed as the dependent variable in the parametric regression analysis. Although the use of this price is pervasive, alternatives to it do exist. One such alternative is the assessed property value, which is more readily available compared to the actual property price. The aim of this study is to compare implicit price estimates of property characteristics (both structural and locational) based on actual sales price data and assessed property values. To this end, a seemingly unrelated regression with two hedonic price equations is used, one which employs actual market prices as the dependent variable and the other which employs assessed values. The results show that the hypothesis that the influence of structural and locational housing characteristics on residential property prices is the same for assessed values and actual market prices cannot be accepted. This finding should act as a caution for hedonic practitioners not to solely base their conclusions and recommendations on the use of assessed values in hedonic price models.

Working paper 412

Title: Relative price variability: Which components of the consumer price index contribute towards its variability?

Author(s): Eliphaz Ndou and Siobhan Redford

Publication date: January 2014

Classification-JEL: E31, E52

Keywords: deviation, inflation targeting (IT), relative price variability (RPV)

Abstract: This paper follows work by Choi, Kim and O'Sullivan (2011), but deviates from their analysis by looking at the relative price variability (RPV) of selected components of the consumer price index (CPI) rather than an aggregate measure. The purpose of this work is to analyse which components are more variable and to see if there has been a change in the RPV (i.e., mean and distribution) since the adoption of inflation targeting (IT) in South Africa. A semi-parametric methodology has been used, and the RPV of components pre-IT and during the IT era were considered to see if the relationship of RPV components produces results similar to those presented for aggregate headline CPI for South Africa in Choi et al. (2011). The results suggest that in most cases, the components of the CPI have experienced decreased mean inflation rates and narrower distributions during the IT period with the changes in the mean and distribution of RPV decreasing and narrowing in most cases. Furthermore, the nature of the relationship of the RPV of the components with inflation seems to fit a quadratic specification well, with minimum relative price variability at a positive rate of inflation. These results are found to be fairly robust during the period tested.

Working paper 413

Title: An assessment of the performance of the Cameroon Water Corporation for the period 1967 to 2013

Author(s): Saidou Baba Oumar and Josue Mbonigaba

Publication date: January 2014

Keywords: Drinking water; sanitation; management; organization; Cameroon

Abstract: This paper assesses the performance of the Cameroon Water Corporation (CWC) in delivering services after four decades of existence (1967- 2013) and relates that performance to organization theories. It uses secondary data on services provision and primary data on users' perceptions of the CWC's performance. The assessment is conducted using descriptive as well as inferential methods of data analysis. The paper observes that despite political, technical, managerial and financial constraints that impaired the efficient delivery of drinking water and sanitation services in the country over the years, the company registered modest successes that attracted the financial support of domestic and worldwide development partners. However, more than half of the population is sceptical about better future services delivery by the CWC. Classical organization theory (COT) explains most of the failure in the operating environment of the CWC, while the formulations in modern organization theory (MOT) are found to be relevant to the improvement of water services. As a policy recommendation, the CWC should focus on MOT, while maintaining some aspects of COT to improve performance.

Working paper 414

Title: Resistance to the Regulation of Common Resources Rural Tunisia

Author(s): Xiaoying Liu, Mare Sarr and Timothy Swanson

Publication date: January 2014

Keywords: Resistance, Regulation, Common Resources, Tunisia

Abstract: We examine the effect of the introduction of uniform water-charging for aquifer management and provide evidence using a survey-based choice experiment

of agricultural water users in rural Tunisia. Theoretically, we show that the implementation of the proposed second-best regulation would result both in efficiency gains and in distributional effects in favour of small landholders. Empirically, we find that resistance to the introduction of an effective water-charging regime is greatest amongst the largest landholders. Resistance to the regulation of common resources may be sourced in the manner in which heterogeneity might determine the distributional impact of different management regimes.

