



Economic Research Southern Africa Activity

April 2008 – March 2009

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Angela Read Lloyd, author

MOSES TLADI

(1903-1959)

In 1929 Moses Tladi was probably the first black artist to exhibit officially in the then accepted public field in South Africa. His first appearance, at an exhibition in Johannesburg that year, created a sensation. He was certainly, in 1931, the first black artist to exhibit in the South African National Gallery in Cape Town.

Tladi's development and career as a landscape painter flourished in the 1920's and through the 1930's. After the outbreak of the Second World War, and the death of his employer and patron, Herbert Read, Tladi joined the army to serve his country. Travelling about in the Army Services Department, he continued painting landscape, and when the war ended, with failing health and unable to return to his profession as a gardener, he lived quietly at his family property north of Johannesburg, still painting landscape. In 1956 disaster overtook him: the apartheid government began its vast urban removals, and the property was expropriated. Tladi and his family were commanded to pack up and leave their home, and go to a place far the other side of Johannesburg, find a "toilet in the veld with a number on it" and there build a shack. It broke the artist's spirit. He parcelled up all his precious work, and did not paint again. He eventually built a house in what became Soweto, but died at the end of 1959.

During the apartheid years that succeeded, Tladi's name and reputation sank into oblivion. Public emphasis was on the work of "white" artists. While there were certainly individuals and private collectors who took an interest in the work of artists regardless of their race, the public museums and galleries in South Africa remained in the tradition set by collectors and connoisseurs in Europe. By the mid 1970's, the Johannesburg Art Gallery had been noticed by the renowned art historian Sir Robert Witt, who described it as one of the finest small art galleries in the world. Its foundation collection, assembled by the famous and influential Sir Hugh Lane, contained outstanding works of the French and English Schools, and the Houthakker collection had added a distinguished body of Dutch and Flemish paintings. Its modern collection included much fine work by South African artists, but only one who was black - Gerard Sekoto¹ (Sekoto's first public appearance had been in 1939, in an exhibition where Tladi participated as an older, guest artist.) The Johannesburg Art Gallery's stated policy was only to accept works that came up to the "international standard" of the collection, and apparently, so far, no other work good enough had been found.

At the end of the 1980's the groundbreaking exhibition *The Neglected Tradition* showed just how ignorant that policy had been. Ironically, Moses Tladi did not come to the notice of the curators of that exhibition, although three works by Tladi were already in a public institution - in the collection of the Africana Museum (later re-named Museum Africa), in Johannesburg. While he was mentioned in the exhibition catalogue, Tladi was not included in a show that achieved international acclaim, and recognition of a huge wealth of talent in South Africa among artists who were not "white". A few people were in fact looking for information about Tladi. He was being referred to as one of the "pioneer" black painters, yet almost nothing seemed to be known about him.

*

Moses Tladi was born in Sekhukuneland, in 1903. His father was a skilled metal worker and medicine man, his mother a gifted potter. His parents became "believers" under the influence of the Lobethal German Lutheran mission at ga Phaahla, and Moses was baptised and educated by missionaries. As a young boy, during those years when the eye and the imagination are at their most impressionable, he herded cattle for his family in the dramatic hill country around his home. It is not known how he met Herbert Read, but by the time Read had engaged him as gardener in Johannesburg, in the mid 1920's, Tladi's response to his surroundings, his instinctive love of the landscape, was in a sense waiting for the chance to express itself.

Herbert Read was an Englishman who had come out to South Africa in the 1890's and made his way up to the goldfields, where he joined Rand Mines, then the biggest mining company in the world. He married a Boer woman at the height of the Boer War, bought a property in the fashionable "Randlord" suburb of Parktown in 1903, and there began to create a garden.

When Tladi arrived two decades later the garden was mature and beautiful, a place with a certain Edwardian character, but also open to new ideas. Read's neighbour and friend was Howard Pim, an accountant and auditor, once mayor of Johannesburg, a philanthropist, and a passionate art collector. Under Pim's guidance, Read too had become a collector, and by the 1920's had begun to buy work from local South African artists, and also to encourage them to come and paint in his beloved garden. Thus the young gardener from Sekhukuneland found not only an employer who recognised and shared his love of beauty and of nature, but a place where he saw people making images of the beauty he himself was creating and nurturing.

1. Sekoto was featured in the ERSA 2007 Annual Report

It was Read's daughters, schoolgirls at the time, who discovered that Moses was drawing - using discarded pencils and crayons and paper from the house; and at the same time a young teenager, Colin Allen, who lived nearby, found that Moses had painted a portrait, using discarded tins of house-paint from the surrounding neighbourhood, and sharpened sticks. When Herbert Read was told about this, he was delighted, and at once provided Moses with materials - at first sketch books from his own supply, for he himself enjoyed sketching and painting water-colours. He then introduced Tladi to Howard Pim, who was so impressed that he announced publicly that he had discovered a genius.

These two men became Tladi's patrons. Early in 1928, after what seems to have been some controversy within the Johannesburg City Council about objections to a person of colour being taken into the exclusively white sanctum of the Johannesburg Art Gallery, Pim did just that - and observed the reactions of his young protégé. As he reported, Tladi was immediately struck by two major works - both of them landscapes, and one by the great French Impressionist Monet. And so, it seems, Monet became Tladi's enduring inspiration.

The young Colin Allen became a close friend and companion : he and Moses took to roaming the surrounding suburbs and countryside, making pictures. Albert Gyngell, a well-known painter, and the first director of the Johannesburg Art Gallery, took them under his wing: they would meet in his studio for long discussions about painting and technique. Other artists heard about Tladi, and took to visiting him in Parktown: Herbert Read had acquired a car, and the old carriage- house and stables became Tladi's lodging and studio. Read and his family bought several works from Tladi, and after Herbert's death, the succeeding generations continued to treasure them. Pim is known to have had a number of Tladi's paintings.

The artists who befriended Tladi admired his talent and showed him all that they themselves had learnt in painting technique: he followed the method of working with a preliminary sketch leading to a work in oil; and he used a palette of paints in the manner of the great European masters. Within an astonishingly short time he was painting landscapes in the realist style that was most highly regarded internationally.

Tladi married Sekhubami More, the daughter of the Revd. Zachariah Ramotebele More, a Methodist minister. During the very early years of the 20th Century, before the imposition of property restrictions, More had bought several properties in the surroundings of Johannesburg, including a sizeable piece of land in what was known as Kensington B, to the north of the city. A house was built, and Moses Tladi settled his family there. It was open highveld country with small farms, and a view to the distant Magaliesberg mountains. It was from this wide and beautiful landscape that he was evicted to the wastelands of apartheid bureaucracy.

In the late 1980's one of Read's granddaughters, by chance a historian, began to search for the artist and his work. Nothing about him was to be found in the conventional sources. Beginning with old family contacts, and moving to museums and libraries, archives and old newspapers, the search took years. The first discoveries made possible an academic paper for the University of South Africa, and a series of coincidences traced the artist's daughter. In 1997 a group of several Tladi works reached the wider public, in the major exhibition *Land and Lives*, which opened in the Johannesburg Art Gallery, and then toured public galleries of South Africa for a year. After this, a whole body of works by Tladi came to light.

Angela Read Lloyd's book *The Artist in the Garden - The Quest for Moses Tladi* revives for his country one of South Africa's finest landscape painters.

© Angela Read Lloyd

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The Artist in the Garden - The Quest for Moses Tladi
by Angela Read Lloyd

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Moses Tladi: Morning at the Magaliesberg Mountains

This remarkable painting has been described as Tladi's last work. It is his largest canvas, and unfinished - he was still working on it when the final command came to leave his home. Yet it is one of his most powerful creations, drenched in the brilliant colour of early sunlight, cloaked in the depth of contrasting shadow over lands that the sun has not yet reached, and filled with the artist's own ardent love of nature, and sense of wonder.

Director's Statement

Economic Research Southern Africa (ERSA) is an initiative focussed on the promotion of increasing the depth and breadth of research in economics in South Africa.

ERSA currently employs a number of 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.

During the 2007/2008 period, the core programmes of ERSA saw considerable, sometimes explosive growth, while 2008/2009 was a period of consolidation of existing initiatives. In my view, this is reassuring evidence of a growing maturity of the ERSA mechanisms, especially since the evidence particularly from the various paper series published by ERSA is suggestive of growing quality of output.

On the other hand, there is continued evidence of dynamic, new developments. This is evidenced by the establishment of new research groups, and the development of the ERSA Scholarship Programme.

For the Working and Policy Paper series, submissions have now reached a steady flow that represents a more manageable commitment for the ERSA editorial team, as well as the referees on which ERSA relies. In addition, the editorial procedures that are followed in managing ERSA submissions have now also gone through several rounds of fine-tuning, by means of the ongoing interaction of the editorial team and the ERSA Academic Board. Through each iteration of the interaction between the editorial team and Academic Board, it has become clear that the editorial process is reaching a steady state, with fewer and fewer ambiguities and changes requiring attention.

Perhaps the strongest indication of the fact that the Working and Policy paper series is having its intended effect comes from the publications statistics of the series. To date, ERSA has published 117 Working Papers, and 14 Policy Papers. The papers show a wide coverage of economics, with publications appearing in no less than 17 of the 20 feasible specialisation categories that the *Journal of Economic Literature* recognises.

Even more importantly, papers appearing in the ERSA series are meeting a high success rate in terms of publication in peer reviewed journals. To date, 50 out of the 130 Working and Policy Papers have been published, with a number of additional papers forthcoming. Thus, the publications rate currently stands at 38%. Also noteworthy is that of the published papers, 26 have appeared in international journals, and 23 in Southern African journals, giving a 52% proportion for international as opposed to local publication rate.

The evidence is consistent with the stated objective of ERSA, that is, to increase the publications profile of South African economists, and in particular to raise the international profile of Southern African based publications in economics.

In order to assist with a wider dissemination of the research findings that ERSA publishes, 2008/9 has also seen the introduction of the ERSA Policy Briefs. These provide concise presentations of the key policy relevant findings that emerge from the academically oriented research contained in the Working and Policy papers published by ERSA. The findings are presented in a manner that is accessible to a generalist audience, and concisely in a two page format. While new and currently in its infancy, it is hoped that this approach will further widen the usefulness and usage of the ERSA research publications that it publishes.

The Workshop Programme of ERSA has similarly seen a process of consolidation. During the course of 2008/9, ERSA hosted a total of 12 workshops, across a diverse set of topics, ranging from econometrics and analytical methods, to African economic integration, trade and industrial policy questions, economic history, household and labour market questions, macroeconomics, and financial economics.

The workshops are partly a reflection of the programme of work defined by the ERSA research groups, each of which hosts between two and three workshops annually. But the tradition of workshops being proposed independently of the research groups, being examined and approved by the Academic Board has also continued during the course of 2008/9, and has proved to be an active part of the workshop programme.

Participation at ERSA workshops has been particularly diverse during the course of 2008/9, not only in demographic terms, but also in terms of the institutions that have sent delegates to the workshops. In particular, no less than 44 different institutions participated in the workshops offered in the past year.

As in previous years, the Workshop Programme has enabled a number of distinguished international visitors to interact closely with South African researchers. During the 2008/9 year, ERSA hosted visitors from Oxford University, Washington University - St Louis, Queensland University of Technology, University of Copenhagen, Harvard University, University of

Michigan, Australian National University, Princeton University, McMaster University Canada, Goteborg University, amongst others.

One of the most gratifying aspects of the Workshop Programme has been the opportunity it has afforded ERSA to host amongst the most distinguished researchers in economics and econometrics. The opportunity to allow South African based researchers to interact closely with such leading researchers over an extended workshop programme, is intended to increase not only the range and quality of research in South African economics, but also to deepen the teaching of economics in our institutions of higher learning.

For 2009/2010, we can look forward to an expansion of the activities surrounding ERSA workshops, since two new research groups, one in Economic History, and the other in Public Economics was ratified by the Steering Committee and Academic Board of ERSA. The Economic History grouping in particular enters this new phase on the back of a track record of conducting workshops under the ERSA banner.

Since 2007, ERSA has been awarding prizes to the top students in economics in all universities, across all years of study, as a means of incentivising study in economics. Over the course of 2008/9, this programme has continued, and has been further consolidated.

During the course of 2008/9, ERSA has also introduced a scholarship programme. Again the intention of the programme is to facilitate graduate study in economics. The period 2008/9 saw the awarding of 10 scholarships, each valued at R80,000 per annum, three for reading toward a PhD in economics, and seven for study on a Masters programme. A crucial requirement of the scholarship programme is a commitment of the students receiving an award, to work as economists in South Africa, on completion of their studies.

The wide ranging activities of ERSA inevitably rely on the input of a wide range of individuals. Members of the Academic Board have given a large number of days pro bono, in order to help define the focus and the mechanisms by which ERSA conducts its business. The three Deputy Directors similarly have provided substantial input not only into the editorial processes of ERSA, but also sustained, substantive direction to the development of the research groups that have come to emerge under the ERSA banner. Crucially, the coordinators of the various research groups that ERSA funds carry a large burden of work in order to ensure that the research groups function, and develop strong workshop activities that are aligned with the research interests of the research group members.

Perhaps most importantly of all, since all of the ERSA activities, including the planning and logistical realisation of the paper series, workshops, international visitors, research group activity, prizes, scholarships and the administration of the day-to-day functioning of ERSA rests with the

administrative team of Gloria Halland and Tania Jacobs, they both deserve recognition for their tireless contribution to the activities and wellbeing of ERSA, and their admirable attention to detail in the execution of their duties.

Without the contributions of all of these individuals, ERSA could not function, and my sincere thanks goes to them all.

Johannes Fedderke
Director: Economic Research Southern Africa
15 March 2009

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: Merle Holden
- The Director of ERSA: Johannes Fedderke
- Academia:
 - Two nominated representatives:
 - Murray Leibbrandt
 - Alain Kabundi
 - The coordinators of the three research groups of ERSA:
 - James Fairburn

- Dorrit Posel
 - Nicola Viegi
- National Treasury: Two representatives:
 - Christopher Loewald
 - Ismail Momoniat
- Presidency: One representative:
 - Ashraf Kariem or
 - Alan Hirsch
- Private Sector: 1 representative:
 - Michael McDonald - SEIFSA
- Statistics South Africa: One representative:
 - Rashid Cassim

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 2008/9 period was as follows:

- Tania Ajam, AfRec
- James Fairburn – University of KwaZulu-Natal
- Johannes Fedderke, Director: ERSA
- Augustin Fosu, WIDER
- Jan van Heerden, University of Pretoria
- Merle Holden, Chair
- Steve Koch, University of Pretoria
- John Luiz, University of the Witwatersrand
- Mthuli Ncube, University of the Witwatersrand
- Dori Posel, University of KwaZulu-Natal
- Asrat Tsegaye – University of Fort Hare
- Nicola Viegi, University of Cape Town
- Ingrid Woolard, University of Cape Town

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 three 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
 - Dori Posel

- Nicola Viegi
- Administrator: Gloria Halland
- Senior Secretary: Tania Jacobs

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 2-3 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 incentivising 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.



