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Economic
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Southern
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Draft

Economic Research Southern Africa Activity

April 2010 – March 2011

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Director's Statement

ERSA is a National 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, run Workshop programmes in 5 core research areas, and provides extensive support to graduate students in economics in Southern Africa.

In line with the recommendations of the five year external review of ERSA which submitted its recommendations in November 2009, ERSA was registered as a Section 21 Company on 23 June 2010. As such, ERSA is no longer reliant on support from any university structures.

Section 21 company status required the development of independent systems of financial control and governance, as well as the development of logistical and financial systems for service delivery under the various ERSA programmes.

While there have been start-up and transition costs involved in the move to independence, the net effect has been an improvement in the efficiency of service delivery, and considerably improved oversight and management of financial processes in particular. In addition overhead costs have been able to be reduced substantially.

For the Working and Policy Paper series of ERSA, the number of published Working Papers has now risen to 217, while 20 Policy Papers and 1 Occasional Paper has been published. The coverage of the papers remains broad, with publications appearing in 17 of the 20 feasible specialization categories that the *Journal of Economic Literature* recognizes.

Publications in peer reviewed journals associated with the ERSA paper series also continues to rise steadily. The number of published papers has now risen to 89, of which 49 have appeared in international journals, and 40 in South African journals. Equally significantly, the distribution of publications across ISI journals rankings has been on an upward trajectory over time, as reported in Figure I.

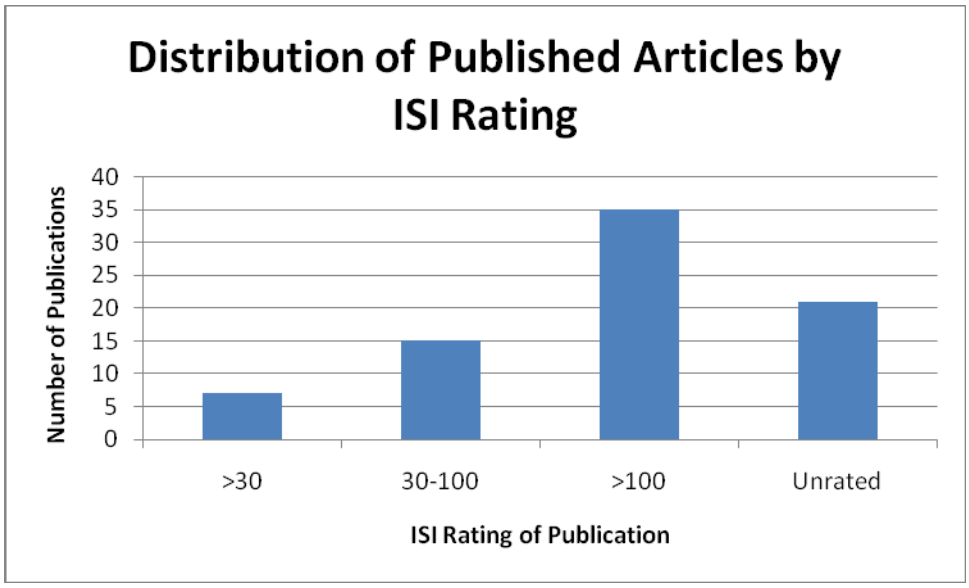


Figure 1: Distribution of Published Articles by ISI ranking

Workshop activity continues across research groups. During 2010-2011, workshops were held, and attendance at the workshops continues to represent a diverse representation of national institutions and demographics. A total of more than 80 institutions have been represented at ERSA workshops from the inception of the programme.

Under the ERSA scholarship scheme, 20 scholarships have been awarded to date, 17 for Masters, and 03 for PhD study. Of these, a total of 2 Masters students, and 1 of the PhD students have completed their degrees.

The administrative staff of ERSA have provided close and diligent support to the ERSA programmes, in a year in which a considerable additional burden from the transition to Section 21 Company status for ERSA was placed on them. My sincere thanks to them for their efficiency and dedication in performing their work.

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.

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 5 years.

Johann Fedderke

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 four 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

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

The Steering Committee

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

- The Chair of the Steering Committee: Elias Masilela
- The Chair of the Academic Board: John Luiz
- The Director of ERSA: Johannes Fedderke
- National Treasury: Two representatives:
    - Christopher Loewald
    - Ismail Momoniat

The Academic Board

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

Membership for the 2010/11 period was as follows:

- Tania Ajam, AfRec
- Meshach Aziakpono, GSB, University of Stellenbosch
- Sophia du Plessis, University of Stellenbosch
- James Fairburn, University of KwaZulu-Natal

- Johannes Fedderke, Director: ERSA
- Jan van Heerden, University of Pretoria
- John Luiz, Chair
- Steve Koch, University of Pretoria
- John Luiz, University of the Witwatersrand
- Asrat Tsegaye, University of Fort Hare
- Nicola Viegi, University of Pretoria

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

Current ERSA Office Bearers

The ERSA programme does not currently have full-time staff, other than an administrator. 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
- Administrator: Gloria Halland
- Program Co-Ordinator: Yoemna Mosaval

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.

These have been in the following areas:

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

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 both in hard copy format, as well as in electronic form 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 emphasises findings that are policy relevant, but also aspire to highest possible standards of analytical rigour.

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

Completed papers are submitted to the ERSA office for evaluation. Evaluation is completed by the ERSA editorial team, consisting of the Director and Deputy Directors of ERSA, for assignment to referees. 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 Board of ERSA, assessed for quality, and approved or rejected accordingly.

In addition to these workshops, the three research groups of ERSA each hold three networking workshops a year, in order to disseminate their research findings.

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 recognise the best achievers in each year of study, and to motivate them to study further in economics.

The Diaspora Fund

The motivation of the programme is to draw the internationally based South Africans into a continued and extended association with South Africa, by drawing on any residual sense of obligation or affection toward their home country, in order to

generate a return human capital flow to South African based researchers. Above all, the intention is to ensure that the net loss effect of the South African human capital living and working abroad is minimized. Having South African researchers visiting from leading international universities broadens the horizon for South African students and integrates them in international debates and exposing them to the cutting edge of the discipline. Last, but by no means least is the intention to ensure that graduate students in South Africa are exposed to inspirational role models.

Report from the Chair of the Academic Board 2010/2011

The past year has been another good one for ERSA. Not only has it resulted in an independent structure being created and consolidated remarkably smoothly with hardly any disruption of activities, but indeed we have seen some excellent outputs in the working paper series, workshops and in published papers. I am heartened to see the continued improvement in the quality of economic journals that ERSA papers are being published in, as well as the increasing diversity of academics and practitioners making use of ERSA mechanisms. This is a reflection that ERSA is working.

My hope is that the severe budget constraints that ERSA has been operating in for the past year will ease somewhat and that we will resume the scholarship programme which is an essential component of capacity development within the economics profession. Furthermore, the potential for ERSA to play an even larger role within the research policy space requires additional investments.

During the next year members of the Academic Board will be visiting all academic institutions to engage with economists about the new independent ERSA and its mechanisms. This is part of our effort to ensure that we remain relevant to the economics community that we serve and that we are able to respond to their changing needs.

The Academic Board continued its role in providing oversight of the management of ERSA activities. Again I would like to thank the members of the Board for their tireless input without any financial reward. They have thereby demonstrated the ethos of ERSA of providing a network of scholarship and collegiality.

John Luiz
Chair Academic Board
May 2011

1. The Workshop Programme

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 2010-2011, ERSA has hosted a total of 9 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 (two workshops)
- Business History: Theory and Practice
- Bioeconomic Modelling of Natural Resource Use
- Financial Contract Theory
- Economic History
- Advanced CGE Modelling Course
- International Trade & Industrial Organisation
- Monetary & Financial Integration in Africa

A full list of workshops, including their institutional affiliation, the location in which they were held, for the April 2010– March 2011 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, the University of KwaZulu-Natal, the University of Pretoria and the University of Stellenbosch, amongst other contributors and participants.

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

1. Prof. Leslie Hannah, London School of Economics, UK, was the presenter of the Enterprise and Society in South Africa: Business History perspective – theory and practice workshop in July 2010.
2. Dr Anders Skonhoft, Norwegian University of Science and Technology, Norway, presented a training workshop on Bioeconomic Modelling of Natural Resource Use in October 2010.
3. Prof Roman Inderst, University of Frankfurt was the presenter of the ERSA Training Workshop on Financial Contract Theory in November 2010.
4. Prof Babacar Fall, Universiti Cheikh Anta Diop of Dakar, Senegal, was a guest speaker at the ERSA/FRESH meeting in November 2010.
5. Prof Paul Sharp, University of Copenhagen, Denmark, was a guest speaker at the ERSA/FRESH meeting in November 2010.

6. Prof Mark Horridge and Louise Roos, CoPS Monash University, Australia, presented a training workshop on CGE Modelling in January 2011.

A total of 280 people attended the nine ERSA workshops of 2010/11. A breakdown of the attendance by demographic characteristics is provided in Table 1 below. What is clear is that attendance at conferences is not only diverse in terms of demographic characteristics, but also in terms of institutional affiliation as illustrated by Table 2.