Working Paper 415

Title: Profiling Sectoral Risks of Foreign Direct Investment in Africa

Author(s): Henri Bezuidenhout, Zahné Coetzee and Carike Claassen

Publication date: January 2014

Classification-JEL: F21, F23

Keywords: Foreign Direct Investment, Africa, Risk, Structural Equation Modelling

Abstract: Despite Africa's exceptional FDI performance during the past decade, the majority of FDI inflows have been directed to a few selected countries. As investors face many risks when investing in developing countries, it is argued that risk perception plays a vital role in the FDI inflows into Africa. This article focuses on the relationship between risk and FDI. A structural equation model is used to analyse this relationship with a dataset of ten risk categories and FDI data from 42 African countries. The study focuses on four sectors, namely metals, automotive, communications and real estate. Overall, results indicate that government effectiveness and legal and regulatory risks produce the biggest concern for investors. The conclusion is that each sector has different risk patterns regarding FDI. The empirical results imply that if African countries need to focus on government effectiveness, stability and transparency to attract the levels of FDI required to stimulate economic growth.

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Working paper 416

Title: A Historical CGE Simulation of the South African Economy from 2006–2013: Analysing Changes in the Use of Primary Factors by Industries

Author(s): Heinrich R. Bohlmann and Martin C. Breitenbach

Publication date: February 2014

Keywords: CGE Simulation, South African Economy, Analysing changes, Primary Factors

Abstract: This paper uses a dynamic CGE model to help explain some apparent contradictions between changes in the structure of the South African economy and movements in related variables over the 2006 to 2013 period. Most notably, an increase in the capital-labour ratio was identified, despite a relative increase in the price of capital rentals. To calibrate this result with conventional economic theory suggests that a change in the preferred capital-labour ratio of industries must have occurred. We quantify this change and comment on what this means for policymakers trying to reduce the country's high level of unemployment. Other changes to the economy over this period are also quantified and explained.

Working paper 417

Title: Price setting behaviour in Lesotho: Stylised facts from consumer retail prices

Author(s): Mamello Amelia Nchake, Lawrence Edwards and Neil Rankin

Publication date: February 2014

Classification-JEL: E31, D40, D21, L21

Keywords: Lesotho, price changes, price rigidity, Inflation

Abstract: This paper documents some of the main features of price setting behaviour by retail outlets in Lesotho over the period March 2002 to December 2009. The sample of data covers 229 product items for 345 retail outlets. The paper has three main objectives. Firstly, it presents key indicators of price setting behaviour such as the frequency of price changes, the average size of price changes and the probability of price changes at the retail outlet level. Secondly, it identifies some of the dynamic features of price changes, including the synchronization of price changes and the relationship between the frequency and size of price changes and the duration of the existing price. Finally, the paper compares the stylised facts on price setting behaviour in Lesotho to other countries and South Africa in particular. The findings of the paper corroborate those in the international empirical literature. Substantial heterogeneity in price setting behaviour is found across products, outlets and time. Variations in inflation are strongly correlated with the average size of price changes, but rising inflation raises the frequency of price increases and reduces the frequency of price decreases. Surprisingly, the frequency and size of price changes in Lesotho differ substantially from those in South Africa, despite the presence of common retail chains and their joint membership in a customs union and common monetary area. Further research is required to unpack the sources of heterogeneity in the setting of prices and the stark differences in price setting behaviour in Lesotho and South Africa.

Working paper 418

Title: Who's Afraid of the Big Bad Wolf? Risk Aversion and Gender Discrimination in Assessment

Author(s): Jason Hartford and Nic Spearman

Publication date: February 2014

Classification-JEL: J16, D81, I24, A20, C21

Keywords: Risk aversion, Gender Discrimination

Abstract: This study exploits a natural experiment to evaluate the gender bias effect associated with negative marking due to gender-differentiated risk aversion. This approach avoids framing effects that characterize experimental evaluation of negative marking assessments. Evidence of a gender bias against female students is found. Quantile regressions indicate that female students in higher quantiles are substantially more adversely affected by negative marking. This distribution effect has been overlooked by prior studies, but has important policy implications for higher learning institutions where access to bursary and scholarship funding, as well as access to further study opportunities, is reserved for top performing candidates.