Moses Tladi: Landscape – Two Trees

The strange, contorted trees, the rocks and distant hills suggest the landscapes of Sekhukuneland, on the approach to the area of ga Phaahla, where Tladi was born and spent his childhood and youth. The emphatic painting of the trees themselves conveys a surge of energy typical of the artist's intimacy and identification with living things, while the placing and treatment of the rocks in the foreground provide a balance of composition which is at once classical yet natural.

REPORT TO THE STEERING COMMITTEE FROM THE CHAIR OF THE ACADEMIC BOARD

Report from the Chair of Academic Board 2008

I am in the unique position as chair of the Academic Board to report on the activities of the Board without having being present for the majority of the meetings. Due to unscheduled commitments in the United States of America that required my presence for an extended period of time and due to commitments at the Competition Tribunal I was unable to attend meetings of the Board at their appointed time. However, this has enabled me to take an overall view of activities without in a sense being personally involved. I would however like to take the opportunity of thanking those members of the Board who assumed the task of chairing meetings of the Board in my absence, Ingrid Woolard and John Luiz.

The academic board has continued to play its oversight role in the management of ERSA. What is very apparent from the minutes is a wrestling over the governance structures of the Board and more importantly the relationship between ERSA and its location at UCT. The governance of the academic board appears to moving forward now with the adoption of a set guidelines for the future. However the relationship with UCT is still to be resolved. Given that universities have become more “managerial” it is I believe a matter of urgency that the independence of ERSA from any university should be further investigated.

During 2008 ERSA strived effectively and efficiently to achieve its goals. The three research groups have been expanded to include two new ones namely Economic History and Public Economics. The Working Paper series is flourishing and more importantly the work is being published. International visitors are adding to the human capital of the country and through these contacts have integrated the academic community internationally.

If I have any questions about the workshops these relate to the development of skills. I think the academic board requires more feedback from the academic community and the participants. For example have the participants been able to meaningfully improve their teaching and research. It could be that ERSA should adopt rather have more extended workshop model to be held say over the summer. These courses would be assessed on the performance of students and could count for credit in pursuit of higher degrees.

Finally in reading the minutes it struck me that we in South Africa seemed to be unaware of the global crisis. Financial regulation should be at the top of the agenda for all countries and ERSA should take the opportunity to assist policy makers in this endeavour. One of the suggested policy posts could be allocated to drive this process forward.

I wish the management of ERSA the best for the future and encourage them to keep up the good work and drive to improve the state of economic knowledge in South Africa.

Merle Holden
Chair Academic Board

April 3 2009

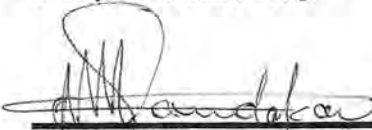
**REPORT TO ECONOMIC POLICY RESEARCH SUPPORT PROJECT
INCOME AND EXPENDITURE STATEMENT**
PROJECT: ECONOMIC RESEARCH IN SOUTHERN AFRICA
FUND 421040
CURRENT: 01 FEBRUARY 2008 - 28 FEBRUARY 2009



	01-Feb-08 to 28-Feb-09 Current Actual
INCOME	5,700,000.00
Balance carried forward 2008	-
ERSA	5,700,000.00
EXPENDITURE	5,310,297.53
Payroll	959,226.13
Salaries / Payroll Postings	959,226.13
Other Expenses	4,351,071.40
Research Grants and referee payments	994,382.87
ERSA Prizes	122,800.00
ERSA Workshops,	1,531,658.48
ERSA Academic Board Meetings	107,636.44
ERSA Steering Committee Meetings	28,975.30
Sponsorships - AES Conference	70,000.00
Media and monitoring	29,366.40
Donation JDP Journal	92,163.30
Printing	121,486.63
Computer Hardware	231,685.49
Diaspora Funding	173,000.00
Web - Design, maintenance and renewal	16,013.20
Software/IT	241,335.90
Petty Cash	2,000.00
Postage	22,411.39
Stationery	19,083.86
Telephone	14,156.36
Entertainment / Catering	8,751.72
Bank Charges	5,562.43
Sundry Expenditure	414.63
UCT Overhead Levy (10%) (cost recovery)	518,187.00
<i>Net Surplus at 28 February 2009</i>	389,702.47

Note: Subsequent actual plus commitment expenditure incurred to 10 March 2009 amounts to

I confirm that the above figures agree with the books and the records of the University of Cape Town, UCT's financial policies, procedures and books of account are the subject of an annual external audit by the firm Ernst & Young.


Mzi Somdaka (Mr)

Commerce Faculty - Assistant Finance Manager

I certify that all the amounts detailed above have been actually and necessarily expended under the grant, in accordance with the terms and conditions outlined in the grant agreement.


Professor J Fedderke
Project Director

New ERSA Initiatives for 2008/2009

Two new ERSA initiatives require further development during the course of 2009 - 2010.

The Economic Research Southern Africa (ERSA) initiative was created by the National Treasury as a means of deepening research capacity in economics in Southern Africa. The principal means of achieving this objective was to foster research activity and a research culture in the economics discipline, across institutions in the region with an exposure to the generation and consumption of research output in the economics discipline. The focus of the mechanisms implemented by ERSA was the generation of research output that was uncompromising in its academic quality, in order to facilitate economic research that was internationally competitive.

Thus far ERSA has been approaching this task by means of four distinct mechanisms, a Working and Policy Paper series, a Workshop Series, the introduction of ERSA Research Groups, the facilitation of Academic Visitorships between Southern African institutions, as well as from international scholars to South African institutions, an Economics Prize programme and finally an ERSA Scholarships programme.

However, from its inception, ERSA was always envisioned as an independent research institution, with stand alone research capacity. To date, despite plans to realise this capacity, this has not been implemented. During the course of 2009 – 2010, the intention is to realise this capacity.

A second initiative that requires further development, is the planned Skills Development Programme. The programme is a response to requests from various higher education institutions in South Africa, indicating a need for foundational research skills in economics. The initiative has seen a process of development over the course of 2008 – 2009, specifically with regard to the content of such a training programme. During the course of 2009 – 2010, the intention is to finalise the content of the programme, and then to initiate implementation.



Moses Tladi: No 1 Crown Mines

This is one of Tladi's finest and most admired works and has been widely exhibited in South Africa since the 1990's. Edward Read, the son of Herbert Read, Tladi's employer, identified the scene as a view of the Robinson Mine change-house. The old Robinson mine was part of Crown Mines, property of Rand Mines, and what by then was known as the Corner House company. Read, as a financial manager of that company, and also chairman of their Exchange Yard, which supplied the entire South African mining industry with timber, had easy access to these areas south of Johannesburg, and it seems most likely that he arranged for Tladi to paint this view. The composition of this picture is so natural and harmonious that it almost belies the meticulous observation underlying the details, the contrasts of light and shade, the balance of space and form. The variation in brushstrokes on the distant outlines, and the details of grass and foliage, show an instinctive feel for the actual handling of paint, while the sombre bulk of the mine dumps suggests a poetic perception, an inquiry into the heart of things that is "modern" in its intensity.

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 2008-2009, ERSA has hosted a total of 12 workshops across a wide range of areas in economics. The workshops have served the purpose of research dissemination, of training, as well as networking amongst researchers and policy makers, in order to lower transactions and dissemination costs of new results. In addition, ERSA pays close attention to the need to include young graduate students and academics from universities that have not traditionally been central to research activity in economics in South Africa, in order to allow wider participation in core research and policy debates that concern economists.

The areas covered by the workshops have included the following:

- Applied Time Series Analysis
- African Economic Integration
- Non-parametric and semi-parametric methods
- Economic History in Southern Africa
- Trade & Industry Policy Analysis
- Econometric Methods for Panel Data
- Financial Econometrics
- Programme Evaluation
- Econometric methods for Trade & Competition Policy
- Household and Labour Markets
- Current Trade Policy Issues

A full list of workshops, including their institutional affiliation, the location in which they were held, for the February 2008– March 2009 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 Rhodes University, the University of Cape Town, the University of KwaZulu-Natal, the University of Pretoria, the University of Stellenbosch, amongst other contributors and participants.

A noteworthy feature of the workshop programme of 2008/2009, was that a number of international experts participated in ERSA workshops.

Professors Katarina Juselius and Soren Johansen from the University of Copenhagen were the presenters of the Applied Time Series Analysis

workshop, while Prof Steven Bond from Oxford University and Prof Mans Soderbom from Goteborg University were co-presenters on Econometric Methods for Panel Data. Other international presenters at workshops include Prof Stan Hurn from Queensland University of Technology, Robert Lawrence from Harvard and Jim Levinsohn from the University of Michigan.

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

1. Profs Katarina Juselius and Soren Johansen from the University of Copenhagen were the presenters of the 'Applied Time Series Analysis' workshop in May 2008.
2. Dr Martine Mariotti from the Australian National University was the facilitator at the 'Promoting Economic History in Southern Africa' in September 2008.
3. Professor Jeffrey S. Racine (Senator William McMaster Chair in Econometrics, McMaster University, Canada) was the presenter at the 'Non-parametric Methods' workshop in November 2008.
4. Prof Steven Bond from Oxford University and Prof Mans Soderbom from Goteborg University were joint presenters at the 'Econometric Methods for Panel Data' workshop in January 2009.
5. Prof Stan Hurn from Queensland University of Technology presented at the 'Financial Econometrics' workshop in January 2009.
6. Prof Sebastian Galiani (Washington University, St Louis) and Analia Olgati from Princeton University presented an econometrics course in programme evaluation in March 2009.
7. Prof Robert Lawrence from Harvard University presented at the workshop on Current Trade Policy Issues in March 2009.
8. Prof Jim Levinsohn from the University of Michigan presented at the workshop on Econometric Methods for Industrial Organisation and Competition Policy in March 2009.

Participation in the workshops of ERSA has been even more widely cast. A total of 284 people attended the twelve ERSA workshops of 2008/9. A breakdown of the attendance by demographic characteristics is provided in Table 1 below. What is clear is that attendance at conferences is not only diverse in terms of demographic characteristics, but also in terms of institutional affiliation as illustrated by Table 2.

Table 1: Demographics of Workshop Attendance: March 2008-March 2009

	Name of Workshop	Date	Institution/ Place	White Male	Black Male	White Female	Black Female	Coloured Male	Coloured Female	Total
1	Applied Time Series Analysis	May-08	UCT / Cape Town	11	5	4	3	0	0	23
2	Prospective on African Economic Integration	Jun-08	Rhodes / Grahamstown	7	10	2	0	0	0	19
3	Non-parametric and Semi-parametric Methods	Jul-08	UCT / Cape Town	4	3	8	0	3	3	21
4	Promoting Economic History in Southern Africa	Sep-08	US / Durban	15	4	8	0	0	1	28
5	Non-parametric Methods	Nov-08	UP / Pretoria	4	13	1	6	2	0	29
6	Trade & Industry: Policy Analysis	Nov-08	UKZN / Pretoria	16	9	6	1	1	0	34
7	Econometric Methods for Panel Data	Jan-09	UCT / Stellenbosch	9	4	1	5	0	0	23
8	Financial Econometrics Part I	Jan-09	UCT / Stellenbosch	9	10	1	2	1	0	23
9	Household & Labour Markets	Jan-09	UKZN / Durban	8	0	9	0	0	0	17
10	Current Trade Policy Issues	Mar-09	UKZN / Pretoria	11	10	4	10	0	1	44
11	Programme Evaluation Course	Mar-09	UCT / Stellenbosch	5	7	5	4	0	1	23
12	Econometric methods for Trade & Competition Policy	Mar-09	UKZN / Cape Town	6	4	6	2	0	0	18
	Total			105	79	55	33	7	6	302

Table 2: Institutions represented at ERSA Workshops

Australian National University
BANKSETA
Competition Commission
Department of Agriculture
Department of Trade and Industry
Department Water Affairs
Eastern Cape Provincial Treasury
ECONEX
Goteborg University
Graduate School of Business, UCT
Harvard University
Industrial Development Corporation
Institute for Global Dialogue
International Development Research Centre
Investec
London School of Economics
Marshall University
Ministry of Commerce, Trade & Industry - Zambia
Monash University of SA
National Directorate of Studies & Policy Analysis - Mozambique
Nelson Mandela Metropolitan University
North West University
Norwegian University of Science & Technology
Oxford University
Queensland University of Technology
Rhodes University
South African Institute of International Affairs
South African National Treasury
South African Reserve Bank
Stats SA
Trade and Industrial Policy Research
University of Copenhagen
University of South Africa
University of Cape Town
University of Fort Hare
University of Johannesburg
University of KwaZulu-Natal
University of Limpopo
University of Michigan
University of Pretoria
University of Stellenbosch
University of the Western Cape
University of the Witwatersrand
University of Venda
University of Zululand
Vienna Institute of Advanced Studies
WITS Graduate School of Business



Moses Tladi: Woodfetcher

This is one of Tladi's most lyrical works. It belongs in a series of felicitous country pieces, done surely somewhere in the old eastern Transvaal. Against a magnificent background of mountains is a tender depiction of rural life, painted with the utmost sensitivity. The rosy distance, the soft air of autumn that flutters the last leaves on the tips of the bending branches, the delicate changes of tone and colour, have the intimacy of a sudden glimpse into a poetic soul.

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.

Since 2008, the number of published papers under this initiative has almost doubled, while the number of papers that have moved from working or policy paper status to fully published status in peer reviewed journals has also increased dramatically. Currently, almost 50% of the papers published in the ERSA series have been published in journals.

The structure of submissions to the ERSA Working and Policy Paper series has changed during the course of 2008/9.

As outlined in the preceding annual report, the change in the ERSA funding mechanism surrounding Working Papers initiated a marked increase in the number of submissions to ERSA, putting some pressure on the reviewing process. Since the close of 2008, the evidence suggests that the rate of submissions to ERSA has slowed fairly dramatically. One plausible explanation of this is that the academic community has exhausted the stock of research results that qualified for entry into the working paper series, and that the rate of new submissions reflects the flow of research output in the academy in South 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 three 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 R10,000 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.

Despite the slow-down in submissions, 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 68 Working Papers and 11 Policy Papers.

Since March 2008, this has increased to 117 Working Papers, and 14 Policy Papers.

The distribution of the topics of papers is wide ranging, and represents the general coverage of the ERSA mechanism. In Figure 1 we report the distribution of the ERSA Working and Policy Papers across the *Journal of Economic Literature* journal article classification scheme, for which Table 3 provides the key.

The strongest areas of representation are macroeconomics (E), development and economic growth (O), followed by labour and demography (J) and industrial organization (L). The only areas that have had no representation include the teaching of economics (A), and miscellaneous (Y) and other special topics (Z).

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, 50 out of the 130 Working and Policy Papers have been published, with a number of additional papers forthcoming. Thus the publications rate currently stands at 38%. Also noteworthy is that of the published papers, 26 have appeared in international journals, and 23 in Southern African journals, giving a 52% 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.

However, work remains to be done. In Table 4 we report the papers from the ERSA series that have been accepted for publication, together with the journal in which the paper appears, and the ISI ranking that the journal qualifies for on the Total Citations criterion. This evidence shows some cause for concern, as illustrated by Figure 2.