Table 1 : Demographics of Workshop Attendance: April 2010 – March 2011

Name of Workshop	Date	Institution / Place	WM	BM	WF	BF	Total
Second meeting: Public Economics Workgroup	May 2010	Bloemfontein	21	5	7	4	37
Business History: Theory and Practice	July 2010	Johannesburg	6	2	8	1	17
Third meeting: Public Economics Workgroup	Sept 2010	Pretoria	18	22	6	14	60
Bioeconomic Modelling of Natural Resource Use	Oct 2010	Cape Town	4	8	4	4	20
Financial Contract Theory	Nov 2010	Johannesburg	7	8	0	0	15
Economic History/Fresh Conference	Nov 2010	Stellenbosch	27	9	15	1	52
Advanced CGE Modelling Course	Jan 2011	Stellenbosch	9	7	3	3	22
International Trade and Industrial Organisation	Feb 2011	Ballito	11	3	6	3	23
Monetary Economics and Macroeconomic Modelling	Mar 2011	SARB	9	10	8	7	34
Total			**112**	**74**	**57**	**37**	**280**

Table 2: Institutions represented at ERSA Workshops
ABSA
Actuaries Without Frontiers
African Bank
Alexander Forbes
American Cancer Association
Applied Fiscal Research Centre (AFReC)
Association for Savings & Investment South Africa (ASISA)
Australian National University
BANKSETA
Bureau for Economic Research (BER)
Bank of Namibia
Cadiz Securities
Competition Commission South Africa
Consultative Group on International Agricultural Research (CGIAR)
Council for Scientific & Industrial Research (CSIR)
De Nederlandsche Bank
Department of Trade and Industry
Development Bank of South Africa
Development Policy Research Unit (DPRU)
Discovery Financial Consultants
DNA Economics
East London Industrial Development Zone
Ferere Hospital East London
Financial & Fiscal Commission
Financial Planning Institute
Frost & Sullivan
Ghana Statistical Services
Harvard University
Hollard Insurance
Human Sciences Research Council (HSRC)
International Development Research Centre, Canada
INSTAT – Madagascar
Liberty Life
London School of Economics
Monash University SA
Mosswick Investments
National Energy Regulators of South Africa
National Youth Development Agency
Nelson Mandela Metropolitan University
North West University
Old Mutual
Oxford University
Oxford University Press
Pan-African Investment & Research Services
Quantec
Rhodes University
SA Savings Institute

Southern African Labour & Development Research Unit (SALDRU)
South African Government
South African National Treasury
South African Reserve Bank
Standard Bank
Stanlib
Stats SA
Thebe Employee Benefits
Trade and Industrial Policy Strategies
Transunion
University of California, Berkley
University of Cape Town
University of Dar es Salaam
University of Fort Hare
University of Guanajuato – Mexico
University of Johannesburg
University of KwaZulu Natal
University of Limpopo
University of Pretoria
University of South Africa
University of Stellenbosch
University of the Free State
University of the Western Cape
University of the Witwatersrand
University of Toulouse 1
University of Venda
University of Zambia
University of Zululand
United States Census Bureau
Utrecht University
Walter Sisulu University
WITS Graduate School of Business

2. 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.

Currently the Working Paper and Policy Paper series function through the submission of completed papers to ERSA, for consideration by the Editorial Committee of ERSA. The Editorial Committee consists of the Director and two Deputy Directors of ERSA. The ERSA Director and Deputy Directors meet telephonically once a week to discuss submissions and to decide on reviewers and status of the papers.

Submissions are subject to standard academic peer review, and acceptance into the series results in a R 5000 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 177 Working Papers and 16 Policy Papers. Since April 2010 to date, this has increased to 217 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, 89 out of the 237 Working and Policy Papers have been published, with a number of additional papers forthcoming. Thus the publications rate currently stands at 37%. Also noteworthy is that of the published papers, 49 have appeared in international journals, and 40 in Southern African journals, giving a 55% proportion for international as opposed to local publication rate.

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
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,	National
22	J Fedderke & J Luiz	Fractionalization and long-run economic growth: Webs and direction of	2007, Applied Economics,	International

		association between the economic and the social – SA as a time series study		
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	National
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
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	Witness 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	National
38	P Burger & M Marinkov	The SA Phillips curve: How applicable is the Gordon model?	2008, South African Journal of Economics	National
39	J Fedderke & Z Bogetic	Infrastructure and growth in SA: Direct and indirect productivity impacts of 19	2009, World Development	International

		infrastructure measures		
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	National
43	Johannes Fedderke	Industry structure and labour markets flexibility in the SA manufacturing sector: A time series and panel data approach	2011, Economic Modelling	International
47	U Schmidt & A Zimper	Security and potential level preferences with thresholds	2007, Journal of Mathematical Psychology	International
49	N Samouilhan	The Price of Risk on the JSE	2007, South African Journal of Economics	National
50	Alain Kabundi	Synchronization between SA and the US: A structural dynamic factor analysis	2009, South African Journal of Economics	National
51	Rangan 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	National
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	National
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	Brideweath and the marital earnings premium for men	2010, Economic Dev & Cultural Change	International
58	A Zimper	Half empty, half full and the possibility of	2009, Journal of Economic	International

		agreeing to disagree	Behaviour and Organization	
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	National
63	Duncan Hodge	Economics, realism and reality: a comparison of Maki and Lawson	2008, Cambridge Journal of Economics	International
64	Neryvia 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	Manual Bittencourt	Inflation and financial development: Evidence from Brazil	2010, Economic Modeling	International
68	Rangan Gupta & J Uwillingiye	Measuring the welfare cost of inflation in South Africa	2008, South African Journal of Economics	National
72	Hammed Amusa	Fiscal Illusion at the local sphere: An empirical test of the flypaper effect using SA municipal data	2008. South African Journal of Economics	National
75	Sean Muller	Begging the question: Permanent Income and Social Mobility	2010, Economic Letters 108: 291-295	International
76	Cally Ardington, Murray 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	National
79	Meshach Aziakpono	Exchange rate pass-through to import	2008, South African Journal of	National

		prices in SA	Economics	
81	Rangan Gupta & Emmanuel Ziramba	Costly tax enforcement and financial repression	2008, Review of Banking, Finance and Monetary Economics	International
83	Andre Hofmeyr	Social networks and ethnic niches: An econometric analysis of the manufacturing sector in SA	2010, South African Journal of Economics	National
84	Lumengo Bonga-Bonga	Modelling the rand-dollar future spot rates: The Kalman Filter approach	2008, African Finance Journal	National
86	Manoel 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	Edwin Muchapondwa	Estimation of the aggregate agricultural supply response in Zimbabwe: the ARDL approach to cointegration	2009, Afjare	International
91	W van der Merwe & Justine Burns	What's in a name? Racial identity and altruism in post-apartheid South Africa	2008, South African Journal of Economics	National
95	John Luiz	Perceptions regarding entrepreneurship in an emerging and culturally diverse economy: A SA survey	2011, SAJEMS	National
97	Alexander Zimper	Revisiting independence and stochastic dominance for compound lotteries	2008, B E Journal of Theoretical Economics	International
98	Lumengo Bonga-Bonga	National savings and fiscal policy in SA: An empirical analysis	2009, Acta Academica	National
101	Manoel Bittencourt	Macroeconomic performance & inequality: Brazil 1983-1994	2009, The Developing Economies	International
102	E Giovannetti	Asymmetry and discrimination in internet peering: evidence from the LINX	2009, International Journal of Industrial Organization	International
103	Sonali Das	Adaptive Bayesian Analysis for Binomial Proportions	2009, South African Statistical Journal	National
104	Alexander Zimper	On attitude polarization under Bayesian	2009, Journal of Risk and	International

		learning with non-additive beliefs	Uncertainty	
111	J Fedderke, & W Simbanegavi	SA Manufacturing industry structure and its implications for competition policy	2008, Journal of Development Perspectives	National
113	D Casale & D Posel	Unions and the gender wage gap in South Africa	2010, Journal of African Economies	National
115	Logan Rangasamy	How persistent is SA's inflation	2009, South African Journal of Economics	National
116	Waldo Krugell	Local municipalities and progress with the delivery of basic services in SA	2010, South African Journal of Economics	National
118	John Luiz	Factors influencing foreign direct investment of SA financial services firms in sub-saharan Africa	2009, International Business Review	International
119	Duncan Hodge	Growth, employment and unemployment in SA	2009, South African Journal of Economics	National
122	Lumengo 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
139	Reyno Seymore	The impact of an electricity generation tax on the SA economy	2010, Journal of Studies in Economics and Econometrics	National
141	Jan van Heerden	Is Water Shedding Next?	2009, Water SA	National
142	Steve Koch	Dynamic Health Care Decisions and Child Health in SA	2010, Journal of Income Distribution	International
144	Farayi Gwenhamo	Foreign direct investment in Zimbabwe: the role of institutional factors	2011, South African Journal of Economics	National
146	Meshach Aziakpono	Dynamic returns linkages and volatility transmission between SA and the world market equity markets	2009, Journal of Studies in Economics and Econometrics	National
147	Henri Bezuidenhout	A regional perspective on Aid and FDI in Southern Africa	2009, Int Adv Econ Res	International
149	Alain Kabundi	Could we have predicted the recent downturn in the South African housing market?	2009, Journal of Housing Economics	International
150	John Luiz	Evaluating the performance of SA economics departments and economists	2009, South African Journal of Economics	National

154	Shakill Hassan	In sample predictability does not imply opportunities for profitable trading in real time: evidence from the cross-section of SAcommon stocks	2011, Australian Journal of Management	International
155	Monique Reid	Loud and Clear? Can we hear when the SARB speaks?	2010, South African Journal of Economics	National
156	Shakill 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	National
165	Johann Fedderke	Measuring institutions: indicators of political rights, property rights and politic al instability in Malawi	2011, Social Indicators Research	International
178	Reviva Hasson	Climate change diasaster management: Mitigation and adaptation in a public goods framework	2010, Ecological Economics	International
182	Stephen 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
187	Ziv Chinzara	Macroeconomic uncertainty and emerging market stock market volatility: the case for South Africa	2011, South African Journal of Economics	National
205	Dorrit Posel	Gendered trends in poverty in the post-apartheid period: 1997-2006	2011, The Journal of Socio-Economics	International
210	Daniela Casale	Relative standing and subjective well being in Sa, the role of perceptions expectations and income mobility	2011, Social Indicators Research	International

Policy Papers

01	J Fedderke	From Chimera to Prospect: SA Sources of and Constraints on Long Term Growth, 1970-2000	2006, in Bhorat, 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	2006, Journal of Development	International

		South Africa's Infrastructure Performance	Perspectives	
10	C van Walbeek	Official revisions to SA National accounts data: magnitudes and implications	2006, South African Journal of Economics	National
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

Prof JH van Heerden
School of Economic Sciences
University of Pretora
19 May 2011

The Steering Committee
ERSA
Dear Sirs/Madams

ERSA Working Paper Series – April 2010 to March 2011

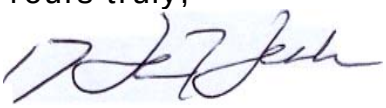
On behalf of the editorial committee I would briefly like to report on the state of the ERSA Working Paper Series (hereafter "The WPS").