Working paper 419

Title: Post-Crisis Reading of the 'Role of Monetary Policy'

Author(s): Stan Du Plessis

Publication date: February 2014

Classification-JEL: B22, E52, E58

Keywords: Milton Friedman, Monetary policy, interest rate policy, balance sheet policies, Financial Stability

Abstract: In 1967 Milton Friedman delivered "The Role of Monetary Policy" as his presidential address to the American Economic Association (AEA). In its published version – Friedman (1968) – it has become, arguably, the most influential paper in modern monetary economics and was recently included in the AEA's list of the twenty most influential papers published in the first century of the American Economic Review. But the influence of Friedman's address is based on an interpretation that seriously distorts the content of his main argument. His emphasis on (i) the inadequacy of interest rate policy and (ii) the primacy of financial stability among the positive goals of monetary policy have been ignored or neglected. While balance sheet policies have become 'unconventional' in the modern consensus, these policies held a central position in Friedman's work. I support this argument with a textual analysis of Friedman's address, read in the light of his preceding scholarship on monetary policy. This reinterpretation is relevant in a world where the balance sheets of central banks have returned to centre stage as has the priority for financial stability.

Working paper 420

Title: Nonlinear Econometric Approaches in Testing PPP of SADC Economies towards Monetary Union

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

Publication date: February 2014

Classification-JEL: C22, C32, F31

Keywords: Optimal Currency Area (OCA), Purchasing Power Parity (PPP), Real Exchange Rate, Fourier Stationarity Test, BDS Test

Abstract: The theory of purchasing power parity implies that real exchange rate series should be stationary. However, conventional unit root tests on the Southern African Development community (SADC) real exchange rates confirm the existence of a unit root. Such deficiencies in the investigation of the dynamics of real exchange rates in the region calls for nonlinear methods like the method used in this study to be pursued, which may better explain the dynamics of real exchange rates in SADC. In this paper two nonlinearity tests are employed: the nonparametric test developed by Brock, Dechert, and Scheinkman - known as the BDS test and the Fourier stationarity test. The BDS test detects the independent and identically distribute (iid) assumption of the time series used in the analysis while the Fourier approximation mimics a wide variety of breaks and other types of nonlinearities. Both tests confirm the non-linear nature of real exchange series in SADC. The result from the Fourier stationarity test further provides strong evidence of an OCA among the 11 SADC countries included in the study

Working paper 421

Title: Disaggregated Analysis of Product Price Integration in the Southern African Development Community

Author(s): Neil Balchin, Lawrence Edwards and Asha Sundaram

Publication date: February 2014

Classification-JEL: F14, F15

Keywords: Product market integration, Price dispersion, Retail prices, Law of one price, African regional integration, Southern African Development Community

Abstract: Empirical evidence on the extent to which product markets are integrated within Africa remains noticeably limited. This paper uses highly disaggregated retail price data for 32 narrowly defined products collected at the district level in five SADC countries (Botswana, Malawi, South Africa, Tanzania and Zambia) and Uganda to assess the extent to which product prices are integrated within and between these countries. We find evidence of large and persistent absolute deviations from the law of one price (LOP) both within and between each of the six countries. We also find that price dispersion is higher between the six countries in comparison to within individual countries. Simple econometric estimates indicate that, on average, absolute price deviations between country pairs are smaller for countries adjacent to each other and for countries that share common membership in the Southern African Customs Union, the Common Market for Eastern and Southern Africa or the East African Community. We find no evidence that product prices in the region have become more integrated between 2001 and 2011, despite the liberalization of tariffs under the SADC Protocol on Trade. This implies that trade liberalization may not be sufficient on its own to generate greater product market integration within the region.