Of the ERSA publications, 4 have appeared in the top 30 economics journals (as rated by ISI Total Citations), 6 in the 30-100 journal ranking range, 22 in the range above 100 journal ranking range, 14 are unrated, and 3 have appeared in journals not rated under the economics subject category. The feature of this evidence is that a preponderance of papers are still appearing in journals that fall into the above 100 journal ranking range, and some appear in journals or sources that are unrated. There are some good reasons for this.

First, a number of the journals that are currently unrated, stand a good chance of assuming a relatively sound rating over time (see for instance Working Paper No.59).

Figure 1:

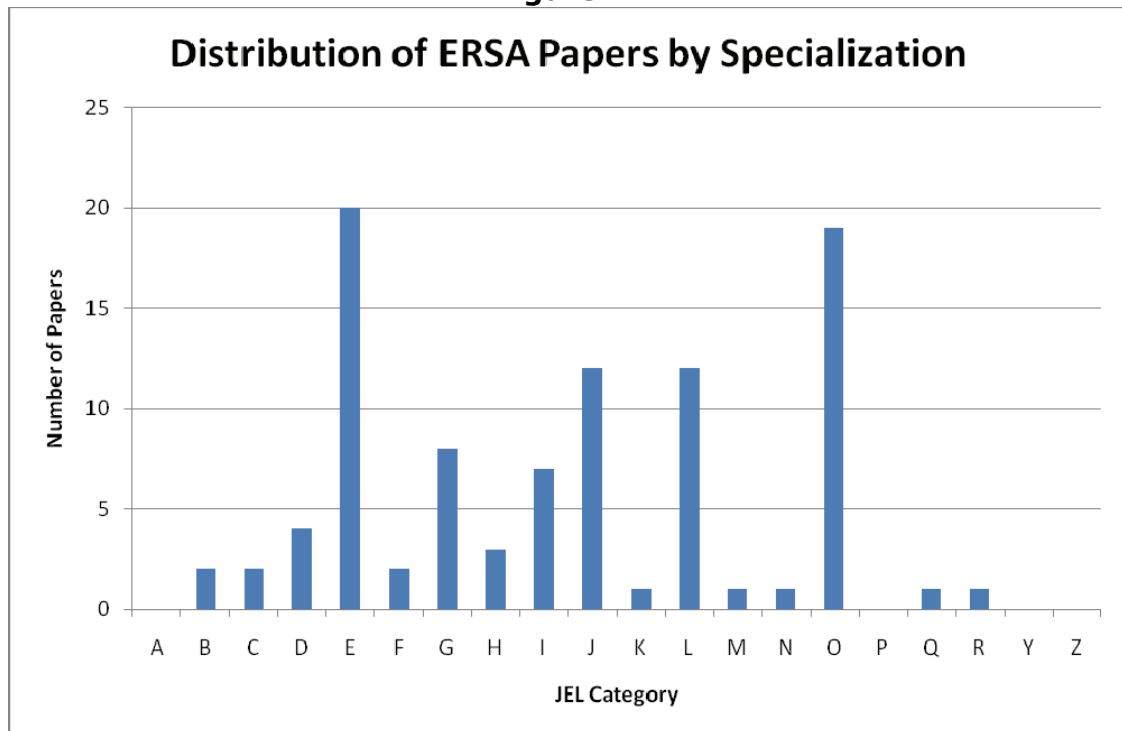
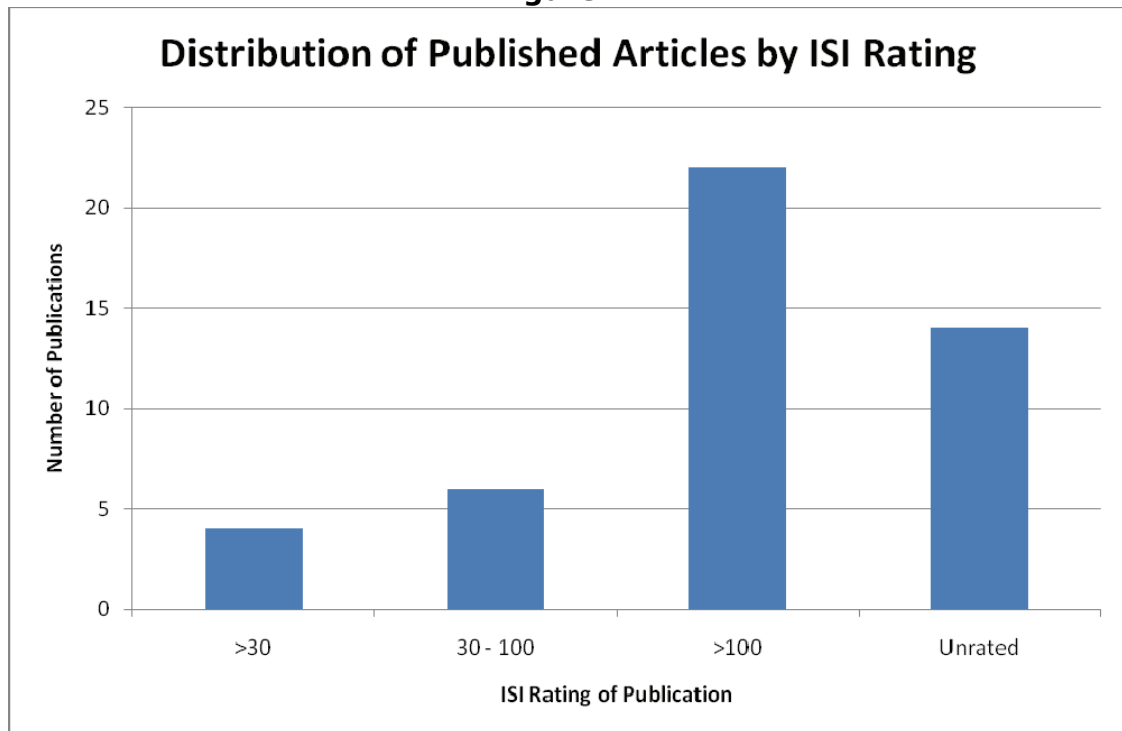


Table 3: Journal of Economic Literature Classification System

A	General Economics and Teaching
B	Schools of Economic Thought and Methodology
C	Mathematical and Quantitative Methods
D	Microeconomics
E	Macroeconomics and Monetary Economics
F	International Economics
G	Financial Economics
H	Public Economics
I	Health, Education and Welfare
J	Labour and Demographic Economics
K	Law and Economics
L	Industrial Organization
M	Business Administration and Business Economics; Marketing; Accounting
N	Economic History
O	Economic Development, Technological Change, and Growth
P	Economic Systems
Q	Agricultural and Natural Resource Economics; Environmental and Ecological Economics
R	Urban, Rural and Regional Economics
Y	Miscellaneous Categories
Z	Other Special Topics

Figure 2:



Second, any economics article that has as its specific focus South African issues, by its nature is limited in its generality, and will thus struggle to find an outlet in a journal that is not South African or African specific. Of these, even journals with a rigorous editorial stance (e.g., *The Journal of African Economies*), have low citations since the field of scholars internationally that are focussed on Africa is relatively limited. The latter point was emphasised in the discussions of the Academic board when considering this evidence.

Nevertheless, it is clear that there is certainly room for improvement. The editorial process of ERSA can move to emphasise the need for authors to find general theoretical frameworks for their work, and ideally to innovate with respect to theoretical perspectives in order to be able to raise the impact of their work over time. Such an approach is increasingly under discussion in the editorial team.

Finally, we note that submissions to the two paper series have been received from a number of institutions including the University of Cape Town, the University of Pretoria, the Financial and Fiscal Commission, the South African National Treasury, the University of the Free State, Harvard University, the University of Johannesburg, the South African Reserve Bank, the University of the Western Cape, the University of KwaZulu-Natal, UNISA, Oxford University, the CSIR, and Rhodes University.

A detailed list of all ERSA Working and Policy papers, including brief abstracts of their contents, can be found in Appendix II.

Table 4: ERSA Working Paper – Publication Breakdown

ERSA Working/Policy Paper #	Author/s	Title	Journal	ISI Journal Ranking
01	J Fedderke, C Kularatne & M Mariotti	Mark-up Pricing in SA Industry	2007, Journal of African Economies	152/191
02	M Demertzis & N Vlegi	Inflation Targets as Focal Points	2008, International Journal of Central Banking	Not rated
03	S Hassan	Optimal timing of defections from price-setting cartels in volatile markets	2006, Economic Modelling,	149/175
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,	17/93
06	L Edwards & A Behar	Trade liberalisation and labour demand within SA manufacturing firms	2006, Studies in Economics and Econometrics,	Unrated
12	J Fedderke & A Romm	Growth Impact and Determinants of Foreign Direct Investment into SA, 1956-2003	2006, Economic Modelling,	149/175
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,	Unrated
18	J Fedderke & P Flamand	Macroeconomic News ‘Surprises’ and the Rand/Dollar Exchange Rate	2005, Studies in Economics & Econometrics,	Unrated
21	K Pauw & L Edwards	Evaluating the general equilibrium effects of a wage subsidy scheme for SA	2006, South African Journal of Economics,	156/191
22	J Fedderke & J Luiz	Fractionalization and long-run economic growth: Webs and direction of association between the economic and the social – SA as a time series study	2007, Applied Economics,	28/175
23	J Fedderke & G Szalontai	Industry concentration in SA manufacturing industry: trends and consequences, 1972-96	2008, Economic Modelling,	149/191
24	S Koch	The AID and MAID Systems: South African Household Data Pitfalls	2007, Studies in Economics and Econometrics,	Unrated

26	J Fedderke	An analysis of industry concentration in SA manufacturing, 1972-2001	2009, Applied Economics	28/175
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.	Unrated
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	156/175
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	59/175
32	A Zimmer	A fixed point characterization of the dominance solvability of lattice games with strategic substitutes	2007, International Journal of Game Theory	81/191
33	Witness Simbanegavi	Informative Advertising: Competition or Cooperation?	2009, Journal of Industrial Economics	46/191
36	Z Bogetic & J Fedderke	Forecasting investment needs in SA's Electricity and Telecom Sectors	2006, South African Journal of Economics	156/175
38	P Burger & M Marinkov	The SA Phillips curve: How applicable is the Gordon model?	2008, South African Journal of Economics	156/175
39	J Fedderke & Z Bogetic	Infrastructure and growth in SA: Direct and indirect productivity impacts of 19 infrastructure measures	2009, World Development	11/191
40	A Guerdjikova and A Zimmer	Flexibility of choice versus reduction of ambiguity	2008, Social Choice and Welfare	86/175
42	N Samouilhan	The relationship between international equity market behaviour and the JSE	2006, South African Journal of Economics	156/175
47	U Schmidt & A Zimmer	Security and potential level preferences with thresholds	2007, Journal of Mathematical Psychology	6/10
49	N Samouilhan	The Price of Risk on the JSE	2007, South African Journal of Economics	156/175
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	156/175
54	P Aghion, M Braun	Competition and productivity growth in	2008, Economics of Transition	139/175

55	& J Fedderke J Geldenhuys & M Marinkov	South Africa Robust estimates of Okun's Coefficient for South Africa	2007, South African Journal of Economics	156/175
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	Unrated
60	W Simbanegavi	Exchange Rates and Product Variety	2009, International Journal of Finance and Economics	154/175
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	156/175
63	Duncan Hodge	Economics, realism and reality: a comparison of Maki and Lawson	2008, Cambridge Journal of Economics	77/191
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	10/52
68	Rangan Gupta & J Uwilingiye	Measuring the welfare cost of inflation in South Africa	2008, South African Journal of Economics	156/175
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	156/175
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	68/175
77	A Hofmeyr, J Burns and M Visser	Income Inequality, Reciprocity and public good provision: An experimental analysis	2007, South African Journal of Economics	156/175
81	Rangan Gupta & Emmanuel Ziramba	Costly tax enforcement and financial repression	2008, Review of Banking, Finance and Monetary Economics	Unrated
84	Lumengo Bonga-Bonga	Modelling the rand-dollar future spot rates: The Kalman Filter approach	2008, African Finance Journal	Unrated
86	Manoel Bittencourt	Macroeconomic performance and inequality: Brazil 1983-1994	2008, The Developing Economies	163/175
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	156/175
97	Alexander Zimmer	Revisiting independence and stochastic dominance for compound lotteries	2008, B E Journal of Theoretical Economics	Unrated

98	Lumengo Bonga-Bonga E Giovannetti	National savings and fiscal policy in SA: An empirical analysis	2009, Acta Academica	Unrated
102		Asymmetry and discrimination in internet peering: evidence from the LINX	2009, International Journal of Industrial Organization	54/191
111	J Fedderke, & W Simbanegavi	SA Manufacturing industry structure and its implications for competition policy	2008, Journal of Development Perspectives	Unrated
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	Unrated
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	184/191
07	Z Bogetic & J Fedderke	International Benchmarking of South Africa's Infrastructure Performance	2006, Journal of Development Perspectives	Unrated
10	C van Walbeek	Official revisions to SA National accounts data: magnitudes and implications	2006, South African Journal of Economics	156/191
13	Evan Blecher	The impact of tobacco advertising bans on consumption in developing countries	2008, Journal of Health Economics	25/191

Prof JH van Heerden
School of Economic Sciences
12 March 2009

The Steering Committee

ERSA

Dear Sirs/Madams

ERSA Working Paper Series

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 two years ago, we have accepted and published 117 papers and rejected 39. There are currently 23 papers under review, while 27 more have been sent back to authors for revision and resubmission.

The editorial committee consisting of Johann Fedderke and Nicola Viegi from UCT, Dori Posel from KZN and me, Jan van Heerden from U of Pretoria are still meeting on a weekly basis via telephone conference to discuss new and revised submissions, referee reports, and other related matters. We work by consensus and decide to which referees all papers should be sent, and how to respond to all the referee reports.

The method of having an editorial committee that meets regularly, rather than an executive editor, is proving to work very well, and some of the leading Economics journals in the country have also adopted the system.

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

Chairman: School of Economic Sciences



Moses Tladi: Highveld Summer Rainstorm

A masterly work, painted near the artist's home in Kensington B, the countryside north of Johannesburg. The date of the painting is unknown - Tladi seems never to have dated his work. The artist's daughters have described a path that led from their house across farmland and over sloping country to a small village. In this painting, the village is out of sight, but the distant Magaliesberg mountains can be seen, partly misted over by rain. The suddenness of summer storms on the Highveld, their very localised nature, and their extraordinary contrasts, are all present in this fascinating picture

3. The ERSA Research Programmes

The ERSA research programmes are modelled on symmetrical programmes in the NBER in the USA, and CEPR in Europe. The objective of the programmes is 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.

To date ERSA has funded three core research groups.

These have been in the following areas:

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

All of these groups undertook regular meetings during the course of 2008/9, the details of which are provided by the research programme coordinators below. The norm to date has been the hosting of three annual meetings in each group.

In addition, during the course of 2008/9, two new research groups were approved by both ERSA's Academic Board and its Steering Committee. The new focus areas are in:

- Economic History
- Public Economics.

Particularly in the case of the Economic History grouping, the formal recognition of the grouping was a result of repeated workshops that had been organised through ERSA, and which had demonstrated strong interest in the area by a range of scholars, particularly younger researchers.