Since the start of the WPS about four years ago to date, we have accepted and published 217 papers and 20 policy papers. The popularity of the WPS has been growing, and this is clear from the fact that in the last year there were 74 papers received and sent out for review. Only four of them were rejected outright, while most others were sent back with comments to be revised and resubmitted. During the said year 43 working papers were published.

The editorial committee consisting of Johann Fedderke from Penn State University, Nicola Viegi and myself, Jan van Heerden from University of Pretoria, met on a weekly basis via email and telephone conference to discuss new and revised submissions, referee reports, and other related matters. We worked by consensus and decided to which referees all papers should be sent, and how to respond to all the referee reports.

The WPS has become the premier series to publish the first versions of significant research articles, and the fact that it is peer reviewed, helps authors to prepare their work for publication in academic journals. The standard of the papers has definitely improved during the last year, and we find fewer submissions of an obvious low standard.
In conclusion, the ERSA Working Paper Series has become very well known in and around South Africa and will continue to encourage more and better research in Economics in the future.

Yours truly,



Jan van Heerden
Professor of Economics

3. 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 2010 – 2011 period.

1. Leslie Hannah: London School of Economics
2. Anders Skonhoft: Norwegian University of Science and Technology
3. Roman Inderst: University of Frankfurt
4. Babacar Fall: Universiti Cheikh Anta Diop
5. Paul Sharp: University of Copenhagen
6. Mark Horridge: COPS: Monash University, Australia
7. Louise Roos: COPS, Monash University, Australia

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.

4. 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 Board 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: ERSA Economic Prizes

Institution	Placing	First Year	Second Year	Third Year	Honours	Masters	PhD
Monash University	First Place	M. Munene	S. Dhanji	J. Fisher			
	Second Place	R. Usayi	K. Kipury	K. Brown			
Nelson Mandela Metropolitan U	First Place	C.S. Allen	D.S. Gate	J.P. Cloete	K.T. Jacoby	G.H. Menzies	N.S. Dyubhele
	Second Place	M.B.Nicholls J.B. Viviers	F.F. Mlambo	C.G. Prinsloo	R. Sirkhotte	V.I. Gorlach	M.R. Ncwadi
North West U	First Place	R. Yacumakis	W. Boshoff	C. Booysen	Z. Pohl	N.M. Sithole-Pisa	Q. Morris
	Second Place	G. Smit	G.L. Marais	G. Bird	E. Grobler	N. Haasbroek	
Tshwane U Technology	First Place	M.L. Mfati	J.D. Mabulango	P.P. Mahamaite	S. Nsoki		
	Second Place	K. Mashigo	T.M. Mashita	T.J. Dlamini	R. Pahlamohlaka		
U Cape Town	First Place	L. Duncan	S. Sunderji	C. Miles	C. Veller	J. Naidoo	O. Pimhidzai
	Second Place	A. Anvit	N. Owskley	J. Kennedy	Z. van der Hovem	A. Frauenknecht	J. Agbor
U Fort Hare – Alice	First Place	C. Mapuvire	K. Muzwanya	T. Chitenderu	P. Ndaruza		
	Second Place	F.P. Ncuble	P. Mukuya	P. Chipote	K. Sibanda		
U Fort Hare – E.L	First Place	B. Siphithi	S. Maqaqa	M. Lotz	S. Mishi		
	Second Place	V.W. Madzivire	Z. Mpahlana	B. Mgxekwa	T. Chinouya		
U Free State	First Place	J. Badenhorst	J. Du Plessis		E. Niishinda	I. Molalapata	
	Second Place	E. Afitile	A. Kruger		N. Chakalisa	J. Cronje	
U.J	First Place	A.B. Mia	D.K. Beytell	L.A. Bezuidenhout	C.C. Du Plooy	N. Botha	D. Blaauw
	Second Place	D. Margolis	T. Alberts	T. Weer	B.M. Machele	B. Manasoe	
U KwaZulu Natal	First Place	P. Nair	A. Rehmane	S. Robinson	A.S. Mahomed	T. Khumalo	C. Muller B. Edkins

	Second Place	L.C. Ndlovu	Z. Alli	M. Moodley	J. Rei	S. Madaree	
U Limpopo	First Place	M.P. Mphela	R.H. Chimeri	M.P. Bele	S.M. Moraswi		
	Second Place	S.I. Mohale	M.T. Pasara	M.J. Mpai	G.A. Nkosi		
U Pretoria	First Place	N. Mmbi	D. Aston	G. Van der Nest	A. Spyron	J.C. Vermeulen	U. Josine
	Second Place	L. Walters	A. Louw	K. Macdonald	F. Venter	Z.B. Shar	M. Albert
U Stellenbosch	First Place	J.F. Conradie	R. Meyer	C.A. Kirsten	D.J. Van Lill D. Scholtz	M. Coetzee	
	Second Place	B. Reynolds	L. Jordaan	J.H. Reader		H.W. Swiegers	
U Western Cape	First Place	F. Chiparawasha	K.C. Jacobs	M.M. Petersen	C.S. Christian	E.J. Ndofula	
	Second Place	I. Manuel	T.N.T. Gumbo	S.I. Theron	S.C. Mujuta	F.A. Wanka	
U Wits	First Place	S. Hurwitz	N. Fensham	A. Jardine	S. Seedat	K. Lloyd	
	Second Place	N. Kruger	M. Ngarachu	Z. Asmal	J. Friedland	I. Abramowitz	
U Zululand	First Place	T.D. Monareng	G.L. Abrahams	P.L. Malapane			
	Second Place	S. Mdolo	N.C. Khumalo	R. Tharaga			

5. ERSA Economics Scholarships

While the ERSA Scholarship programme was suspended for the 2010/2011 budget cycle year due to budget constraints, three students from the 2008/2009 co-hort, were successful in meeting the criteria for a second year of study, and payment of R80000 per student was approved by the scholarship committee consisting of, Jan van Heerden (chair), Meshach Aziakpono, John Luiz and Sophia du Plessis.

The list of 2nd year scholarship winners is as presented in Table 5.

Table 5: ERSA 2nd year Scholarship Awardees

Student Name	Institution	Course
Justin Visagie	2nd year University of Michagan	PhD
Justin Barnard	2nd year University of Pretoria and Tilburg University	Master's degree
Melissa van Rensburg	2nd year University of Stellenbosch	Master's degree

6. ERSA Diaspora Fund

During the course of 2008/9, ERSA introduced a diaspora fund, the intention of the programme being to encourage the growing number of South African economists, based at leading international institutions, into a continued and extended association with South Africa.

The motivation of the programme is to draw the internationally based South Africans into a continued and extended association with South Africa, by drawing on any residual sense of obligation or affection toward their home country, in order to generate a return human capital flow to South African based researchers. Above all, the intention is to ensure that the net loss effect of the South African human capital living and working abroad is minimized. Having South African researchers visiting from leading international universities broadens the horizon for South African students and integrates them in international debates and exposing them to the cutting edge of the discipline. Last, but by no means least is the intention to ensure that graduate students in South Africa are exposed to inspirational role models.

The University of Cape Town had applied for and received funding from ERSA in 2008 and reported on the partial use of the funding in the 2008/2009 Annual Report and in 2009/2010 as per below.

7 April 2011
Prof Johann Fedderke
ERSA

Dear Johann

Report on the ERSA Diaspora Fund

As you know, UCT was awarded an amount of R173 000 by ERSA in 2008 in order to invite South African academics living and working overseas to come to South African universities in order to build and maintain ties with local academics. In the original proposal that you, as the Director of the School of Economics at UCT at the time, made to ERSA, you indicated that UCT wanted to invite Greg Lewis, Martine Mariotti, Taryn Dinkelman and Garth Saloner.

Prof Lewis came in 2008 at a total cost to the Diaspora Fund of R40 250. This was reported on in May 2009.

In 2010 none of the other three people on the original list were invited to visit UCT. The total cost was zero. This was reported on in March 2010.

Dr Martine Mariotti of the National University of Australia visited the School of Economics in October 2010 at a total cost to the Diaspora Fund of R36 089. She presented a Monday seminar to the School, entitled "Estimating the elasticity of substitution in the South African manufacturing industry during Apartheid, 1950 – 1985". In this paper she investigated to what extent African and White workers were employed as substitutes in the manufacturing industry. She found that throughout the Apartheid era, Africans and Whites were employed as substitutes in the production process and that the degree of substitution did not decline as we might have anticipated

On the Tuesday and Wednesday of her week at UCT (October 12 and 13) she presented two three-hour lectures introducing post-graduate students to the field of economic history as well as to the nature of articles in the field. Two staff members attended the lectures and about 10 students. Approximately five students came from UCT (attendance was sporadic as students had other commitments), two came from Stellenbosch and three came from UWC. The UCT students came from a number of departments, one from history, one from sociology and the rest from economics.