Working paper 422

Title: Monetary Policy and Heterogeneous Inflation Expectations in South Africa

Author(s): Alain Kabundi, Eric Schaling and Modeste Some

Publication date: February 2014

Classification-JEL: C51, E52, E58

Keywords: Monetary policy, Inflation Targeting, Heterogeneous Inflation Expectations, Expectations Trap

Abstract: This paper examines the relationship between inflation and inflation expectations of analysts, business, and trade unions in South Africa during the inflation targeting (IT) regime. We consider inflation expectations based on the Bureau of Economic Research (BER) quarterly survey observed from 2000Q1 to 2013Q1. We estimate inflation expectations of individual agents as the weighted average of lagged inflation and the inflation target. The results indicate that expectations are heterogeneous across agents. Expectations of price setters (business and unions) are closely related to each other and are higher than the upper bound of the official target band, while expectations of analysts are within the target band. In addition, expectations of price setters are somewhat related to lagged inflation and the opposite is true for analysts. The results reveal that the SARB has successfully anchored expectations of analysts but that price setters have not sufficiently used the focal point implicit in the inflation targeting regime. The implication is that the SARB may be pushed to accommodate private agents' expectations.

Working paper 423

Title: Timing Hedge Decision: The Development of a Composite Technical Indicator for White Maize

Author(s): Susari Geldenhuys, Frans Dreyer and Chris van Heerden

Publication date: February 2014

Classification-JEL: G13, G14, G32

Keywords: Agricultural commodity market, efficient market, composite indicator, hedging, technical analysis, trading market, trending market, South Africa, white maize

Abstract: South African white maize is considered to be significantly more volatile than any other agricultural product traded on the South African Futures Exchange (SAFEX). This accentuates the need to effectively manage price risk, by means of hedging, to ensure a more profitable and sustainable maize production sector (Geysler, 2013: 39; Jordaan et al., 2007: 320). This paper attempts to address this challenge by making use of technical analysis, focusing on the development of a practical and applicable composite technical indicator with the purpose of improving the timing of price risk management decisions identified by individual technical indicators. This substantiated the compilation of a composite indicator that takes both leading and lagging indicators into account to more accurately identify hedging opportunities. The results validated the applicability of such a composite indicator, as the composite indicator outperformed the individual technical indicators in the white maize market over the period under investigation.

Working paper 424

Title: Are Justices of the US Supreme Court Islands Unto Themselves? Examining external influences on US Supreme Court rulings in securities cases

Author(s): J.W. Fedderke and M. Ventoruzzo

Publication date: March 2014

Keywords: Supreme Court, Justice, United States

Abstract: This paper examines whether the voting behavior of Supreme Court justices in 49 cases related to securities legislation since 1936, shows systematic variation in a range of measures of the personal ideological stance of the justices, a range of measures of prevailing economic conditions, and a range of measures of prevailing political conditions. We find that the voting behavior does vary significantly with respect to all three. Conservative justices are more likely to vote against shareholder rights, and in favour of business rights, than are more liberal justices. Under increasing inflation, increased real growth, a rising public debt/GDP ratio, and a weak stock market Supreme Court justices are more likely to favour business rights than shareholder rights. Finally, across a range of measures of contestation of the political space in Congress, we find a systematic statistically significant association with the voting behavior of Supreme Court justices.

Working Paper 425

Title: The Missing People: Accounting for Indigenous Populations in Cape Colonial History

Author(s): Johan Fourie and Erik Green

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Keywords: Cape Colony, Khoesan, labour, settler, Africa

Abstract: Because information about the livelihoods of indigenous groups is often missing from colonial records, their presence usually escapes attention in quantitative estimates of colonial economic activity. This is nowhere more apparent than in the eighteenth-century Dutch Cape Colony, where the role of the Khoesan in Cape production, despite being frequently acknowledged, has been almost completely ignored in quantitative investigations. Combining household-level settler data with anecdotal accounts of Khoesan labour, this paper explores the effect of including Khoesan farm labour estimates in earlier calculations of slave productivity, societal inequality, and GDP growth in the Dutch East India Company period.