The two new groupings are in the process of completing the formalisation of their programme, and we look forward to reports on their activities in the future.

It is worth noting that all three groups have asked for the opportunity to host three workshops each per annum, in order to provide continuous dissemination of research work, for training workshops, as well as networking opportunities for young and new researchers. Since there will continue to be centrally organised and hosted ERSA workshops in the future, the projected intensity of the ERSA workshop schedule is therefore likely to increase in 2008/9 and beyond.

Statements by the Three Research Programme Coordinators

1. Macroeconomics and Growth Group

The Macroeconomic and Growth group has organised the workshop on "African Economic Integration" at the University of Rhodes the 19th and 20th of June. The workshop has seen the participation of around 25 economists from around the country. The main result of the workshop has been the constitutions of a series of research groups on specific aspects of the process of economic integration in Africa. The results of this work will be presented in a future meeting at the University of Free State in October.

On the training side, Professors Katerina Juselius and Soren Johansen presented a series of lectures on Cointegration and Time Series Analysis in Cape Town from the 26 – 30 May 2008. The impact of these lectures in the development of the discipline in South Africa has been certainly significant and long-lasting.

In the year 2009, there will be a series of further initiatives on the research, policy and training side. On the 26th and 27th of March in Stellenbosch, there will be a workshop, organised in collaboration with the Wits Business School, on "Financial Instability and Emerging Markets", with Professor Barry Eichengreen from the University of Berkley and many South African academics and policy makers.

In September, in collaboration with the South African Reserve Bank, there will be a workshop on using DSGE models in policy making. The next month, at the University of Free State, there will be the Second Workshop on African Economic Integration. We are also receiving requests for organising further meetings at the University of Fort Hare and at the University of Johannesburg on Savings, Pensions and Social Security System.

Nicola Viegi
University of Cape Town

2. Microeconomics, Labour and Inequality Group

The Microeconomics, Labour and Inequality working group held two workshops over the past year. The first workshop (July 2008, in Cape Town) was a training workshop on non-parametric and semi-parametric estimation methods (lead by Professor Martin Wittenberg (UCT). The second workshop (January 2009, Durban) was a networking workshop, providing researchers the opportunity to present work in progress and to receive critical appraisal of research at a formative stage. The theme of the networking workshop was on households and labour markets. Both workshops were very successful.

There were more than twenty participants at each workshop, including senior post-graduate students, academics and researchers from a range of institutions in South Africa. The feedback from participants was very positive - the two kinds of workshops appear to be very effective mechanisms for developing microeconomic research capacity and stimulating rigorous research on microeconomics, labour and inequality in South Africa.

Dori Posel
University of KwaZulu-Natal

3. Trade and Industrial Organisation Group

In the period March 2008 to February 2009, the trade and industry group had one workshop, which took place at Kievits Kroon Country Estate near Pretoria on 26 November 2008. The workshop had two purposes: first, to reflect on the policy papers in the field of trade and industry that were produced as part of the Center for International Development at Harvard University's South African Growth Initiative project; second, to hear of new work in the field. These were covered in the morning and afternoon sessions respectively.

In the morning session, two of the contributors to the SA Growth Initiative project, Johann Fedderke and Lawrence Edwards, presented papers that had recently appeared in a special issue of the journal *Economics of Transition*, copies of which were provided to participants, and other papers concerned with industrial policy were also presented. The session ended with a roundtable discussion of trade and industrial policy which featured Simon Roberts of the Competition Commission and Christopher Loewald of the Treasury as well as the morning's presenters. The session provided an excellent overview and discussion of South African trade and industrial policy.

In the first part of the afternoon session, attention shifted to some recent theoretical work in industrial organisation, which was presented by Shakill Hassan and Witness Simbanegavi, each of UCT. The group has tended to concentrate on trade rather than industrial organisation, and applied rather than theoretical work, and therefore it was refreshing to see high quality work of this type emanating from South Africa. The day closed with a presentation by Neil Rankin of Wits of the state-of-play in regard to empirical modeling of trade issues at the firm level. This is one of the major interests of the group, as reflected in its previous workshop of 2008, and is certain to feature again on the agenda for 2009.

Further workshops have been arranged for March 2009. The overall programme appears to be working well in eliciting interest and engagement from a broad range of participants, from both the academic and policy making communities, in the various aspects of international trade theory and industrial organisation.

James Fairburn
University of KwaZulu-Natal



Moses Tladi: Cherry tree and old carriage house at Lokshoek

Lokshoek was Herbert Read's property in Parktown, Johannesburg. Read was particularly interested in trees (he was a founder and first vice-chairman of the South African Forestry Association) and developed a method of pruning young trees to increase their spread, as seen here in a Japanese flowering cherry. In the background is the picturesque old carriage house with its dovecote. The painting is a good example of Tladi's somewhat formal early style, untutored, yet already showing strong application of paint

4. ERSA Sponsored Visitors

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

A list of international visitors to ERSA Workshops is provided in Table 5 below.

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.

Table 5: International Visitors 2008 - 2009

Steven Bond	Oxford University
Sebastian Galiani	Washington University, St Louis
Stan Hurn	Queensland University of Technology
Soren Johansen	University of Copenhagen
Katarina Juselius	University of Copenhagen
Robert Lawrence	Harvard University
Jim Levinsohn	University of Michigan
Greg Lewis	Harvard University
Martine Mariotti	Australian National University
Analia Olgiati	Princeton University
Jeffrey Racine	McMaster University Canada
Mans Soderbom	Goteborg University

5. ERSA 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 6.

Table 6: Prize Winner Students 2008

Institution	Placing	First Year	Second Year	Third Year	Honours	Masters	PhD
Monash	First Place	M Chisanga	O Walmsley				
	Second Place	K Moseki	V Mtatifikolo				
NMMU	First Place	J Cloete	F Kayoki	Z Brey	F Wasswa		
	Second Place	E Revesai	N van Antwerpen	L Cloete	J Dikgang		
UCT	First Place	R Tully	K Lamont	N Gugushe	J Garlick	R Agassi	N Samouilhan
	Second Place	BTakawira	C Veller	M Thomas & D Buchanan	S Franklyn	A Frauenknecht	B Maghan-Brown
UFH – E.L	First Place	N Somtunzi	J Hayne	N Ntozini	Y Gwenhure		
	Second Place	B Mgxekwa	J Mangwiro	Mi Collins	V Madubeko		
U.J	First Place	V Mulder	NNA Mavee	RST Carter	J Milo	WPC Smith	L Bonga-Bonga
	Second Place	U Mungwari	L Pane	J Yang	LP Huges	M Perold	
UL	First Place	AA Kupani	TC Masilela	RA Rasebotsa	T D Mabye		
	Second Place	G Nyirenda	D Chauke	MD Tshehla	MV Malatji		
UP	First Place	CP van der Sande	APG Spyron	LA von Oppel	J Benade	Y Jordaan	A de Wet
	Second Place	RD Dhanray	JN Ferreira	BJ Barrett	H da Silva	R Inglesi	E Ziramba
US	First Place	M Farnham	I Barnardt	E Haupt			
	Second Place	F Kamper	L Olivier	L Pretorius			
Wits	First Place	C Wallington	S Seedat	S Ward	I Abramowitz	TMoahloli	
	Second Place	SDrury	A Lowe	J Friendland	S Watson	M Wolny	



Moses Tladi: Caught in a wind

Colin Allen, Tladi's teenage friend and painting companion, became a doctor. When the Second World War broke out, he joined the South African Defence Force, and was soon sent "Up North" to the battle front in Egypt. His heroic action rescuing survivors from a burning aeroplane won him a George Medal and much public attention. Tladi painted this picture for him, and delivered it to Colin's father in Parktown, where it awaited his return from the front. Colin later became professor of orthopaedics at the University of Cape Town. He treasured Tladi's painting, and memories of their friendship, for the rest of his life. This work is a remarkable example of Tladi's development as a painter. His technique here has become so fine-tuned, his handling of paint so natural that the brushstrokes have a speed and freedom like that of an impressionist master. It is an intensely poetic work, absorbed by the passion to capture the essence of movement, of a single moment, an instant in the wind.

6. ERSA Scholarships

During the course of 2008/9, ERSA introduced a scholarship programme.

The intention of the programme is to facilitate graduate study in economics. Specific recognition is thereby given to the fact that students in South Africa face considerable opportunity costs when undertaking graduate work, such that the supply of well-trained graduate economists in South Africa is not as great as it ideally should be.

A total of 10 scholarships were awarded, each valued at R80,000. Scholarships were able to be used at an institution of higher learning at the choice-discretion of the scholarship applicants.

The selection panel for the ERSA Scholarships were: Tania Ajam, Doritt Posel, John Luiz, Nicola Viegi (in place of Jan van Heerden who fell ill), assisted by Tania Jacobs (representing ERSA administration).

A total of 33 applications were received. The selection panel set strict criteria upon which to base the selection of the 10 successful candidates.

The criteria of choice were set as follows:

- 1) The applicants would need to convincingly demonstrate their ability to succeed in a credible postgraduate economics programme.
- 2) A full application pack would only be considered – applicants would be eliminated where references or transcripts, etc were outstanding
- 3) The criteria of a 70% academic standard would be strictly adhered to.
- 4) Selection would be based on merit and if candidates are of similar standards, then diversity preference in terms of race/gender, etc., would apply.
- 5) Priority would be given to PhD study.
- 6) A balance should be in place with regards to SA study and international study.
- 7) Scholarships will only be awarded to full-time students.
- 8) Preference would be given to subject specialisation.

The 10 scholarships were awarded based on merit with a balance struck between diversity and institutions of intended study. Three scholarships were awarded to PhD study, and seven to Masters study.

The list of scholarship winners is as presented in Table 7.

Table 7: ERSA Scholarship Winners

Student Name	Institution	Course
Neryvia Pillay	UCT	PhD
Justin Visagie	UKZN	PhD
Karl Pauw	UCT	PhD
Melissa van Rensburg	US	Masters
Justine Barnard	UP	Masters
Ernest Walker	US	Masters
Jesse Naidoo	UCT	Masters
Julia Garlic	UCT	Masters
Andre Frauenknecht	UCT	Masters
Kathryn Lloyd	Wits	Masters

7. 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 applied for funding from ERSA to invite Prof Greg Lewis from Harvard University to present a lecture series on market design. UCT reported on the outcome of Prof Lewis' visit below.

UNIVERSITY OF CAPE TOWN



School of Economics

Economic Research Southern Africa

Dear Johann

Report on Funding received Diaspora Programme

This note reports on the use of the funds allocated in terms of the Diaspora Programme as requested in your letter of 6 April 2009. The letter was addressed to Prof Anthony Black who was Acting Director of the School at the time.

In April 2008, the School of Economics was allocated R173 000, with the purpose being to bring back young South African academics currently teaching abroad and to help develop these linkages.

To date the funds have been spent as follows:

Travel cost and honorarium for Prof Greg Lewis	40,000.00
Administrative costs associated with the above	250.00
Total spent to date	40,250.00

Greg Lewis is a South African who has recently been appointed to a position at Harvard University. He was invited to present a lecture series on market design during August 2008. The course was attended by approximately 15 graduate and senior undergraduate students as well as a few staff and exposed them to cutting edge material in this dynamic field. The feedback from those who attended was very positive.

In his report on the visit, Professor Lewis made the interesting proposal of a Summer Institute where these kinds of visits could be consolidated with the possibility of funding for students from other parts of the country to attend.

We are in discussion with one of our former students, Lawrence Wilse-Samson (Columbia University), regarding the possibility of him visiting during the forthcoming semester and contributing in the area of finance and international finance.

Sincerely

Corne van Walbeek
Director: School of Economics

8. ERSA Donations

- **The Economic Society of South Africa**

ERSA was approached by the Economic Society of South Africa to provide financial assistance to the society to convene a meeting of the Academic committee of South Africa. While purpose of this meeting was to provide a platform for addressing some of the collective action problems facing economics departments at universities in the country, it also presented an opportunity for ERSA to discuss research initiatives with the heads of the various departments.

- **African Econometric Society**

ERSA has developed the tradition of supporting the AES through the funding of keynote speaker attendance at the annual conference.

This was the case for the 13th Annual Conference of the African Econometric Society where a donation was made to cover the costs of the travelling expenses of Prof Badi Baltagi.

08 May 2009

Johannes Fedderke
Director
ERSA

Dear Johann

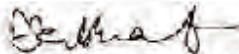
RE: ERSA Support for the ESSA Academic Committee

On 12 June 2008, ESSA held the first meeting of the Academic Committee. This is a committee of Heads of Economics Departments in South Africa's universities. There are many issues of common interest that confront these departments and this committee provides a forum to air these issues as well as to formulate a collective response if necessary. It also provides an opportunity to share best practice in teaching and the promotion of research. Thus, this is clearly a good idea.

However, the meeting would not have happened without the favourable response from ERSA to a request from ESSA for financial support for the meeting. It was sponsored in its entirety by ERSA and I would like to formally record the appreciation of the Society for this. In my view this is a wonderful contribution from ERSA to the network of South African academic economists.

The convenor of this Committee, Professor Stan du Plessis, wrote an excellent report on the meeting for the ESSA Council. I append this report below in case the details of the meeting are of interest to your Academic Board or anyone reading your Annual Report.

Sincerely



Professor Murray Leibbrandt
President of ESSA



Prof Johann Fedderke
Director
Economic Research Southern Africa

Re: AES Conference 2008, Support for Prof Baltagi

Dear Prof Fedderke:

Recently, the University of Pretoria hosted the 13th African Econometric Society in Pretoria, on the University of Pretoria campus; three keynote speakers were invited to participate. During that conference, Prof Bati Baltagi, Distinguished Professor of Economics at the University of Syracuse and CPR Research Associate, delivered the Economic Research Southern Africa Lecture. The lecture was entitled, "A Generalized Spatial Panel Data Model with Random Effects."

THE AES and AES Conference

The African Econometric Society Conference is the main activity of the African Econometric Society (AES), which is an international scholarly society for the advancement of economic theory, in its relation to statistics and mathematics, especially, but not limited to, African themes. Currently, the AES has more than 300 members, of which the majority are located in Africa; however, a substantial number of members are located in Europe and North America. The conference allows researchers from different countries, with different backgrounds, and different concerns, to learn from each other and improve their research. It has always been envisioned, that researchers from the AES would, through the AES Conference, be better able to publish their research in international journals.

The aim of the conference is to provide a forum, in which various members can discuss the advancement of econometrics, primarily applied to African themes. Discussions are based upon submitted papers, which are accepted for presentation. In 2008, approximately 70% of the 170 originally submitted papers were accepted. 110 Delegates attended the conference from all continents, excluding Antarctica. Of those 110 delegates, 42 were students. Most of those students were M and PhD students from South Africa, but there were also students from Nigeria, Kenya, Korea, and Europe. 74 papers were presented, while 3 keynote addresses were also delivered. One keynote was delivered by Stephen Hall, another by Badi Baltagi, and another by Hashem Pesaran. The first was partly funded by the University of Pretoria, the second by ERSAm and the last of these was partly funded by the NRF, as well as National Treasury.