The first lecture discussed the development of economic history as a field distinct from economics to its return to mainstream economics. The lecture emphasised the importance of economic history in aiding our understanding of economic growth and why poorer countries have been unable to emulate the growth performances of richer countries. The lecture highlighted the use of economic theory as well as data analysis in understanding the importance of institutions, path dependence and knowledge acquisition. She concluded the lecture with a discussion of the more popular broad themes in economic history.

In the second lecture she asked the students to read four academic articles. These were selected based on their contribution to the field, the economic technique employed in the research, the relevance to economic history research in South Africa and their clever data exploitation. In the lecture she summarised each article, making special note of the research techniques used specifically to point out that research in economic history uses the same concepts as research in other fields of economics.

Although student attendance was low, those students who did attend participated enthusiastically.

The articles selected were:

Martha J Bailey, 2006. "More Power to the Pill: The Impact of Contraceptive Freedom on Women's Life Cycle Labor Supply" *The Quarterly Journal of Economics*, vol. 121(1), pages 289-320.
Willem H. Boshoff & Johan Fourie, 2008. "Ship Traffic and the Economy of the Cape Colony: 1652-1793" Working Papers 89, Economic Research Southern Africa, University of Cape Town.
Douglas Almond, 2006. "Is the 1918 Influenza Pandemic Over? Long-Term Effects of *In Utero* Influenza Exposure in the Post-1940 U.S. Population," *Journal of Political Economy*, vol. 114(4), pages 672-712, August.
Daron Acemoglu & Simon Johnson & James A. Robinson, 2002. "Reversal Of Fortune: Geography And Institutions In The Making Of The Modern World Income Distribution", *The Quarterly Journal of Economics*, vol. 117(4), pages 1231-1294, November.

I spent a substantial time with Dr Mariotti and she was very pleased to have been invited on the Diaspora programme. During the time she spent with us, she had discussions with a number of academics and postgraduate students in the School, and this bodes well for possible future research collaboration.

Prof Taryn Dinkelman from Princeton visited the School of Economics at the end of March 2011. Some costs have already been incurred, but we will provide a full report of her visit in next year's report.

The UCT School of Economics is grateful to ERSA for this initiative and for the benefits that we and the neighbouring universities have received from it.

If you have any questions or queries, please feel free to contact me. If you require a more detailed financial statement, please contact me as well.

Yours sincerely,

Corne van Walbeek
Director: School of Economics

Appendix I: Workshop Reports: April 2010 – March 2011

1. 2nd Public Economics Workshop: 20 – 21 May 2010, Protea Hotel, Willow Lake, Bloemfontein

The research workshop brought together more than 30 researchers and policy practitioners working in the field of public economics. The proceedings began with presentations by Kuben Naidoo (National Planning Commission) and Andrew Donaldson (National Treasury) on the development challenges facing South Africa and related areas of public economics research. There were broadly three work-areas discussed at this workshop – fiscal sustainability, social security reform and infrastructure financing.

The Minister of Finance, Pravin Gordhan, attended part of the first session, providing an opportunity for the Minister to put forward his ideas and take questions from the other attendees. The Minister suggested that a follow-up session take place to facilitate further discussion on some of the topics discussed.

For the remainder of the first day, participants presented their research. Representatives from government, academia and other institutions had opportunities to present, providing a good mix of theoretical and applied research. By the end of the second day, a diverse range of important current policy concerns had been covered, including wage subsidisation, national health insurance and public-private partnership financing. The workshop closed with a discussion of further potential areas of research. It is envisaged that these research ideas will form the basis for the September 2010 workshop.

The consensus amongst attendees was that this had been one of the best-organised and most useful workshops they had attended, mainly due to the high quality of presented research and the level of discussions. Going forward, the ERSA Public Economics work-stream may well become the pre-eminent forum for facilitating direct interaction between policy-makers and academics.

Regards
Ian Stuart
(Convener)

2. ERSA Economic History Working Group Workshop, 28-30 July 2010, Johannesburg

1. Title: The ERSA Economic History Working Group workshop on Business History was the first Business History dedicated research workshop in South Africa.
2. Guest: Professor Leslie Hannah from the London School of Economics was the guest academic who presented the guiding methodology and research presentations.
3. Attendance: the workshop was attended by 17 participants from 4 South African universities.
4. The workshop started on Thursday 28 Juy 2010 with a plenary session on the condition of Business History internationally. Professor Hannah offered to attend to numerous questions, which created an atmosphere of intellectual engagement and discourse.
5. The sessions on Friday 29 July 2010 offered the opportunity to researchers in Business History to present their work. Lively discussions followed each presentation. Professor Hannah's valuable contributions assisted the researchers in developing their work wihtin the context of global considerations in Business History.
6. The final sessions on Saturday 30 July 2010 were more explorative in nature and offered the views from the University of Johannesburg Department of Business Mangement, especially strategic management, as well as the Wits Business School. The session offered the opportunity to explore possible collaboration between Business history research and management programmes in South Africa.
7. The workshop was hosted at Heia Safari Lodge at Muldersdrift. The accommodation was of good quality and the catering excellent. A special diner was served on Friday evening. The lodge staff attended to the needs of the participants adequately.
8. The most valuable part of the workshop was the interpersonal engagemets which will support future collaborative research. Participants did not all engage in Business History research, but the discourse underlined the multi-disciplinary natue of the

research field. The workshop succeeded in strengthening this methodology.

9. Participants were invited to collaborate in future ERSA Economic History Working Group activities.
10. The ERSA Organisation and supportive staff are thanked herewith for the professional support rendered to this workshop as well as the generous financial support to facilitate this workshop.

Grietjie Verhoef
14 August 2010.

3. Third workshop of the ERSA Public Economics Working Group, 9 & 10 September 2010, Pretoria

On 9 and 10 September 2010 the Public Economics Working Group met on the campus of the University of Pretoria to discuss the research outputs of its members. The Workshop took the format of an academic conference where 10 papers were delivered, discussed by discussants that had read the paper beforehand, and then generally discussed by the audience. The 10 papers were delivered over one and a half days so that ample time could be allowed for each paper.

The invitation to the Workshop is attached to this letter, in which we invited papers on three topics, namely, (1) Unemployment and labour market interventions from a public finance perspective (2) Schooling, further education and training policies in South Africa and (3) Fiscal consolidation: Process, timing and other institutional considerations**.** Four papers on educational matters, four on unemployment, and two on transmission were selected by the Steering Committee of the Working Group. (The program is also attached to this letter).

The Working Group had lively discussions and good interaction, and it is clear that the Group is making good progress in producing relevant research about important topics in South Africa

The Group has accepted a proposal by the University of Stellenbosch to host the next workshop in May 2011. The Group was also happy with the format of the third workshop which covered a small number of topics intensively, and with the fact that ample time was allowed for each paper.

Attached please find a list of the participants to the Workshop, a group photo, the financial report, the initial invitation, and the program.

Sincerely

Jan van Heerden

4. Report on the ERSA Training Workshop on Bioeconomic Modelling of Natural Resource Use , 18 & 19 October 2010, UCT.

On18 and 19 October 2010 the School of Economics at the University of Cape Town hosted the ERSA Training Workshop on Bioeconomic Modelling of Natural Resource Use.

The aim of the workshop was to teach the techniques of building and using bioeconomic models in natural resource use scenarios. The workshop targeted advanced graduate students and academic researchers with an interest in bioeconomic modelling of natural resource use.

The guest lecturer was Professor Anders Skonhoft from the Department of Economics, The Norwegian University of Science and Technology, who has published widely on bioeconomic modelling and natural resource use (also in the African context).

The Workshop enrolled 22 participants from the Universities of Cape Town, Johannesburg KwaZulu-Natal, North West, Pretoria, Stellenbosch and the Tshwane University of Technology as well as from the Western Cape Province Department of Agriculture, Trade and Industrial Policy Strategies (TIPS) and the City of Johannesburg Department of Economic Development. Participants ranged from Masters students, Masters graduates, PhD students and PhD graduates.

The workshop took the format of a series of lectures with computer practical sessions and discussions in between. The lectures were clustered in the following topics:

• Basic natural resource economics. Equilibrium fishery and the Gordon-Schafer model (Brown 2000, lecture notes)

• The dynamic view (Brown 2000, lecture notes)

• Common property exploitation (Johannesen and Skonhoft 2009, lecture notes)

• Wildlife management (Skonhoft 1999, Johannesen and Skonhoft 2005, lecture notes)

• Wildlife management, pest species management (Skonhoft 1999, Johannesen and Skonhoft 2005, Skonhoft et al. 2006, lecture notes)

• Numerical analysis; spread sheet use and Math cad. Stage structured models (Skonhoft 2010)

Attached please find a list of the participants to the Workshop, the financial report and the initial invitation.

Yours faithfully

Edwin Muchapondwa

5. Financial Contract Theory Workshop presented by Prof Roman Inderst, 3 – 5 November 2010, Wits University

The workshop gave a state-of-the-art introduction into the theory of corporate finance at the level of a top PhD program in Financial Economics. Most of the about twenty participants were highly motivated academics who appreciated the opportunity to learn from an absolute top-expert in the field (Roman is the highest ranked German economist in terms of quality research publications). About half of the participants were experts in financial economics who actively engaged in discussions about the practical relevance of the presented formal models of corporate finance. These academics will clearly bring their newly gained knowledge into the classrooms of their respective institutions.

Everything in terms of organizational issues (i.e., transportation, accommodation, catering, dinner) went very smoothly and I received only positive feedback from participants. In my opinion, the workshop was thus an academic as well as an organizational success.

Kind regards,
Alexander Zimper (Convenor)

6. ERSA/FRESH Conference, 24-26 November 2010
STIAS, Stellenbosch, South Africa

Lessons from history for development

The research workshop brought together 52 researchers working in the field of economic and business history. The participants comprised 17 speakers from countries other than Africa, one from Senegal, and the rest from seven South African universities.

Prof. Jan-Luiten van Zanden (Utrecht University and President of the International Economic History Association) opened the workshop with a presentation entitled 'Agency and Economic Development'. For the remainder of the workshop, participants presented work in progress on a wide variety of topics. There were papers on the Cape Colony and countries from Latin America, Europe, Asia and also Australia. The papers received good feedback, and the discussions were useful and beneficial to the presenters.

On the whole, the response of the participants was extremely positive, and the interaction between the researchers was most fruitful. The workshop again brought researchers together, not only from the different fields of economic history, but this time also from across continents. The presence of international scholars, some of whom were from the Executive Committee of the International Economic History Association, created the opportunity for the ERSA research group to interact with international colleagues. This has shown us what is currently being done internationally, and collaborative work will also flow from this workshop.

I thank ERSA for their financial support. Economic history in South Africa would not have experienced such enthusiasm and growth were it not for this support.

Regards
Sophia du Plessis
(Convener)

7. CGE MODELLING COURSE, 24 – 28 January 2011, University of Stellenbosch

In January 2011 Mark Horridge from Monash University in Melbourne and myself presented an advanced CGE course. The course was partly funded by ERSA and therefore held at the ERSA computer laboratories at U.S.

We had nine fully sponsored attendees from Pretoria, UJ, Wits, UKZN and UCT – mostly PhD students. The other 20 participants were mostly government officials, working in provincial departments of Economic and Development Affairs, or provincial treasuries. We also had three international delegates from Taiwan and Canada.

The hybrid model of funding worked extremely well and could be extended and refined. Some delegates were fully funded while others contributed a bit more than the true costs to host them.

The surplus as well as the funding from ERSA was used to fly the expert in from Australia and to pay the accommodation and travel costs of the sponsored delegates.

Please have a look at the course evaluations done by the delegates, which showed that they have learnt a great deal and would like to have more knowledge of the field.

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

We trust that some research outputs would flow from them in the future.

Kind regards

_____
Prof Jan van Heerden
Acting Dean: Faculty of Economics and Management Sciences

8. International Trade and Industrial Organisation workshop, 1 – 3 February 2011, Ballito

ERSA's trade and industrial organisation group has met regularly over the past few years. The most recent event was a three-day research workshop that took place at Ballito in KwaZulu-Natal. The event was designed to develop locally-based research. At fifty minutes, the presentation sessions were longer than is the case at general conferences, and each paper was assigned a discussant. The quality of presentations was high and the discussion provided useful feedback to contributors. There was also a great deal of useful discussion between sessions and in the evening, and the response of participants to the workshop was positive.

Twenty-one papers were presented over the three days. The first day concentrated on industrial organisation. Several studies examined a particular industry in detail: mobile telephony, pharmaceuticals, automobiles and tourism. Others looked at policy issues such as labour regulations and various aspects of competition policy. The bulk of papers on days two and three were in the field of international trade. Topics covered included the pattern of South African trade with particular partners; the effect of trade policy on prices and product quality; patterns of foreign direct investment; firm efficiency and productivity; and a series of other policy issues such as tax policy for small firms, industrial policies and infrastructure provision. A more detailed report on the papers is available on the ERSA website.

A range of economists – from postgraduate students to established researchers – from a variety of institutions – including nine South African universities – presented new research at the workshop. It was very pleasing to see the continued growth of the trade and industry group and the emphasis on original research that was on display.

Jim Fairburn
Convenor

This paper explores the collective action problem as it relates to climate change and develops two models that capture the mitigation/adaptation trade-off. The first model presents climate change as a certain disaster, while the second models climate change as a stochastic event. A one-shot public goods experiment with students reveals a relatively low rate of mitigation for both models. The effect of vulnerability towards climate change is also examined by varying the magnitude of the disaster across treatments. Our results find no significant difference between the high and low-vulnerability environments. This research contributes to the literature concerning public goods experiments as well as the analysis of climate change policy.

Working paper: 179

Title: The Use of a Marshallian Macroeconomic Model for Policy Evaluation: Case of South Africa
Author(s): Jacques Kibambe Ngoie and Arnold Zellner
Date of Publication: May 2010

Abstract

Using a disaggregated Marshallian Macroeconomic Model (MMM-DA), this paper investigates how the adoption of a set of 'free market reforms' may affect the economic growth rate of South Africa. Accounting for possible side effects mainly on the budget deficit, our findings suggest that the institution of the proposed policy reforms would yield a substantial growth in the aggregate annual real GDP. The resulting GDP growth rate could range from 5.3 percent to 9.8 percent depending on which variant of the reform policies is implemented.

Working paper: 180

Title: US Trade and Wages: The Misleading Implications of Conventional Trade Theory
Author(s): Lawrence Edwards and Robert Lawrence
Date of Publication: May 2010

Abstract

Conventional trade theory, which combines the Heckscher-Ohlin theory and the Stolper- Samuelson theorem, implies that expanded trade between developed and developing countries will increase wage equality in the former. This theory is widely applied. It serves as the basis for estimating the impact of trade on wages using two-sector simulation models and the net factor content of trade. It leads naturally to the presumption that the rapid growth and declining relative prices of US manufactured imports from developing countries since the 1990s have been a powerful source of increased US wage inequality. In this study we present evidence that suggests the presumption is not warranted. We highlight the sensitivity of

conventional theory to the assumption of incomplete specialization and find evidence that is not consistent with it. Since 1987, although US domestic relative effective prices in industries with relatively high shares of manufactured goods imports from developing countries have declined, effective unskilled-worker weighted prices have actually risen relative to skilled- worker-weighted prices. If anything this suggests pressures for increased wage equality. Also in apparent contradiction to theory, the (six-digit NAICS) US manufacturing industries with high shares of manufactured imports from developing countries are actually more skill-intensive than the industries with high shares of imports from developed countries. Finally, applying a two-stage regression procedure, we find that developing country import price changes have not mandated increased US wage equality. While these results conflict with standard theory, they are easily explained if the US and developing countries have specialized in products and tasks that are imperfect substitutes. If this is the case, the impact of increased trade with developing countries on US wage inequality is far more muted than standard theory suggests. Also methodologies such as the net factor content of trade using US production coefficients and simulation models assuming perfect substitution between imports and domestic products could be highly misleading.

Working paper: 181

Title: English Language Proficiency and Earnings in a Developing Country: The Case of South Africa
Author(s): Daniela Casale and Dorrit Posel
Date of Publication: June 2010

Abstract

In this paper we explore the relationship between English language proficiency and earnings in South Africa, using new data from the first wave of the National Income Dynamics panel survey of 2008. Much of the literature on this topic has studied the impact on earnings of host country language acquisition among minority groups of immigrants to developed countries. In our study we analyse the returns to language skills in a developing country context where the dominant language of business, government and education is that of the former colony, although not more than one percent of the African majority population group speaks English as their home language. Our findings suggest large returns among Africans to reading and writing English very well, and particularly among those who have a tertiary education. We also briefly consider the implications of these results for language and education policy in South Africa in the post-apartheid period

Working paper: 182

Title: The Value of the Trout Fishery at Rhodes, North Eastern Cape, South Africa, A Travel Cost Analysis Using Count Data Models
Author(s): M Du Preez and S G Hosking
Date of Publication: May 2010

Abstract

The National Environmental Management: Biodiversity Act, no.10 of 2004) makes provision for the presence of alien trout in South African waters by means of a zoning system, partly in recognition of the significant income generating potential of trout fishing in South Africa. This paper reports the first formal recreational valuation of a trout fishery in South Africa, the one in and around Rhodes village, North Eastern Cape. The valuation is carried out by applying the individual travel cost method using several count data models. The zero truncated negative binomial model yielded the most appealing results. It accounts for the non-negative integer nature of the trip data, for truncation and over-dispersion. The paper finds that in 2007 consumer surplus per day visit to the Rhodes trout fishery was R2 668, consumer surplus per trip visit was R13 072, and the total consumer surplus generated was R18 026 288.

Working paper: 183

Title: On the Looting of Nations
Author(s): Mare Sarr, Erwin Bulte, Chris Meissner and Tim Swanson
Date of Publication: 2010

Abstract

We develop a dynamic discrete choice model of an unchecked ruler making decisions regarding the development of a resource-rich country. Resources serve as collateral and facilitate the acquisition of loans. The ruler chooses either to stay in power while facing the risk of being ousted, or loot the country's riches by liquefying the resources through lending. We show that unstructured lending from international credit markets can create incentives to loot the country; and an enhanced likelihood of looting causes greater political instability, and diminishes growth. Using a treatment effects model, we find strong evidence that supports our predictions.