In addition to the direct conference activities, delegates had many opportunities to interact with prominent econometricians from around the world in a very intimate setting. At least two separate dinners were held. In the first, senior economics researchers in South Africa were able to spend time with all three keynote speakers. The second dinner, the conference dinner, was a more celebratory affair, in which the conference attendees were able to speak with each other, reminisce about the early years of the conference, as well as future conferences.

The final highlight that I would like to bring to attention is the awarding of student prizes for best papers that were delivered at the conference. The funding for these prizes came from other sources, but the prizes were still a useful contribution.

The conference, itself, is not a publication venue; however, the conference, which is the main activity of the African Econometric Society, provided the opportunity for a large number of delegates to interact, and agree on a new activity for the society. Within the next few years, the African Econometric Society will be bringing out a working paper series. It is expected that the working paper series will include, as authors, the keynote speakers from our conferences. In addition, the working paper series will provide an outlet, and, most importantly, valuable feedback to improve research, that might not otherwise have existed.

Another important outcome that arose from the conference was the establishment of African Econometric Society Fellows. These Fellowships will be reserved for individuals, who have made valuable contributions to either the understanding of econometrics and econometric issues in Africa, or more directly to the society itself. The last important outcome to arise from the conference is that future conferences will reserve part of their time for training workshops to be presented, at least sometimes, by the keynote speakers.

Professor Badi Baltagi was able to spend time with South African students, as well as students and researchers from other universities in and around Africa. Although it is difficult to quantify the exact value-added by Prof Baltagi (and the other keynote speakers), without them, the conference would not have been a success. We rely heavily on outsiders to help us raise the quality of our research. Without that interaction, economic research in South Africa would still be decades behind the rest of the world.

Conference Feedback

The delegates were exceptionally pleased with the organization, although we did not directly ask for too much feedback. However, one piece of feedback is particularly telling. Below, I provide a quote from one of the delegates, who is busy trying to help us raise our profile, internationally. I believe that this year's conference was good for moving in that direction, as this quote illustrates.

Dear all,

Prof David Hendry, Prof Ait-Sahalia and myself had a working lunch today (18/07/2008) at Singapore with the President and the Secretary of the Econometrics Society to discuss the possibility of our Society becoming a chapter of the Econometrics Society. The President and the Secretary were very supportive and think that the Econometrics Society Council who is going to meet in August before the European Meeting in Milan is likely to support our request. They need information on our Society to present our case to the Council.

Can Stan, Renee and possibly past Presidents and others gather as much information as possible on our Society: in particular for each past meeting of our society: the number of attendees, the keynote speakers, number of papers submitted and presented, the venues ect... ect... Also the constitution of our Society and other working procedures, elections, Past Presidents, website...

It will be nice if all these information is in electronic form. I know the delays are tight but I would like to receive these information as soon as possible and before the end of this month/beginning of August. I am sorry about the tight delays.

Best regards

Kaddour

Were it not for the continued generous support of institutions like Economic Research Southern Africa, african econometricians would have had neither the opportunity to learn from Prof Baltagi nor the opportunity to become part of the Econometric Society.
Best Regards,

Prof SF Koch



Moses Tladi: White Roses in a glass vase

A critic who saw some of Tladi's flower paintings at an exhibition thought little of them, yet they have stood the test of time. Here, Tladi the gardener has caught perfectly the distinctive character of this white Edwardian rose, with its flat blooms and tight whorls of petals. Their symmetry, and asymmetry, are echoed in the painting of the vase, which expresses the strange distortions we see in the interplays of light and water seen through glass. In character, and in handling of paint, the artist here can evoke the concerns of painters like Fantin-Latour, and Derain.

9. ERSA Computer Lab

During 2008/9, the ERSA Computer Training Facility was finally completed.

This has involved the creation of a 24 station computer laboratory at the University of Stellenbosch, together with twin projection facilities, and the following software:

- EViews
- GAUSS
- PcGIVE
- MATLAB
- RATS
- CATS for RATS
- Scientific Workplace
- STATA

The University of Stellenbosch has proved to be a particularly welcoming host for the computer facility. Response times to requests have been rapid, high quality dedicated space was readily made available, computer support services have been very sound, and in addition the university has placed additional funds available for the facility in order to further improve the standard of the hardware that is used in the laboratory.

The terms on which ERSA and the University of Stellenbosch will have joint use of the facility have been agreed in principle, but awaits signing under the new Memorandum of Understanding with the National Treasury.

10. ERSA Press Releases

March 2008:

- US news, rather than SA news, drives short-term movement in the rand-dollar exchange rate (from "Macroeconomic News 'Surprises' and the Rand/Dollar Exchange rate", Johannes Fedderke and Philippe Flamand)
- Inflation Targeting in Times of Uncertainty: A tougher stance is justified (comment by Nicola Viegi)

April 2008:

- What inflation is costing you (from "Measuring the welfare cost of inflation in South Africa", Rangan Gupta and Josine Uwilingiye).
- Day labourers by the roadside: indicator of economic opportunity? (from "Day labourers, unemployment and socio-economic development in South Africa", Alet Harmse, PF Blaauw and CJ Schenck).

May 2008:

- Retirement savings boost consumption, at the expense of total savings (from "The Impact of Retirement Benefits on Consumption and Saving in South Africa", Vasco Nhabinde and Niek Schoeman).

June 2008:

- South Africa needs more than disciplined fiscal policy to increase its savings rate (Lumengo Bonga-Bonga)

July 2008:

- Jobs for friends: Social networks increase the chances of ethnic concentration in occupations (Andre Hofmeyr)

August 2008:

- Advertising bans are a good cure for smoking (Evan Blecher)

October 2008:

- Why marriage is good for men's pockets (Dori Posel and Daniela Casale)

December 2008:

- South Africa's interest rate policy: Prudence demands a Bold Move (Nicola Viegi)

February 2009:

- Higher levels of tax evasion in a corrupt economy, encourage policy making that hinders the functioning of private financial markets (Rangan Gupta and Emmanuel Ziramba)
- South Africa can reduce its crude oil import risk (Hammed Amusa, Njeri Wabiri and Krish Chetty)

Appendix I: Workshop Reports: March 2008 – March 2009

1. Applied Time Series Analysis: 26 – 30 May 2008: UCT

The Applied Time Series Analysis workshop was conducted by Katarina Juselius, in collaboration with Søren Johansen, both of the University of Copenhagen.

The opportunity to host a workshop led by two of the leading exponents of time series analysis in South Africa was particularly welcome. In view of the seniority and the international standing of the workshop presenters, workshop attendance was focused on members of academic faculty in South Africa, particularly those teaching times series analysis, and senior graduate students working actively with these techniques. The objective of this focus was to maximise the impact of the workshop sessions in terms of transmission of the learnt expertise to the student body in South Africa.

There was strong attendance at the workshop from the targeted groups, as well as from policy relevant institutions such as the National Treasury and the South African Reserve Bank.

The focus of the workshop was applied time series analysis, and followed the outline and material contained in *The Cointegrated VAR Model: Methodology and Applications* in the Advanced Texts in Econometrics series by Oxford University Press.

Specific topics covered were:

- Models and relations in economics and econometrics.
- The probability approach in econometrics and the VAR
- The unrestricted VAR
- The cointegrated VAR model
- Deterministic components in the I(1) model
- Estimation in the I(1) model
- Determination of cointegration rank
- Testing restrictions on β
- Testing restrictions on α
- Identification of the long-run structure
- Identification of common trends

In addition to the coverage of theoretical econometric concepts, there was consistent and strong emphasis on concrete applications, specifically with a macroeconometric modeling focus. Software applications were run in CATS for RATS, and PcGIVE packages.

Feedback from conference participants was strongly positive on course content. The only problem identified was the quality of the workshop computing facilities at UCT, which proved to be unsuitable for full-day sessions due to inadequate seating, unstable computing platforms, and late loading of the requisite software packages.

2. Prospective on African Economic Integration: 19 – 20 June 2008: Rhodes University

Introduction

This a brief report on the ERSA Workshop on Perspective of Economic Integration in Africa, held on June 19-20, 2008 at Rhodes University, Grahamstown. The workshop opened at 9.00am on Thursday, 19th and ended at 2.00 pm on Friday 20th. About 20 people participated in the workshop each day.

Programme

Altogether 15 papers were presented. The programme was organised into five sessions with each focusing on an aspect of economic integration in Africa. In the first session with the theme "Regional Integration in Africa", papers with a focus on how to measure the degree of financial integration and the implication of such integration for policy were presented. The three papers presented in this session specifically focused on the SADC countries. The evidence from the papers suggested a high level of financial integration in the Common Monetary Area (CMA), but the financial systems of the rest of the SADC are still very much fragmented. With the exception of very few countries that can be incorporated in an expanded CMA, for the rest of the countries much work needs to be done before they could form part of a monetary union.

The second session has the theme "Integration of Africa with the rest of the world". Two papers were presented in this session and they focus specifically on the level of integration of South Africa with European and other major economies of the world. The evidence obtained in these papers suggests there is still a low level of integration between South Africa and the rest of the world despite the post-apartheid liberal policies.

The third session has the theme "Economic Integration and Capital Flows Issues". This session featured three papers which focused on South Africa and the other countries of the Southern African Custom Union (SACU). The evidence presented in some of these papers suggests that different capital flows have different effects on the growth of the economies. The papers stressed the need to attract more FDI capital flows as opposed to debt and aid flows.

In session four with the theme "Economic Integration, Trade and Fiscal Issues" three papers were delivered. Session five has the theme "Institutional Aspects of Regional Integration in Africa". The session featured four papers.

Each day ended with a session where participants deliberated on issues arising from the papers presented.

Issues arising from the workshop

There was agreement that more research is needed on specific issues such as the development of an integration model for Africa, the issue of sequencing in Africa's integration – for instance, should trade integration precede financial integration or vice versa, the role of financial development, trade, migration, and infrastructure development as well as the role of South Africa in the integration of the SADC region.

A follow-up workshop was proposed that will focus specifically on documenting the state of knowledge on economic integration in Africa. It was suggested that the workshop should assemble papers that review the literature on different themes on economic integration in Africa. If possible, individuals should be identified and encouraged to review literature on a specific issue. This would help to determine where gaps exist in the study of economic integration Africa, and areas needing research attention. Ultimately, it is hoped that the workshop would come up with a specific research agenda on economic integration issues in Africa.

3. Promoting Economic History in Southern Africa: 25 – 26 September 2008: Durban

The networking workshop brought together 29 researchers working in the field of economic and business history in South Africa. The participants consisted of an international speaker/facilitator (Martine Mariotti of the Australian National University) and representatives from 8 different South African universities and research institutions.

The workshop combined the presentation of recently published work, work in progress, information sessions on the state of economic history in South Africa, and brainstorming sessions. The papers were a combination of qualitative and quantitative work, recent history and history going back two centuries. Three sessions conveyed information on recent trends in economic history, university-level teaching of economic history in South Africa, and publication outlets for economic history research. One of the brainstorming sessions focused on strategies for creating interest in economic history research in South Africa, and the other on possible research topics, cooperation between researchers, and the possibility of establishing an ERSA research group. The brainstorming sessions delivered constructive suggestions, notably on an application to establish an ERSA research group. Another important suggestion was for a publication to take stock of economic history research in South Africa along various themes and to suggest fruitful avenues for future research.

The lack of quantitative research skills was identified as a big constraint. In order to address this issue, an ERSA funded training workshop was proposed for the end of January 2009.

On the whole, the response of the participants was very positive and the interaction between the researchers very fruitful. The workshop definitely achieved its objectives of bringing together researchers in the field of economic history, building bridges across research fields and setting specific goals for the future. The obvious enthusiasm and energy at the workshop suggests that the study of economic history in South Africa has obtained new momentum and that interest in the field is poised to grow rapidly, as has been happening internationally of late.

4. Nonparametric and Semiparametric Methods: 15 – 18 July 2008: UCT

In July 2008, a successful four-day training workshop on nonparametric and semi-parametric estimation techniques was held at the University of Cape Town (UCT).

The workshop was led by Professor Martin Wittenberg from the School of Economics (UCT) and was attended by academics and senior post-graduate students from around the country, including from the University of KwaZulu-Natal, the University of Pretoria, the Nelson Mandela Metropolitan University, the University of Venda, the University of Fort Hare, Stellenbosch University and UCT. The workshop covered a range of topics, from kernel density estimators to kernel regression analysis, where theory sessions were complemented with computer lab practicals. The overall assessment of the workshop from participants was very positive.

5. Nonparametric Methods: 3 - 7 November 2008: University of Pretoria

The University of Pretoria, through the generous sponsorship of ERSA, hosted Prof Jeffrey S Racine, the Senator William MacMaster Chair in Economics at MacMaster University (Canada).

Prof Racine spent just over two weeks in Pretoria. During that time, he worked with Dr Ruthira Naraidoo, Prof Steven F Koch, Dr Funke Alaba and Mr Gauthier Tsishwaka-Kashala on a number of different research projects. Although it is too early to tell, all of us are expecting to have a research paper based upon his visit, to be submitted to ERSA early next year.

In addition to his time spent with a few researchers at UP, he gave a research seminar based on some of his most recent research, which was attended by both economics department faculty members, as well as statistics department faculty members. He also conducted a research roundtable with department heads and the Dean of the Faculty of Economic and Management Sciences at the University of Pretoria. The purpose of the roundtable discussion was to discuss how Canadian universities (as well as Australian universities, at which Jeff has spent a significant amount of time) compete against US universities for talented researchers. He also discussed how their department was organised, as well as provided insight for incentivising researchers.

Furthermore, and possibly most relevant to ERSA, Jeff presented a five-days course based upon a large proportion of his co-authored, with Qi Li, nonparametric econometrics textbook. The material covered in the course included univariate and bivariate kernel density estimation, kernel regression analysis, kernel regression of panel data, time series and conditional probability models, testing of nonparametric densities and regression models, and restricted kernel regression models. In other words, the course coverage was extensive. Although course coverage was impressive, the other aspect of the course that was impressive was the time he spent teaching people about 'R', which is an open-source implementation of S-Plus, and S-weave. 'R' is unbelievably powerful software, while S-weave is a beautiful, again, open-source program that literally 'weaves' latex and 'R'.²

Approximately 35 attendees from across South Africa, and including some Namibians, attended the course.³ Fortunately, they were all able to return to their home institutions and begin using what they had learned, since the software is freely

² As an example of the power of S-weave, Jeff showed how people could write papers in latex that included results directly from R, such that no typographical errors, caused by faulty data entry, could be created.

³

available. Jeff and another colleague have spent 15 years developing the 'np' package that can be used in 'R'; the 'np' programme has gone through a software refereeing process, and, therefore, he will receive citations from our use of his software. Most importantly, the package is rather straightforward to use, even though nonparametric analyses are computationally expensive.

Jeff's delivery of the course was enjoyable, and easy to follow. He also made notes available to attendees, so they could take information back with them, without having to buy his text. From a practical perspective, Jeff spent many hours with the students helping them understand the software. His lab problems were very practical; everyone in the course coded-up some kernel densities, so they could understand how they are created, including some simple bandwidth selection.

The responses from attendees were, on the whole, extremely positive.