Working paper: 184

Title: A History With Evidence: Income inequality in the Dutch Cape Colony
Author(s): Johan Fourie and Dieter von Fintel
Date of Publication: 2010

Abstract

The arrival of European settlers at the Cape in 1652 marked the beginning of what would seemingly become an extremely unequal society, with ramifications into modern-day South Africa. In this paper, we measure the income inequality at three different points over the first century of Dutch rule at the Cape. What emerges from the study is a society characterised by severe inequality, with a relatively (and increasingly) poor farming population combined with pockets of wealth. The inequality is driven largely by wheat and, especially, wine production, which gave rise to an elite. Historical evidence supports our findings: Amongst others, the imposition of sumptuary laws in 1755 is closely correlated with a more segmented elite which includes both alcohol merchants and (wine) farmers. We compare these measures to those of other regions and time-periods in history. Although the exact level of inequality is determined to a large extent by our assumptions, the Cape Colony registers one of the highest Gini-coefficients in pre-industrial societies. This provides some support to verify the Engerman-Sokoloff hypothesis that initial levels of high inequality would give rise to growth-debilitating institutions, resulting in higher inequality and underdevelopment.

Working paper: 185

Title: Underemployed women: an analysis of voluntary and involuntary part-time wage employment in South Africa
Author(s): Colette Muller
Date of Publication: 2010

Abstract

Using nationally representative household survey data from 1995 to 2006, this paper explores heterogeneity among female part-time wage (salaried) workers in post-apartheid South Africa, specifically distinguishing between individuals who choose to work part-time and part-time workers who report wanting to work longer hours. As in studies of voluntary and involuntary part-time employment in other countries, the findings show that involuntary part-time workers in South Africa are outnumbered by voluntary part-time workers. In contrast to other countries, however, involuntary underemployment in South Africa has not risen substantially over time, nor is there consistent evidence to suggest a positive correlation between involuntary underemployment and broad unemployment. Significant differences are found among part-time workers, with occupational characteristics specifically being identified as key correlates of involuntary part-time employment. The wage premium to female part-time employment in South Africa, identified in an earlier study, is shown to be robust also to a distinction among part-time workers, and involuntary part-time workers are found to have a stronger labour force attachment than women who choose to work part-time.

Working paper: 186

Title: Measuring the impact of educational interventions on the academic performance of academic development students in second-year microeconomics
Author(s): Leonard C. Smith and Vimal Ranchhod
Date of Publication: 2010

Abstract

This paper analyses the impact of educational interventions made in the first-and second-year microeconomics courses on academic development students' final mark in the second-year course. It also addresses issues of methodology, specification, and statistical analysis with respect to other studies in the field. The results suggest that the educational interventions in the first year had a positive impact on the academic performance of the academic development cohort, relative to the mainstream cohort for the first period (2000-2002). The results also suggest that the educational interventions introduced in the second period (2003-2005), in the form of voluntary workshops for the academic development cohort, improved the academic performance of this cohort relative to that of mainstream students.

Working paper: 187

Title: Macroeconomic uncertainty and emerging market stock market volatility: The case for South Africa
Author(s): Z. Chinzara
Date of Publication: 2010

Abstract

This paper analyses how systematic risk emanating from the macro-economy is transmitted into stock market volatility using augmented autoregressive GARCH (AR-GARCH) and Vector autoregression models. Also examined is whether the relationship between the two is bidirectional. By imposing dummies for the 1997-98 Asian and the 2007-2008 sub-prime financial crises, the study further analyses whether financial crises affect the relationship between macroeconomic uncertainty and stock market volatility. The findings show that macroeconomic uncertainty significantly influences stock market volatility. Although volatilities in inflation, the gold price and the oil price seem to play a role, it is found that volatility in short-term interest rates and exchange rates are the most important, suggesting that South African domestic financial markets are increasingly becoming interdependent. Finally, the results show that financial crises increase volatility in stock market and in most macroeconomic variables and, by so doing, strengthen the effects of changes in macroeconomic variables on the stock market.

Working paper: 188

Title: The Sustainability of South African Current Account Deficits
Author(s): Peter Searle and Albert Touna Mama
Date of Publication: 2010

Abstract

Deficits in the South African current account since 2003 have been met with growing concern by economists. As these deficits reached unprecedented levels, questions about the sustainability of the country's external position have begun to arise. This paper tests the sustainability of South Africa's current account deficits via a test of the country's intertemporal budget constraint. Following a similar methodology to Husted (1992) in testing for the sustainability of U.S. current account deficits and Wu, Fountas and Chen (1996) for U.S. and Canadian deficits, this paper employs the Engle and Granger (1987) ADF test for cointegration. An initial finding of an unsustainable current account position is reversed once structural breaks at 1994:1 and 2003:2 are controlled for in the cointegration equation. This investigation therefore concludes that South African current account deficit is sustainable.

Working paper: 189

Title: Forecasting Monetary Policy Rules in South Africa
Author(s): Ruthira Naraidoo and Ivan Paya
Date of Publication: 2010

Abstract

This paper is the first one to: (i) provide in-sample estimates of linear and nonlinear Taylor rules augmented with an indicator of financial stability for the case of South Africa, (ii) analyse the ability of linear and nonlinear monetary policy rule specifications as well as nonparametric and semiparametric models in forecasting the nominal interest rate setting that describes the South African Reserve Bank (SARB) policy decisions. Our results indicate, first, that asset prices are taken into account when setting interest rates; second, the existence of nonlinearities in the monetary policy rule; and third, forecasts constructed from combinations of all models perform particularly well and that there are gains from semiparametric models in forecasting the interest rates as the forecasting horizon lengthens.

Working paper: 190

Title: Poverty and Land Redistribution: Quasi-Experimental Evidence from South Africa's LRAD program
Author(s): Malcolm Keswell and Michael Carter
Date of Publication: September 2010

Abstract

We estimate the impact on consumption of South Africa's Land Redistribution for Agricultural Development (LRAD) program, which provides capital and other forms of assistance to beneficiaries to enable market-assisted transfers of property rights from large landowners to the rural poor. Counterfactual outcomes are derived by screening out applicants with low probability of admission into the program, and then non-parametrically matching beneficiaries to applicants that are still in the pipeline to receive assistance. We find that land transfers associated with LRAD lead to very strong benefits for program participants. Accounting for heterogeneity in the length of exposure to the program, we estimate treatment effects of the program that peak at approximately 275 Rand per capita monthly consumption. Assuming a discount rate of 5%, this estimate translates to a discounted gain in monthly per capita consumption of about 50% after three years of exposure to the program.

Working paper: 191

Title: Financial Development and Economic Growth in Latin America: Is Schumpeter Right?
Author(s): Manoel Bittencourt
Date of Publication: September 2010
Classification-JEL: E31, N16, O11, O54

Abstract

In this paper we investigate the role of financial development, or more wide-spread access to finance, in generating economic growth in four Latin American countries between 1980 and 2007. The results, based on panel time-series data and analysis, confirm the Schumpeterian prediction which suggests that finance authorises the entrepreneur to invest in productive activities, and therefore to promote economic growth. Furthermore, given the characteristics of the sample of countries chosen, we highlight the importance of macroeconomic stability, and all the institutional framework that it encompasses, as a necessary pre-condition for financial development, and consequently for sustained growth and prosperity in the region.

Working paper: 192

Title: Exchange Rate Determination Under Monetary Policy Rules in a Financially Underdeveloped Economy: A Simple Model and Application to Mozambique
Author(s): Shakill Hassan and Félix Simione
Date of Publication: September 2010
Classification-JEL:

Abstract

Microstructure aspects of nominal exchange rate determination are less relevant in countries with embryonic financial markets. In less-developed economies, trade in

goods and services is a more significant driver of currency demand than financial market speculation or hedging; and central banks actively set monetary variables. We develop a simple variation of the standard monetary model of exchange rate determination, incorporating interest rate rules but not relying on interest rate parity; and study the effect of monetary fundamentals on the Mozambican exchange rate. We find a long-run relationship between fundamentals and exchange rates, with coefficient signs in regression equations consistent with theoretic predictions. Moreover, the monetary model outperforms a random walk in predicting metical exchange rates out-of-sample at the four-quarter horizon.

Working paper: 193

Title: Indirect Taxation and Gender Equity: Evidence from South Africa
Author(s): Daniela Casale
Date of Publication: September 2010
Classification-JEL: D63, H22, J16

Abstract

This paper explores the equity implications of indirect or consumption taxes from a gender perspective, using detailed expenditure data for South Africa. While a growing literature on the incidence of indirect taxes investigates their impact on the income distribution in developing countries, there is little work on whether indirect taxes have differential gender outcomes. Gender bias is likely to exist in taxes that are levied on consumption expenditure, because men and women (and their households) spend their incomes on different types of goods, or on goods that are taxed differently. To estimate the gender incidence of indirect taxes, this study explores differences between households that are classified as more 'female' or more 'male' according to their demographic and economic attributes. The results suggest that the zero-rating of a selection of basic foodstuffs and fuel for household use is important in protecting 'female-type' households, especially those in the lowest expenditure quintiles and with children, from bearing an otherwise disproportionate share of the burden of these taxes. In contrast, high taxes on alcohol, tobacco and fuel for private transport result in a higher incidence on 'male-type' households, those in the middle and top quintiles and those without children. The paper also suggests ways in which the indirect tax system could be refined to further reduce the large gender (and income) inequities that exist in South Africa.

Working paper: 194

Title: Foreign Direct Investment and the Internationalisation of South African Mining Companies into Africa
Author(s): John Luiz and Meshal Ruplal
Date of Publication: November 2010
Classification-JEL: F23, L72, O55

Abstract

The paper investigates the factors influencing the internationalisation of mining firms into Africa and the strategies employed. We focus on the FDI of South African mining firms because of the dominance of this country in the extractive resources industry for over a century. A semi-structured interview survey process consisting of written questionnaires and one-on-one interviews that incorporated both structured as well as open-ended questions was used. The structured questionnaire attempted to identify the entry-mode characteristics of the mining firms as well as the importance of the factors influencing the internationalisation of mining firms. The open-ended questionnaire was designed to be probing in nature, in order to identify how mining companies manage the factors deemed present in an operational context. More than 80% of South African mining firms by market capitalisation provided responses to the survey. The research revealed that security of tenure, political stability and the availability of infrastructure were the three most important factors influencing the internationalisation of South African mining firms out of the nine factors tested in the survey. The most widespread strategies used to manage these factors were political lobbying, bargaining and negotiation.

Working paper: 195

Title: Mobilising Tax Revenue to Finance Development: The Case for Property Taxation in Francophone Africa
Author(s): Nara Monkam
Date of Publication: November 2010
Classification-JEL:

Abstract

In the context of a widespread focus on decentralisation in Africa, there has been an imperative to find suitable ways to maximise potential own revenue sources at all sub-national government levels. This need in particular and the need for greater domestic resource mobilisation by African states in general have been exacerbated by the current global financial crisis that has led many countries into recession and left developed and developing countries alike scrambling to find solutions at home. Indeed, greater domestic resource mobilisation will go a long way toward providing African countries with the means to finance their development agenda without relying excessively on external assistance.

Working paper: 196

Title: Analysing Alternative Policy Response to High Oil Prices, Using an Energy Integrated CGE Microsimulation Approach for South Africa
Author(s): Margaret Chitiga, Ismail Fofana and Ramos Mabugu

Date of Publication: November 2010
Classification-JEL:

Abstract

An energy-focused integrated CGE microsimulation approach is used to assess the implications of differential government policy responses in South Africa, to increases in international oil prices. The first scenario assumes that increases in world oil and petroleum products are passed through to end users with no changes in government tax/subsidy instruments. The second scenario assumes that the world price increases are nullified by a full price subsidy by government in one scenario, while, in the third scenario, revenues generated from a 50 percent tax on the windfall profit of the synthetic petroleum industry, help to minimize the loss in government revenue. Overall output falls by between 2.2 and 2.5 percent, while the government deficit varies from a worsening of 12 to 22 percent under the three scenarios. Synthetic petroleum, coal, and electricity benefit under the floating price scenario, while none expands its output when a 50 percent tax is levied on the profit of the synthetic petroleum industry. Unemployment increases among medium and low-skilled workers, while skilled workers witness a substantial fall in their remuneration, particularly in rural areas. In both rural and urban areas, women are adversely affected relative to men. The poverty headcount ratio and inequality increase slightly more in the price-setting scenarios relative to the floating-price scenario. Thus, allowing the prices to be passed through to end users probably has a less adverse impact at a macroeconomic level, although there may be adverse distributional consequences.

Working paper: 197

Title: Food inflation in South Africa: Some implications for economic policy
Author(s): Logan Rangasamy
Date of Publication: November 2010

Abstract

The paper identifies some macroeconomic and policy implications arising from food inflation in South Africa. There are three main results emanating from the analysis in this paper. Firstly, food price movements have played a large role in generating inflationary episodes in South Africa. Secondly, while external influences do matter, South African food price movements are mainly due to domestic influences. This implies that national policy has an important role to play in taming domestic food price inflation. Thirdly, given the strong second-round impacts, food price movements warrant special attention in monetary policymaking. Core measures of inflation that exclude food price movements may not accurately reflect the underlying inflationary pressures in the economy and could compromise the attainment of the goal of price stability.

Working paper: 198

Title: Risk-return tradeoff and the behaviour of volatility on the South African stock market: Evidence from both aggregate and disaggregate data
Author(s): Mandimika, N.Z. and Chinzara, Z.
Date of Publication: November 2010
Classification-JEL: G10, G11, G12, C52

Abstract

The study analyses the nature and behaviour of volatility, the risk-return relationship and the long-term trend of volatility on the South African equity markets, using aggregate-level, industrial-level and sectoral-level daily data for the period 1995-2009. By employing dummy variables for the Asian and the sub-prime financial crises and the 11 September political shock, the study further examines whether the long-term trend of volatility structurally breaks during financial crises and major political shocks. Three time-varying GARCH models were employed: one of them symmetric, and the other two asymmetric. Each of these models was estimated based on three error distributional assumptions. The findings of the study are as follows: Firstly, volatility is largely persistent and asymmetric. Secondly, risk at both the aggregate and disaggregate level is generally not a priced factor on the South African stock market. Thirdly, the TARCH-M model under the Generalised Error Distribution is the most appropriate model for conditional volatility of the South African stock market. Fourthly, volatility generally increases over time and its trend structurally breaks during financial crises and major global shocks. The policy and investment implications of the findings are outlined.

Working paper: 199

Title: Who is Credit Constrained Among Denied or Discouraged Borrowers?
Author(s): Albert Touna Mama and Jacques Ewoudou
Date of Publication: November 2010
Classification-JEL: E21, D12

Abstract

Since the seminal work of Jappelli (1990), it has become standard to identify as liquidity-constrained, borrowers who were either turned down for credit or did not apply because they might be turned down. In this paper, we show that the so-called “denied or discouraged” proxy does not capture accurately consumers’ credit access when consumers seek credit to finance expenditure on durable goods. Our sample is drawn from the Panel Study of Income Dynamics. We document systematic misclassification of unconstrained households as constrained. We argue that: for durables, this proxy captures best the intensity put forth by the borrower when shopping for a loan.

Working paper: 200

Title: Band-pass filters and business cycle analysis: Highfrequency and medium-term deviation cycles in South Africa and what they measure
Author(s): Willem H. Boshoff
Date of Publication: November 2010
Classification-JEL:

Abstract

Many analysts use band-pass filters to remove so-called permanent components from output and then study the remainder, which is then termed the "business cycle". Building on the critique of these deviation cycles by Harding and Pagan and on the recent work on the mediumterm persistence of business cycles by Comin and Gertler, we study the extent of information loss accompanying this practice. Specifically, we compare the properties of deviation cycles obtained when allowing and disallowing medium-run information to be included with the permanent component and show the dramatic differences in stylized facts. The paper then considers the economic context of high-frequency and medium-term deviation cycles. The results suggest that the high-frequency deviation cycle is not an appropriate measure of demand shocks, which are equally approximated by the medium-term deviation cycle — even though the two cycles differ significantly in terms of persistence, volatility and co-movement with cycles in the US, UK, Europe and Australia. The medium-term deviation cycle appears to capture the cumulated demand and supply shocks to the economy, which is relevant for medium-run analysis but is not useful for business cycle research. The study focuses on four sample periods, one longer and one shorter sample period as well as one including and one excluding the recent financial crisis period, and the results therefore also shed light on whether and how the financial crisis and structural change in South Africa may alter conclusions.

Working paper: 201

Title: Fiscal Performance and Sustainability of Local Government in South Africa – An Empirical Analysis
Author(s): Niek Schoeman
Date of Publication: January 2011
Classification-JEL: H71; H72

Abstract

This paper analyses fiscal performance in terms of own-revenue collection and sustainability of local municipalities in South Africa. Criteria such as gross value added, revenue collected from own sources, debtors outstanding, the ageing of debt

and dependency on grants are considered. The conclusion is that a large number of municipalities do not comply with the requirement that a "reasonable" amount of current expenditures be financed by means of own resources. Furthermore, local government finances are featured by substantial variance as far as collection of own income is concerned. While close to half of them finance more than 50 percent of their current expenditures from own resources, about one third are largely dependent on grants from upper spheres of government and generate less than 20 percent of current expenditures from own resources. As a whole, the fiscal sustainability of the local government sector, given the current scenario of flows, is a reason for concern. In order to comply with international criteria for solid fiscal performance, a number of municipalities will have to improve their performance with regard to own-revenue collection. The reason for this phenomenon seems to be the problem of "soft budgets" and an historic dependence on grants to finance not only capital expenditures but also most, if not all of, current expenditures. Due to historical and political factors, local governments in South Africa differ substantially in terms of potential revenue base, but it may be that in many cases potential revenue is not exploited and that the high level of dependency on grants is the result of inefficiency and lack of political will to be more self-reliant. In view of the wide-spread protest actions against poor quality of service delivery at the local government level, fiscal authorities should take a fresh look at the extent to which these governments are accountable for being more financially independent. This would help prevent the accumulation of debt as a result of growing backlogs in service payments.

Working paper: 202

Title: Volatility Spillovers across South African Asset Classes during Domestic and Foreign Financial Crises
Author(s): Andrew S. Duncan and Alain Kabundi
Date of Publication: February 2011
Classification-JEL: G01, G1, F3

Abstract

This paper studies domestic volatility transmission in an emerging economy. Daily volatility spillover indices, relating to South African (SA) currencies, bonds and equities, are estimated using variance decompositions from a generalised vector autoregressive (GVAR) model (Pesaran and Shin 1998). The results suggest substantial time-variation in volatility linkages between October 1996 and June 2010. Typically, large increases in volatility spillovers coincide with domestic and foreign financial crises. Equities are the most important source of volatility spillovers to other asset classes. However, following the 2001 currency crisis, and up until mid-2006, currencies temporarily dominate volatility transmission. Bonds are a consistent net receiver of volatility spillovers. In comparison to similar research focussing on the

United States (Diebold and Yilmaz 2010), volatility linkages between SA asset classes are relatively strong.