6. Trade & Industry: Policies and Analysis: 26 November 2008: Pretoria

In the period March 2008 to February 2009 the trade and industry group had one workshop, which took place at Kievits Kroon Country Estate near Pretoria on 26 November 2008. The workshop had two purposes: first, to reflect on the policy papers in the field of trade and industry that were produced as part of the Center for International Development at Harvard University's South African Growth Initiative project; second, to hear of new work in the field. These were covered in the morning and afternoon sessions respectively.

In the morning session two of the contributors to the SA Growth Initiative project, Johann Fedderke and Lawrence Edwards, presented papers that had recently appeared in a special issue of the journal *Economics of Transition*, copies of which were provided to participants, and other papers concerned with industrial policy were also presented. The session ended with a roundtable discussion of trade and industrial policy which featured Simon Roberts of the Competition Commission and Christopher Loewald of the Treasury as well as the morning's presenters. The session provided an excellent overview and discussion of South African trade and industrial policy.

In the first part of the afternoon session attention shifted to some recent theoretical work in industrial organization, which was presented by Shakill Hassan and Witness Simbanegavi, each of UCT. The group has tended to concentrate on trade rather than industrial organization, and applied rather than theoretical work, and therefore it was refreshing to see high quality work of this type emanating from South Africa. The day closed with a presentation by Neil Rankin of Wits of the state-of-play in regard to empirical modeling of trade issues at the firm level. This is one of the major interests of the group, as reflected in its previous workshop of 2008, and is certain to feature again on the agenda for 2009.

Further workshops have been arranged for March 2009. The overall programme appears to be working well in eliciting interest and engagement from a broad range of participants, from both the academic and policymaking communities, in the various aspects of international trade theory and industrial organization.

7. Econometric Methods for Panel Data: 12 – 16 January 2009: Stellenbosch

The Econometric Methods for Panel Data workshop was conducted by Stephen Bond, in collaboration with Måns Söderbom, of the Universities of Oxford and Gotenburg respectively.

Again this workshop represented the opportunity to host a leading exponent of dynamic panel data analysis, who has made a number of seminal contributions to the area. The opportunity to interact with leading scholars of this caliber in South Africa in the past has been rare. In view of the seniority and the international standing of the workshop presenters, workshop attendance was focused on members of academic faculty in South Africa, particularly those teaching times series analysis, and senior graduate students working actively with these techniques. The objective of this focus was to maximise the impact of the workshop sessions in terms of transmission of the learnt expertise to the student body in South Africa.

There was strong attendance at the workshop from the targeted groups.

The focus of the workshop was dynamic panel data analysis.

Specific topics covered were:

- Static regression models: within group and related estimators
- Dynamic models I – differenced GMM and related estimators
- Dynamic models II – system GMM and related estimators
- Specifications tests: estimation of production functions
- Specification tests: estimations of production functions
- Discrete choice models, with applications

In addition to the coverage of theoretical econometric concepts, there was consistent and strong emphasis on concrete applications, generally with an industrial data base modeling focus, though some macroeconomic modeling issues were also explored. Software applications were run in the STATA package.

Feedback about course content from conference participants was strongly positive . The quality of the workshop computing facilities at the university of Stellenbosch computing facilities and above all the computing support staff proved considerably superior to those previously encountered at UCT.

8. Financial Econometrics Part I: 20 – 22 January 2009: Stellenbosch

The Financial Econometrics Part I workshop was conducted by Stan Hurn of the Queensland University of Technology. It constitutes the first of two workshops, the second being scheduled for April 2009.

The focus of the workshop was on the econometric tools relevant to the analysis of financial data, including high frequency data.

Specific topics covered were:

- Understanding Financial Data
 - Are financial time series stationary?

- Trend and difference stationary
 - Testing for nonstationarity
 - Are financial time series independently and identically distributed over time?
 - Autocorrelation of Returns
 - Autocorrelation of Squared Returns
 - Autocorrelation of Absolute Returns
 - Autocorrelation of Fractional Returns
 - Are financial data normally distributed?
 - Testing For Normality
 - Nonparametric Density Estimation
 - Leptokurtosis
- Generalized Method of Moments
 - Basic GMM
 - Relationships with other Estimators
 - Importance of GMM in Economics and Finance: Estimating the Parameters of the C-CAPM Model
 - Estimation
 - Level Effects in Interest Rates
- Modelling Volatility
 - Statistical Properties of Asset Returns
 - The ARCH Model
 - Specification
 - Estimation
 - Testing
 - Univariate Extensions of ARCH Models
 - GARCH
 - Additional Variables
 - Asymmetries
 - Diagnostics
 - Dealing with Non-normality
 - Parametric
 - Correcting the Standard Errors
 - Risk-Return Trade-off: GARCH-M

In addition to the coverage of theoretical econometric concepts, there was consistent and strong emphasis on concrete applications on financial data. Software applications were run in the EViews package.

9. Household and Labour Markets: 22 – 23 January 2009: Durban

In January 2009, the Microeconomics, Labour and Inequality working group held a networking workshop in Durban. The broad theme of the workshop concerned the interaction between households and labour markets in South Africa. Thirteen papers were presented by participants from a range of institutions (including the University of Johannesburg, the University of KwaZulu-Natal, Stellenbosch University, Wits University, the University of Pretoria, the University of Cape Town and the Reserve Bank). The workshop was very successful in providing a forum for both young and more established researchers to receive concentrated and critical feedback on their current research. Participants agreed that these networking workshops provide an excellent opportunity to present work-in-progress. The timing of the workshop - at the start of the academic year - also worked well, and the next workshop is planned for January 2010.

10. Current Trade Policy Issues: 4 – 5 March 2009: Pretoria

This two-day training workshop took place at the Swan Lake conference centre in Centurion near Pretoria. The workshop was led by Professor Robert Lawrence of Harvard University who was visiting the University of Cape Town at that time. There were some 45 conference participants, more than half of whom work in government, both in South Africa and Zambia.

The workshop covered several themes under the broad trade policy heading. First, the evidence on the impact of globalization on growth, development and inequality was reviewed, and pre- and post-2000 trends were usefully contrasted. Second, the workshop covered developments in the world trading system, including such issues as deep and shallow integration, the World Trade Organization and the architecture of the international trading system, and the prospects of a development round of trade negotiations. The workshop also included two case studies of trade disputes – the hormone-treated beef and cotton cases. In these cases in particular, but also throughout the workshop, there was active engagement of workshop participants. All of this was expertly managed by Professor Lawrence.

11. Econometric Methods for Industrial Organisation and Competition Policy: 18 & 19 March 2009: Cape Town

Econometric Methods for Industrial Organization and Competition Policy: 18 – 19 March 2009: Cape Town

This two-day training workshop took place at the Premier Hotel Cape Manor in Cape Town. The workshop was led by Professor Jim Levinsohn of the University of Michigan, who was visiting the University of Cape Town at that time. There were some fifteen participants, mostly from academia but with some representation from government and from economic consultancies.

The workshop developed a detailed understanding of random coefficients models, as associated in particular with Jim Levinsohn's seminal work with Steven Berry and Ariel Pakes, "Automobile Prices in Market Equilibrium" (*Econometrica*, 63(4), pp.841-890). These techniques are used to model the demand for differentiated commodities, such as cars, in a manner that avoids imposing restrictive patterns of substitution between products. The techniques enable the analyst to assess the quantitative impact of a merger between two producers, for example, or a change in indirect tax rates, and can also be used to gauge the impact on welfare of the introduction of a new product.

The first session of the workshop comprised an introduction and overview, and in remaining sessions Professor Levinsohn led participants in detail through the application of these techniques. Participants gained a very clear understanding of the advantages of these methods over previously available alternatives, together with computational requirements and econometric interpretation. Possible applications in the South African context were also discussed.

12. Programme Evaluation Course: 9 – 12 March 2009: Stellenbosch

A course on programme evaluation methods was offered from 9 to 12 March 2009 in Stellenbosch. The course was jointly hosted and funded by the National Income Dynamics Study. The course was taught by Prof. Sebastian Galiani from Washington University in St Louis, assisted by Analia Olgiati from Princeton University. The course covered causal relationships and causal parameters, instrumental variables, treatment effect analysis and matching methods.

The course was attended by 25 participants from a wide range of universities and institutions, including the Eastern Cape Treasury, the Presidency, UFH, Wits, UP, UKZN, UFS, UCT and US.

The evaluation forms indicated that the vast majority of participants found the course very useful. Many participants indicated that they had particularly enjoyed the practical sessions led by Ms Olgiati. In future, it would be preferable to structure the course in the way it was intended (with theory in the mornings and practical lab sessions in the afternoons). The instructors re-arranged the course with a heavy front-loading of 2 full days of theory. This was considered too tiring by some participants.

Appendix II: ERSA Working and Policy Papers

Working Paper 01

Title: Mark-up Pricing in South African Industry

Author(s): Johannes Fedderke, Chandana Kularatne & Martine Mariotti

Journal: 2007, *Journal of African Economies*, 16(1), 28-69.

Working Paper 02

Title: Inflation Targets as Focal Points

Author(s): Maria Demertzis and Nicola Viegi

Journal: 2008, *International Journal of Central Banking*, 4(1), 55-87.

Working Paper 03

Title: Optimal timing of defections from price-setting cartels in volatile markets

Author(s): Shakill Hassan

Journal: 2006, *Economic Modelling*, 23(5), 792-804.

Working Paper 04

Title: Has transition improved well-being? An analysis based on income, inequality-adjusted income, nonincome, and subjective well-being measures

Author(s): Carola Gruen and Stephan Klasen

Working Paper 05

Title: Using Fractionalization Indexes: deriving methodological principles for growth studies from time series evidence,

Author(s): J. W. Fedderke; J.M. Luiz and R.H. J. de Kadt

Journal: 2008, *Social Indicators Research*, 85, 257-78.

Working Paper 06

Title: Trade liberalisation and labour demand within South African manufacturing firms

Author(s): Lawrence Edwards and Alberto Behar

Journal: 2006, *Studies in Economics and Econometrics*, 30(2), 127-46.

Working Paper 07

Title: 'Who replies in brackets and what are the implications for earnings estimates? An analysis of earnings data from South Africa'

Author(s): Dorrit Posel and Daniela Casale

Working Paper 08

Title: Demand for health care in HIV/AIDS – affected households in two communities in the Free State province of South Africa

Author(s): Frikkie Booyens and M Visser

Working Paper 09

Title: Entering and exiting collaborative purchasing relationships

Author(s): Al Bhimani; Pascal Frantz & Mthuli Ncube

Working Paper 10

Title: Reconsidering the business cycle and stabilisation policies in South Africa

Author(s): Stan du Plessis

Working Paper 11

Title: Monetary Policy, Determinacy, and Learnability in the Open Economy

Author(s): James Bullard & Eric Schaling

Working Paper 12

Title: Growth Impact and Determinants of Foreign Direct Investment into South Africa, 1956-2003

Author(s): J. W. Fedderke and A.T. Romm

Journal: 2006, *Economic Modelling*, 23, 738 - 60

Working Paper 13

Title: Challenging Cassandra: Household and Per Capita Household Income Distribution in the October Household Surveys 1995-1999, Income and Expenditure Surveys 1995 & 2000, and the Labour Force Survey 2000

Author(s): J. W. Fedderke, Jeenesh Manga and Farah Pirouz

Working Paper 14

Title: Corporate Governance, Manager Behavior, and Analyst Behavior as Determinants of Mergers and Acquisitions

Author(s): Al Bhimani & Mthuli Ncube

Working Paper 15

Title: The Political Economy of Institutions, Stability and Investment: a simultaneous equation approach in an emerging economy – the case of South Africa

Author(s): Johannes Fedderke and John Luiz

Journal: 2008, *Journal of Development Studies*, 44(7), 1056-1079

Working Paper 16

Title: What is the Structure of South African Happiness Equations? Evidence from Quality of Life Surveys

Author(s): Timothy Hinks and Carola Gruen

Working Paper 17

Title: The Impact of Performance Intensive Policy Intervention: Aid Policy that is Performance Intensive

Author(s): Johannes Fedderke and Robert Klitgaard

Working Paper 18

Title: Macroeconomic News 'Surprises' and the Rand/Dollar Exchange Rate

Author(s): Johannes Fedderke and Philippe Flamand

Journal: 2005, *Studies in Economics and Econometrics*, 29(3),1-16.

Working Paper 19

Title: Do Free Trade Agreements Create Trade for South Africa?

Author(s): Merle Holden & Landon McMillan

Working Paper 20

Title: Financial Systems and Monetary Policy in Africa

Author(s): Mthuli Ncube

Working Paper 21

Title: Evaluating the general equilibrium effects of a wage subsidy scheme for South Africa

Author(s): Kalie Pauw & Lawrence Edwards

Journal: 2006, *South African Journal of Economics*, 74(3), 442-62.

Working Paper 22

Title: Fractionalization and Long-Run Economic Growth: Webs and Direction of Association between the Economic and the Social – South Africa as a Time Series Case Study

Author(s): Johannes Fedderke and John Luiz

Journal: 2007, *Applied Economics*, 39, 1037-52.

Working Paper 23

Title: Industry Concentration in South African Manufacturing Industry: Trends and Consequences, 1972-96

Author(s): Johannes Fedderke & Gabor Szalontai

Journal: 2008, *Economic Modelling*, 26, 241-250

Working Paper 24

Title: The Aid and Maid System: South African Household Data Pitfalls

Author(s): Steve F Koch

Journal: 2007, *Studies in Economics and Econometrics*, 31(1), 1-28

Working Paper 25

Title: Governance, Incentives and Elections as Determinants of Economic Performance, Aid and Investment Flows

Author(s): Al Bhimani & Mthuli Ncube

Working Paper 26

Title: An Analysis of industry concentration in SA manufacturing, 1972-2001

Author(s): Johannes Fedderke

Journal: Forthcoming, *Applied Economics*

Working Paper 27

Title: Technology, Human Capital and Growth

Author(s): J. W. Fedderke.

Journal: 2006, in *South African Reserve Bank, Banco de Mexico and The People's Bank of China (eds.) Economic Growth, Proceedings of a G20 seminar held in Pretoria*, South Africa, on 4-5 August 2005.

Working Paper 28

Title: DEA Applied to a Gauteng Sample of South African Public Hospitals

Author(s): Jacques N Kibambe & Steven K Koch

Journal: 2007. *South Journal of Economics*, 75(2): 351-368

Working Paper 29

Title: Does Human Generate Social and Institutional Capital? Exploring Evidence From Time Series Data in a Middle Income Country

Author(s): Johannes Fedderke and John Luiz

Journal: forthcoming, *Oxford Economic Papers*.

Working Paper 30

Title: Economic Growth, Entrepreneurship and the Business Environment in Africa

Author(s): Mthuli Ncube

Working Paper 31

Title: The Determinants of Educational Attainment

Author(s): Charles Simkins

Working Paper 32

Title: A fixed point characterization of the dominance solvability of lattice games with strategic substitutes:

Author(s): Alexander Zimper

Journal: 2007, *International Journal of Game Theory*, 63, 107-117

Working Paper 33

Title: Informative Advertising: Competition or Cooperation?