Working paper: 203

Title: South Africa's Electricity Consumption: A Sectoral Decomposition Analysis
Author(s): R. Inglesi-Lotz and J. Blignaut
Date of Publication: February 2011
Classification-JEL:

Abstract

South Africa's electricity consumption has increased sharply since the early 1990s. Here we conduct a sectoral decomposition analysis of the electricity consumption for the period 1993 to 2006, to determine the main drivers of this increase. The results show that the increase was due mainly to output- or production-related factors, with structural changes playing a secondary role. While there is some evidence of efficiency improvements, indicated here as a slowdown in the rate of increase in electricity intensity, it was not nearly sufficient to offset the combined production and structural effects that propelled electricity consumption higher.

Working paper: 204

Title: Electricity Intensities of the OECD and South Africa: A Comparison
Author(s): R. Inglesi-Lotz and J. Blignaut
Date of Publication: February 2011
Classification-JEL:

Abstract

Improving a country's electricity efficiency is considered one of the important ways to reduce its greenhouse gas emissions and to meet its commitments concerning climate change mitigation. In this paper, we conduct a comparative analysis between South Africa and OECD members' total and sectoral electricity intensities. This is done to establish a sense of South Africa's relative performance in this regard, to ascertain the possible scope for improvement and, if such scope exists, to determine in which of the industrial sectors.

Working paper: 205

Title: Gendered Trends in Poverty in the Post-Apartheid Period, 1997 - 2006
Author(s): Dorrit Posel and Michael Rogan
Date of Publication: March 2011
Classification-JEL:

Abstract
This study investigates whether trends in the extent, depth and severity of poverty in South Africa over the past decade have been gendered. We examine first whether females are more likely to live in poor households than males, and whether this has changed over time; and, second, how poverty has changed among female-headed and male-headed households. We use data provided by the 1997 and 1999 rounds of the October Household Survey and the 2004 and 2006 rounds of the General Household Survey. These surveys have the advantage of collecting information on the individual receipt of social grant income. We test whether our findings on gendered trends in poverty are robust to different poverty lines, to the possible underestimation of household income and to adjustments for household composition.

Working paper: 206

Title: Production, Inequality and Poverty linkages in South Africa
Author(s): Nicholas Ngepah
Date of Publication: March 2011
Classification-JEL: C20 C32 D31 E23

Abstract

The Kuznets inequality-development hypothesis can be tested with time-series data rather than the cross-section analyses found in earlier literature. Single-country time-series analysis cannot be done without addressing endogeneity between output and inequality. South Africa has been under-researched in this area due to a lack of data. Recent data released by the Presidency of South Africa makes such analysis possible. Besides, the use of a single inequality index in such a multiracial society is likely to capture only average effects. This paper jointly estimates production, inequality (decomposed by sub-group) and poverty with 3sls using South African data. The findings suggest that production is affected negatively by between-group inequality. Credit constraints and interracial tensions are possible causes, generating significant adverse effects that stifle economic productivity. Within-group inequality enhances production, possibly due to within-group social capital. There is evidence of an inverted U-shape relationship between per capita income and between-group inequality, but a U-shaped one between per capita income and within-group inequality. However due to the effects of the active post-apartheid policies — which reduce between-group inequality, but increase within-group inequality — it is doubtful if this relationship is capturing a Kuznets process. There is a significant poverty-increasing (reducing) effect of total and between-group inequalities (output). The abjectly poor seem to suffer more from inequality than others do. Policy efforts have to focus on reducing between group inequality.

Working paper: 207

Title: Alternative indices of political freedoms, property rights, and political instability for Zambia
Author(s): J.W. Fedderke, I. Lourenco, F. Gwenhamo
Date of Publication: March 2011
Classification-JEL: E02, K00, N4, O1

Abstract
This paper presents new institutional measures for Zambia. Coverage is of political rights and freedoms, of property rights, and of political instability. The sample period is from 1947 to 2007. Comparison of the indices with directly comparable Zimbabwean and Malawian series, shows strong sources of divergence in institutional conditions. The paper also considers interaction amongst the institutional measures, and between the institutional measures and measures of economic development. We find that there is an association among the institutional varaibles, with the various rights dimensions moving together, and being negatively associated with political instability. The evidence further suggests that the institutional measures are associated benevolently with economic development. In this sense the indicators of the present paper therefore conform to the precepts of the new institutional economics.

Working paper: 208

Title: Optimal liquidity provision through a demand deposit scheme: The Jacklin critique revisited
Author(s): Alexander Zimper
Date of Publication: March 2011
Classification-JEL: D82, G21, G32

Abstract
We derive conditions such that optimal liquidity provisions through a demand deposit scheme can be sustainably implemented in a subgame perfect Nash equilibrium under the assumption that renegade investors have free access to ex-post asset markets. As our qualitative main finding we demonstrate that such sustainability is more likely for poor than for rich”scheme participants in terms of future income. By establishing sustainability for low future income populations, our formal analysis therefore o¤ers an important qualification of Jacklin's(1987) influential claim that an optimal demand deposit scheme is not sustainable whenever there exists the possibility of an ex-post asset market.

Working paper: 209

Title: Determinants of Stock Market Prices in Namibia
Author(s): Joel Hinaunye Eita

Date of Publication: March 2011
Classification-JEL: G10 G11 C23 C32

Abstract
This paper investigates the macroeconomic determinants of stock market prices in Namibia. The investigation was conducted using a VECM econometric methodology and revealed that Namibian stock market prices are chiefly determined by economic activity, interest rates, inflation,money supply and exchange rates. An increase in economic activity and the money supply increases stock market prices, while increases in inflation and interest rates decrease stock prices. The results suggest that equities are not a hedge against inflation in Namibia, and contractionary monetary policy generally depresses stock prices. Increasing economic activity promotes stock market price development.

Working paper: 210

Title: Relative standing and subjective well-being in South Africa: The role of perceptions, expectations and income mobility
Author(s): Dorrit Posel and Daniela Casale
Date of Publication: March 2011
Classification-JEL: I31 D31

Abstract
Most studies that explore the impact of relative standing on subjective well-being use objective measures of the individual's relative position, such as the mean income of the reference group or the individual's ranking in the relevant income distribution. In this paper, using a new household survey from South Africa, we are able to derive subjective measures of relative standing, as information is collected on individuals' perceptions of where they rank in the income distribution. We find considerable differences between objective and subjective measures of an individual's relative ranking. Furthermore, our results suggest that an individual's perceived relative status has a significantly larger effect on subjective well-being than objective measures of relative status based on reported income. We also examine the effects on subjective well-being of how individuals perceive their relative position in the income distribution to have changed since childhood, and what they expect their relative position to be in the future. We find that future upward mobility has a smaller effect than upward mobility compared to one's past, suggesting that life satisfaction is influenced more by what has been achieved than by anticipated achievements.

Working paper: 211

Title: Rarer Actions: Giving and Taking in Third-Party Punishment Games
Author(s): Simon Halliday
Date of Publication: March 2011

Classification-JEL: C91, D63

Abstract

In attempting to understand cooperation, economists have used the methods of experimental economics to focus on spheres of human behavior in which humans display altruism, reciprocity, or other social preferences through giving and through punishment. Recent work has begun to examine whether allowing allocations in the negative domain, that is, allowing subjects to take (or steal) other subjects' endowments, might affect participants' behavior. If participants' behavior is affected, then our understanding of experimental results generally, and social preferences speci cally, should be affected too (List 2007, Bardsley 2008). In this paper we propose an experimental variation on the Dictator Game with third-party punishment (Fehr and Fischbacher 2004b). We examine, first, a basic Dictator Game with third-party punishment, after which we introduce a treatment allowing the dictator to take from the receiver, in the knowledge that the third party could punish them. The results conflict. Many dictators choose the most self-interested option, while, when taking is introduced as an option for the dictator, third parties punish the most self-interested option more than in the baseline.

Working paper: 212

Title: An Analysis of Specialist Surgeons and their Practices
Author(s): Steven F. Koch and Jean D. Slabbert
Date of Publication: March 2011
Classification-JEL: D21 I11

Abstract

A purposive sample of South African doctors provided data for the analysis of revenues, costs and earnings associated with specialist surgical medicine. Empirical analysis of the data, based on both nonparametric and parametric regression, finds that practice revenues increase by, on average, between R690 and R1050 per new patient, while costs increase by between R690 and 750 per patient. The total number of surgeries performed is not a consistently significant predictor of revenues, although it is a consistently cubic determinant of costs. In terms of total earnings, the total number of patients tends to decrease earnings, while the number of new patients increases earnings. Due to the low response rate in the survey, there is a a need to conduct further research into this topic, to provide better information to both specialists and the South African Department of Health, which sets pay packages for public sector health workers.

Working paper: 213

Title: Settler skills and colonial development
Author(s): Johan Fourie and Dieter von Fintel
Date of Publication: March 2011
Classification-Jel: N37, D31, D63

Abstract

The emphasis on location-specific factors, such as climate or disease environment, in the explanation of development outcomes in colonial societies implicitly assumes that settler groups were homogenous. Using tax records, this paper shows that the French Huguenots who immigrated to Dutch South Africa at the end of the 17th century were more productive wine-makers than the already-established non-French farmers. Standard factors of production usually associated with faster growth do not explain the differences between the two groups. We posit that the skills of the Huguenots — the ability to make quality wines — provided a sustainable competitive advantage that not only explains initial but persistent productivity differences. We test this hypothesis by dividing the French settlers into two groups — those originating from wine regions, and those from wheat regions — and comparing them with other settler groups. Potential differences between the French (overall) and the Dutch may be attributable to institutional and cultural differences, while variations within the French group are more likely to be skill-related. This intuitive but important insight — that home-country production determines settler-society productivity, even in later generations — sheds new light on our understanding of how newly settled colonial societies develop, and of the importance of knowledge and skills in economic growth.