Author(s): Witness Simbanegavi

Journal: 2009, *Journal of Industrial Economics*, (LVII), 147-166

Working Paper 34

Title: An Alternative Approach to the Existence of Sunspot Equilibria

Author(s): Haim Abraham

Working Paper 35

Title: Equilibrium Pricing When Only Some Goods Are Advertised

Author(s): Witness Simbanegavi

Working Paper 36

Title: Forecasting Investment Needs in South Africa's Electricity and Telecom Sectors

Author(s): Željko Bogetic and Johannes W. Fedderke

Journal: 2006, *South African Journal of Economics*, 74(3), 557-74.

Working Paper 37

Title: Antitrust Analysis for the Internet Upstream Market: a BGP Approach

Author(s): Alessio D'Ignazio & Emanuele Giovannetti

Date of Publication: April 2006

Working Paper 38

Title: The South African Phillips Curve: How Applicable is the Gordon Model?

Author(s): P Burger and M Markinkov

Journal: 2008, *South African Journal of Economics*, 74 (2), 172-189

Working Paper 39

Title: Infrastructure and Growth in South Africa: Direct and Indirect Productivity Impacts of 19 Infrastructure Measures

Author(s): J W. Fedderke & Z Bogetic

Journal: Forthcoming, *World Development*

Working Paper 40

Title: Flexibility of choice versus reduction of ambiguity

Author(s): Ani Guerdjikova and Alexander Zimper:

Journal: *Social Choice and Welfare*, 30, 507-526

Working Paper 41

Title: What Advertisers Want: A Hedonic Analysis of Advertising Rates in South African Consumer Magazines

Author(s): Nicolas Pietersma

Working Paper 42

Title: The Relationship Between International Equity Market Behaviour and the JSE

Author(s): Nick Samouilhan

Journal: 2006, *South African Journal of Economics*, 74(2), 248-60.

Working Paper 43

Title: Industry Structure and Labour Market Flexibility in the South African Manufacturing Sector: A Time Series and Panel Data Approach

Author(s): Johannes W. Fedderke and Andrew J Hill

Working Paper 44

Title: Currency Crises and Monetary Policy in an Economy with Credit Constraints: The Case for Low Interest Rates Restored

Author(s): Shakill Hassan

Working Paper 45

Title: An epistemic model of an agent who does not reflect on reasoning processes

Author(s): Alexander Zipmer

Working Paper 46

Title: Dissecting post-apartheid labour market developments: Decomposing a discrete choice model while dealing with unobservables

Author(s): Martin Wittenberg

Working Paper 47

Title: Security and Potential Level Preferences with Thresholds

Author(s): Ulrich Schmidt & Alexander Zipmer:

Journal: 2007, *Journal of Mathematical Psychology*, 51, 279-289

Working Paper 48

Title: The Direct Productivity Impact of Infrastructure Investment: Dynamic Panel Data Evidence From Sub Saharan Africa

Author(s): Ibrahim Bun Kamara

Working Paper 49

Title: The Price of Risk on the JSE

Author(s): Nick Samouilhan

Journal: 2007, *South African Journal of Economics*, 75(3), 442-58.

Working Paper 50

Title: Synchronization between South Africa and the U.S.: A Structural Dynamic Factor Analysis

Author(s): Alain Kabundi

Working Paper 51

Title: Forecasting the South African Economy: A DSGE-VAR Approach

Author(s): Guangling 'Dave' Liu, Rangan Gupta and Eric Schaling

Working Paper 52

Title: Can local communities in Zimbabwe be trusted with wildlife management?: Evidence from contingent valuation of elephants

Author(s): Edwin Muchapondwa, Fredrik Carlsson and Gunmar Köhlin

Journal: 2008, *South African Journal of Economics*, 76(4), 685-704

Working Paper 53

Title: The Spatial Distribution of Manufacturing in South Africa 1970-1996, its Determinants and Policy Implications

Author(s): Johannes Fedderke and Alexandra Wollnik

Working Paper 54

Title: Competition and Productivity Growth in South Africa
Author(s): Philippe Aghion, Matias Braun, and Johannes Fedderke
Journal: 2008, *Economics of Transition*, 16(4), 741-768

Working Paper 55

Title: Robust Estimates of Okun's Coefficient for South Africa:
Author(s): J. Geldenhuys and M. Marinkov
Journal: 2007, *South African Journal of Economics*, 75(3), 373-90.

Working Paper 56

Title: Schooling as a Lottery: Racial Differences in School Advancement in Urban South Africa
Author(s): David Lam, Cally Ardington and Murray Leibbrandt

Working Paper 57

Title: The male marital earnings premium in the context of bridewealth payments: Evidence from South Africa
Author(s): Daniela Casale and Dorrit Posel

Working Paper 58

Title: Half empty, half full and why we can agree to disagree forever
Author(s): Alexander Zimper
Journal: Forthcoming, *Journal of Economic Behaviour and Organization*

Working Paper 59

Title: Labor supply responses to large social transfers: Longitudinal evidence from South Africa
Author(s): Cally Ardington, Anne Case and Victoria Hosegood
Journal: 2009, *American Economic Journal – Applied Economics*, 1 (1), 22-48

Working Paper 60

Title: Exchange Rates and Product Variety
Author(s): Witness Simbanegavi
Journal: forthcoming, *International Journal of Finance and Economics*.

Working Paper 61

Title: Is there evidence of a wage penalty to female part-time employment in South Africa?
Author(s): Dorrit Posel and Colette Muller
Journal: 2008, *South African Journal of Economics*, 76(1), 26-44

Working Paper 62

Title: Learning About the Term Structure and Optimal Rules for Inflation Targeting
Author(s): Mewael F. Tesfaselassie, Eric Schaling, Sylvester Eijffinger

Working Paper 63

Title: Economics, realism and reality: a comparison of Mäki and Lawson
Author(s): Duncan Hodge
Journal: 2008, *Cambridge Journal of Economics*, 32, 163-202

Working Paper 64

Title: A Theoretically Defensible Measure of Risk: Using Financial Market Data from a Middle Income Context
Author(s): Johannes Fedderke and Neryvia Pillay

Working Paper 65

Title: Can the restrictive harvest period policy conserve mopane worms in Southern Africa? A bio-economic modelling approach

Author(s): Wisdom Akpalu, Edwin Muchapondwa & Precious Zikhali

Journal: Forthcoming, *Environment and Development Economics*

Working Paper 66

Title: A Method for Theoretical Innovation in Economics

Author(s): Arnold Wentzel

Working Paper 67

Title: Inflation and Financial Development: Evidence from Brazil

Author(s): Manoel Bittencourt

Working Paper 68

Title: Measuring the welfare cost of inflation in South Africa

Author(s): Rangan Gupta and Josine Uwilingiye

Journal: 2008, *South African Journal of Economics*, 76(1), 16-25

Working Paper 69

Title: The Impact of Retirement Benefits on Consumption and Saving in South Africa

Author(s): V C Nhabinde and N J Schoeman

Abstract:

In this paper we empirically analyse the impact of retirement benefits on consumption and personal saving in South Africa using the Feldstein 1974 specification and procedure. By using a basic extended Ando-Modigliani life cycle model we show that the introduction of retirement programs crowds out discretionary household saving and consumption of contributors to such programs. There against, benefits paid by these programs contribute positively to consumption with a concomitant decline in the national pool of savings. However, taxes on retirement benefits affect the discounted value thereof and any change in such tax policy would therefore affect the saving behaviour of contributors in the opposite direction of the tax policy. We use time series data on consumption per capita, disposable labour-income per capita and pension and benefit payments from provident funds both public and privately managed. Using OLS, we find that estimates of retirement benefits are robust when regressed with the per capita government deficit and per capita durable consumption. The estimates are also stable when regressed with the full Barro specification (which includes the per capita government deficit, per capita durable consumption expenditure and the product of unemployment and per capita disposable income).

Working Paper 70

Title: Currency Substitution and Financial Repression

Author(s): Rangan Gupta

Abstract: In this paper, we use a general equilibrium overlapping generations monetary endogenous growth model of a small open economy, to analyze whether financial repression, measured via the "high" mandatory reserve-deposit requirements of financial intermediaries, is an optimal response of a consolidated government following an increase in the degree of currency substitution. We find that higher currency substitution can yield higher reserve requirements, but, the result depends crucially on how the consumer weighs money in the utility function relative to domestic and foreign consumptions, and also the size of the government

Working Paper 71

Title: Inflation Targeting: a Framework for Communication

Author(s): Maria Demertzis and Nicola Viegi

Abstract: More than a monetary policy strategy, we interpret inflation targeting as a framework for communication. We model monetary policy as an information game between the Bank and private agents. Our analysis shows how the provision of an explicit numerical inflation objective overcomes potential information imperfections by providing a focal point for agents who form expectations. Furthermore, the

combination of the target and the tolerance bands around it communicated, provide a very clear framework with which to evaluate monetary policy outcomes. A successful Central Bank then builds up credibility and a credible Central Bank is in a better position to be successful in subsequent periods. We show how (and when) inflation targeting exploits this self-reinforcing loop to help the Central Bank endure large and long-lasting shocks. Last, we show that a trade-off emerges when choosing the band-width: too narrow bands provide a focal point but reduce the likelihood of inflation being 'successful'. Too wide bands on the other hand, lead easier to success but at the risk of failing to provide a clear focal point. We thus derive the optimal band-width for different scenarios.

Working Paper 72

Title: Fiscal Illusion at the Local Sphere: An Empirical Test of the Flypaper Effect using South African Municipal Data

Author(s): Hammed Amusa, Robert Mabunda and Ramos Mabugu
Journal: 2008, *South African Journal of Economics*, 76(3), 443-465

Abstract: Despite South Africa's relatively decentralized governance and administrative structure, an important feature of the country's intergovernmental fiscal relations system is the gap that exists between the expenditure responsibilities of sub-national authorities and their assigned revenue bases. The resulting vertical fiscal imbalance is mainly addressed via significant intergovernmental transfers to provinces and local governments. This factor presents strong a priori grounds in assuming that in the South African context, the heavy dependence of many local governments on intergovernmental transfers may generate fiscal illusion. Despite this, no significant effort has been geared towards an empirical investigation of the issue of fiscal illusion. This paper extends existing literature on the empirical analysis of fiscal illusion by using the fiscal year 2005/06 financial and expenditure data from 237 local government authorities in South Africa to evaluate the flypaper variant of the fiscal illusion hypothesis. Empirical results indicate that the marginal effects of municipal own-source revenues on local expenditure exceed those of intergovernmental transfers. This outcome yields no statistical evidence in support of the flypaper hypothesis within the context of municipal expenditures in South Africa.

Working Paper 73

Title: Does training benefit those who do not get any? Elasticities of complementarity and factor price in South Africa

Author(s): Alberto Behar

Abstract: Commentators claim a shortage of skills, particularly artisanal labour, in South Africa is constraining output and that a rise in skill supply would benefit less skilled occupations. This assumes/implies skilled and unskilled labour are q-complements. This paper estimates Hicks Elasticities of Complementarity and elasticities of factor price. Aggregate estimates suggest more skilled (white collar) labour complements less skilled (blue collar) labour, so a rise in skill supply would lead to a rise in demand for less skilled labour. Disaggregated results show skilled/artisanal and unskilled labour are complements while semi-skilled and unskilled labour are substitutes. These results allow for imperfectly elastic product demand, rigid wages, inference on highly non-linear elasticities and a variety of estimation approaches.

Working Paper 74

Title: A parsimonious model of subjective life expectancy

Author(s): Alexander Ludwig and Alexander Zimmer

Abstract: This paper develops a theoretical model for the formation of subjective beliefs on individual survival expectations. Data from the Health and Retirement Study (HRS) indicate that, on average, young respondents underestimate their true survival probability whereas old respondents overestimate their survival probability. Such subjective beliefs violate the rational expectations paradigm and are also not in line with the predictions of the rational Bayesian learning paradigm. We therefore introduce a model of Bayesian learning which combines rational learning with the possibility that the interpretation of new information is prone to psychological attitudes. We estimate the parameters of our theoretical model by pooling the HRS data. Despite a parsimonious parametrization we find that our model results in a remarkable fit to the average subjective beliefs expressed in the data.

Working Paper 75

Title: Begging the Question: Permanent Income and Social Mobility

Author(s): Sean Muller

Abstract: The extent of social mobility is one of three key considerations - along with living standards and the level of inequality - in any assessment of a society's economic merits. The intergenerational correlation (IGC) between the incomes of parents and their children provides a summary statistic of income mobility, where low income correlations reflect high mobility, whilst high correlations reflect low mobility. As such it has become the primary measure of this variable. The main alternative measure, in the form of mobility matrices, is unable to provide a single measure of mobility but has the advantage of capturing variation in mobility across different parts of the income distribution.

Working Paper 76

Title: Orphanhood and Schooling in South Africa: Trends in the vulnerability of orphans between 1993 and 2005

Author(s): Cally Ardington

Journal: Forthcoming, *Economic Development and Cultural Change*

Abstract: Using 11 nationally representative surveys conducted between 1993 and 2005 this paper assesses the extent to which the vulnerability of orphans to poorer educational outcomes has changed over time as the AIDS crisis deepens in South Africa. This paper seeks to establish whether the fear that extended families are no longer effective safety nets may be overstated or whether traditional coping strategies are indeed breaking down. Patterns of care giving for orphans do appear to be shifting over time but these changes are taking place within the extended family safety net. Orphans are still absorbed into extended families but single orphans are increasingly less likely to live with the surviving parent and there is an increasing reliance on grandparents as caregivers. At every point in time cross-sectional evidence suggests that orphans are at risk of poorer educational outcomes with maternal deaths generally having stronger negative effects than paternal deaths. Paternal deaths are strongly associated with poorer socio-economic status and much of the deficit experienced by children who have lost a father is explained by the relative poverty of their current household. In contrast maternal deaths appear to be directly associated with poorer schooling outcomes rather than channelled through socio-economic status. The results in this paper suggest that parental involvement and relatedness to the household are among the multiple pathways through which parental death affects a child's schooling. Despite a significant increase in the number of orphans over the last decade this paper finds no evidence of a systematic deterioration in traditional coping strategies with respect to orphan's educational outcomes.

Working Paper 77

Title: Income Inequality, Reciprocity and Public Good Provision: An Experimental Analysis Begging the Question: Permanent Income and Social Mobility

Author(s): Andre Hofmeyr, Justine Burns and Martine Visser

Journal: 2007, *South African Journal of Economics*, 75(3), 508-520

Abstract: This paper analyses the impact of income inequality on public good provision in an experimental setting. A sample of secondary school students were recruited to participate in a simple linear public goods game where income heterogeneity was introduced by providing participants with unequal token endowments. The results show that endowment heterogeneity does not have any significant impact on contributions to the public good, and that consistent with models of reciprocity, low and high endowment players contribute the same fraction of their endowment to the public pool. Moreover, individuals appear to adjust their contributions in order to maintain a fair share rule.

Working Paper 78

Title: Price Elasticities and Pricing Power in Emerging Markets: The Case of Petrochemicals Derived Plastics in South Africa

Author(s): Johannes Fedderke and Witness Simbanegavi

Abstract: This paper examines whether there necessarily exists a conflict between allocative and productive efficiency in small open economy markets. That productive efficiency favours market concentration is not in dispute, and the sole question we face is whether allocative efficiency suffers under high market concentration. We proceed theoretically and econometrically. We find that the conflict between productive and allocative efficiency is not necessarily as stringent as the international competition policy literature suggests should be the case. In particular, we note that the strategic

interaction between the large domestic producer and its competitors makes feasible a range of alternative price elasticities of demand, and empirically that all price elasticities of demand are less than or equal to unity. Nevertheless the impact of market structure is such as to render feasible a wide range of possible levels of pricing power.

Working Paper 79

Title: Exchange rate pass-through to import prices in South Africa: Is there asymmetry?

Author(s): T D Karoro, M J Aziakpono & N Cattaneo

Abstract: This paper examines the magnitude and speed of exchange rate pass-through to import prices in South Africa. It further explores whether the direction and size of changes in the exchange rate have different pass-through effects on import prices, that is, whether the exchange rate pass-through is symmetric or asymmetric. The findings of the study suggest that ERPT in South Africa is incomplete but relatively high. Furthermore, ERPT is found to be higher in periods of rand depreciation than appreciation, which supports the binding quantity constraint theory. There is also evidence to suggest that pass-through is slightly higher in periods of small changes than large changes in the exchange rate in harmony with the menu cost theory when the invoices are denominated in the exporters, currency.

Working Paper 80

Title: The Private Sector and Cash Transfers in Africa

Author(s): Sheshangai Kaniki

Abstract: There is growing emphasis on the role played by the private sector in alleviating poverty in Africa. At the same time, greater focus is being placed on cash transfers as a poverty alleviation tool. This paper provides an economic rationale for private sector involvement in the provision of cash transfers. Previous research has focused on how the financial sector can provide payment solutions. In addition to payment mechanisms, the paper examines other avenues through which the private sector can contribute to cash transfer programmes .business taxes and Corporate Social Responsibility (CSR). Reducing corruption in tax administration and an enabling investment climate are essential if business taxes are to be a sustainable financing source for cash transfers. Governments can incorporate CSR into national policies and strategies which identify cash transfers as a poverty alleviation instrument. Cell phone banking, mobile branches, Point of sale (POS) technology and low cost banking are increasing access to financial services by the poor. These financial innovations can be used to make cash transfer payments.

Working Paper 81

Title: Tax evasion and financial repression: A reconsideration using endogenous growth models

Author(s): Rangan Gupta and Emmanuel Ziramba

Journal: 2008, Economic Notes, Review of Banking, Finance and Monetary Economics, 37(2), 141-154

Abstract: Using two dynamic monetary general equilibrium models characterized by endogenous growth, financial repression and endogenously determined tax evasion, we analyze whether financial repression can be explained by tax evasion. When calibrated to four Southern European economies, we show that higher degrees of tax evasion within a country, resulting from a higher level of corruption and a lower penalty rate, yields higher degrees of financial repression as a social optimum. However, a higher degree of tax evasion, due to a lower tax rate, reduces the severity of the financial restriction. In addition, we find the results to be robust across growth models with or without productive public expenditures. The only difference being that the policy parameters in the former case have higher optimal values.

Working Paper 82

Title: The income distribution with coarse data

Author(s): Reza Daniels

Abstract: How do you estimate poverty, inequality and earnings when the income variable consists of a combination of point-identified, interval-identified, and missing observations? This paper proposes a unifying theoretical approach to the problem of deriving point estimates when such data are present. The methodology is based on the idea of coarse data, which includes as special cases data that are censored within some predefined interval and data that are missing. A key part of the framework is to establish whether inference based on a likelihood that ignores the coarsening mechanism is equivalent to inference based on a likelihood that properly accounts for it. Results demonstrate that while the interval data are not coarsened at random (CAR), the missing data are CAR for the sample of employed economically

active individuals in South Africa using the Labour Force Survey (2000 September). This requires an imputation algorithm that correctly accounts for these types of coarsening, as both univariate and multivariate parameters are affected by the choice of imputation method. It is recommended that researchers apply this framework to all analyses of the income distribution based on household survey data.

Working Paper 83

Title: Social Networks and Ethnic Niches: An Econometric Analysis of the Manufacturing Sector in South Africa

Author(s): Andre Hofmeyr

Abstract: This paper analyses the link between social networks and ethnic occupational niches in the manufacturing sector in South Africa. To this end, it employs the methodology of Bertrand et al. (2000) to minimise the omitted variable bias induced by standard approaches investigating network effects and adopts Models (1993) concentration index to define an ethnic niche. The results indicate that 25 percent of our sample is employed in ethnic niches in the manufacturing sector but that niche employment varies markedly by language group. With regards to the effect of social networks, increasing the quality or quantity of an individuals contacts by one standard deviation increases his probability of niche employment by 4 percent. Put differently, social networks magnify a policy shock affecting employment in ethnic niches by over 100 percent. This paper therefore highlights the importance of social networks, which channel workers into jobs that become ethnic niches, in the manufacturing sector in South Africa.

Working Paper 84

Title: National Saving and Fiscal Policy in South Africa: an Empirical Analysis Sector in South Africa

Author(s): Lumengo Bonga-Bonga

Journal: 2008, *African Finance Journal*, 10(2), 51-67

Abstract: Concerns have been raised in regards to how to redress a decreasing trend in national saving in South Africa. A number of authors have suggested that redressing government saving, through fiscal discipline characterised by a low government budget deficit ratio, should be a key in redressing the national saving trend in South Africa. In order to assess this hypothesis, this paper studies the dynamics of gross national saving, government saving and private saving in response to fiscal shocks, by using the impulse response functions (IRF) obtained from the structural vector autoregressive (SVAR). The paper constructs a structural model, contrary to the reduced-form models used in a number of studies, to assess the response of savings to fiscal shocks. The aim of this paper is twofold: while determining the extent to which fiscal policy influences savings in South Africa, the paper also offers to test whether the Ricardian Equivalence proposition holds in South Africa. The paper concludes that the full Ricardian Equivalence does not hold in the short term and in the long term the response of national saving to fiscal policy shocks is neutral.

Working Paper 85

Title: Is a DFM well suited for forecasting regional house price inflation?

Author(s): Sonali Das, Rangan Gupta and Alain Kabund

Abstract: This paper uses the Dynamic Factor Model (DFM) framework, which accommodates a large cross-section of macroeconomic time series for forecasting regional house price inflation. As a case study, we use data on house price inflation for five metropolitan areas of South Africa. The DFM used in this study contains 282 quarterly series observed over the period 1980Q1-2006Q4. The results, based on the Mean Absolute Errors of one- to four-quarters-ahead out of sample forecasts over the period of 2001Q1 to 2006Q4, indicate that, in majority of the cases, the DFM outperforms the VARs, both classical and Bayesian, with the latter incorporating both spatial and non-spatial models. Our results, thus, indicate the blessing of dimensionality.

Working Paper 86

Title: Exchange rate pass-through to import prices in South Africa: Is there asymmetry?

Author(s): T D Karoro, M J Aziakpono & N Cattaneo

Journal: 2008, *The Developing Economies*, 47 (1), 30-52

Abstract: We examine the impact of financial development on earnings inequality in Brazil in the 1980s and first half of the 1990s. The evidence - based on panel time-series data and analysis - shows that financial development had a significant and robust effect in reducing inequality during the period. We

suggest that this is not only because the poorer can invest the acquired credit in either short or long-term productive activities, but also because those with access to financial markets can insulate themselves, via a process of financial adaptation, against recurrent poor macroeconomic performance, which is exemplified in Brazil by high rates of inflation. The main implication of the results is that a deeper and more active financial sector alleviates the high inequality seen in Brazil without the need for distortionary taxation.

Working Paper 87

Title: Returns to Schooling: Skills Accumulation or Information Revelation?

Author(s): Steve Koch & S Ntege

Abstract: This paper explores the degree to which imperfect information in the labour market regarding worker quality is likely to impact employment opportunities, as well as the wages associated with those opportunities. The primary purpose of this paper is to provide preliminary empirical evidence that market imperfections exist in South Africa's labour market, that those imperfections could be based on asymmetric private information, and that market participants pursue information gathering and revelation strategies to help mitigate the negative effects of the information asymmetries.

Working Paper 88

Title: The impact of international trade on changing patterns of energy use in South African industry

Author(s): Marcel Kohler

Abstract: South Africa's competitiveness in many industrial products is dependent on its abundant natural resources, resulting in significant trade in natural resource (and in some cases energy) based products. These mining and manufacturing goods have benefited from the country's policy of subsidising industrial energy prices. There is thus sufficient reason to believe that South Africa's trade in industrial goods has a significant impact on the country's domestic energy requirements. This study adopts a structural input-output approach to test the extent to which this hypothesis is valid. The effects that South African industry trade components have on the country's energy use patterns are then decomposed using the refined Laspeyres technique in order to establish the underlying causes of change in the country's energy requirements.

Working Paper 89

Title: Ship traffic and the economy of the Cape Colony: 1652-1793

Author(s): Willem Boshoff and Johan Fourie

Abstract: Most historians regard the Cape Colony of the seventeenth and eighteenth centuries as an impoverished and destitute settlement, primarily because of the many restrictions and prohibitions enforced by the Dutch East India Company, who founded the Cape settlement as a refreshment station for its ships. The mercantilist thinking of the time ensured that the free burghers in the Cape were to comply with the demands of the Company, dependent on the number of passing ships, for a market, and with little economic incentive to expand production. This assumption of poor economic performance only came to be challenged in the late 1980s. Using new data collected from the so-called *opgaaf* rolls (tax return records) in The Hague, Van Duin and Ross (1987) argue that, in fact, the Cape economy grew significantly through out the eighteenth century. However, these authors emphasise that local demand played the dominant role in the development of the economy and dismiss the traditional argument that passing ships were essential to the welfare of the Cape Colony. Using new empirical evidence on the number of ships in Table Bay combined with techniques from business cycle theory, this paper tests whether ship traffic had any significant relationship with agricultural production in the Cape Colony and, if so, the direction and size of association. The results suggest a strong systematic co-movement between wheat and ship traffic in Table Bay, with less evidence for wine production and stock herding activities.

Working Paper 90

Title: Estimation of the aggregate agricultural supply response in Zimbabwe: The ARDL approach to cointegration

Author(s): Edwin Muchapondwa

Abstract: This paper uses relatively recent time series techniques on data spanning over different pricing regimes to estimate the aggregate agricultural supply response to price and non-price factors in Zimbabwe. The ARDL approach to cointegration employed here gives consistent estimates of supply response in the presence of regressor endogeneity and also permits the estimation of distinct estimates of

both long-run and short-run elasticities when variables are not integrated of the same order. The results confirm that agricultural prices in Zimbabwe are endogenous and the variables are not integrated of the same order hence use of the ARDL was worthwhile. The paper finds a long-run price elasticity of 0.18 confirming findings in the literature that aggregate agricultural supply response to price is inelastic. This result means that the agricultural price policy is rather a blunt instrument for effecting growth in aggregate agricultural supply. The provision of non-price incentives must play a key role in reviving the agricultural sector in Zimbabwe.

Working Paper 91

Title: Whats in a name? Racial identity and altruism in post-apartheid South Africa

Author(s): W van der Merwe and Justine Burns

Journal: 2008, *South African Journal of Economics*, 76(2), 1-10

Abstract: This paper reports the results of an economic experiment which was designed to test the effect of racial identity on generosity in a non-strategic setting. A sample of undergraduate University students was recruited to participate in a Dictator game, where surnames of individuals were revealed to convey information about racial identity. Results indicate that compared to a set of control experiments where participant identity was kept anonymous, revealing racial identity has a significant and positive impact on the size of the offers made. However, while Black participants did not vary their offers based on the racial identity of their partners, White participants were more generous towards White partners than Black partners, exhibiting insider favouritism in their offers.

Working Paper 92

Title: Asset pricing in a Lucas 'fruit-tree' economy with non-additive beliefs

Author(s): Alexander Zimper

Abstract: We study a Lucas (1978) "fruit-tree" economy under the assumption that agents are Choquet expected utility (CEU) rather than standard expected utility (EU) decision makers. The agents' non-additive beliefs about the economy's stochastic dividend payment process may thus express ambiguity attitudes and accommodate violations of Savage's sure-thing principle as elicited by Ellsberg (1961). As our main formal result we establish the existence of a unique stationary equilibrium price function for the assets in this economy. In order to account for the dynamic inconsistency of CEU decision makers, we thereby use an equilibrium concept that combines the market clearing condition of general equilibrium theory with Bayesian Nash equilibrium. A simple example about the equity premium in our economy with non-additive beliefs illustrates our formal findings.

Working Paper 93

Title: Testing creative destruction in an opening economy: the case of the South African manufacturing industries

Author(s): P Aghion, J Fedderke, P Howitt, C Kularatne and N Vieg

Abstract: We study a Lucas (1978) "fruit-tree" economy under the assumption that agents are Choquet expected utility (CEU) rather than standard expected utility (EU) decision makers. The agents' non-additive beliefs about the economy's stochastic dividend payment process may thus express ambiguity attitudes and accommodate violations of Savage's sure-thing principle as elicited by Ellsberg (1961). As our main formal result we establish the existence of a unique stationary equilibrium price function for the assets in this economy. In order to account for the dynamic inconsistency of CEU decision makers, we thereby use an equilibrium concept that combines the market clearing condition of general equilibrium theory with Bayesian Nash equilibrium. A simple example about the equity premium in our economy with non-additive beliefs illustrates our formal findings.

Working Paper 94

Title: Nonparametric estimation when income is reported in bands and at points

Author(s): Martin Wittenberg

Abstract: We show how to estimate kernel density functions of distributions in which some of the responses are provided in brackets, by inverse probability weighting. We consider two cases, one where the data are CAR and where the data are not CAR. We show how the selection probabilities can be estimated by means of the EM algorithm without specifying a parametric distribution function for the variable. A Monte Carlo experiment shows that this procedure estimates the selection parameters fairly precisely. We apply these techniques to earnings data from South Africa's first post-apartheid nationally

representative survey, the 1994 October Household Survey.

Working Paper 95

Title: Perceptions regarding entrepreneurship in an emerging and culturally diverse economy: A South African survey

Author(s): John Luiz and Martine Mariotti

Abstract: Of all the developing countries that participated in the Global Entrepreneurship Monitor survey, South Africa was ranked the lowest, in terms of entrepreneurial activity. It is clear that South Africa is not producing a sufficiently entrepreneurial economy and this needs to be addressed so as to create employment, expand markets, increase production and revitalise communities. This paper examines the entrepreneurial traits of a diverse group of young adults in South Africa. It looks at their attitudes towards and perceptions of entrepreneurship, entrepreneurial opportunities and the broader environment.

Working Paper 96

Title: On the real exchange rate effects of higher electricity prices in South Africa

Author(s): Jan van Heerden, James Blignaut and Andre Jordaan

Abstract: The paper uses a static Computable General Equilibrium (CGE) model of South Africa and simulates various shocks to the price of electricity. We attempt different closures to the model and compare their respective effects on the Consumer Price Index. In a CGE model, this is measuring the real appreciation of the exchange rate, or international trade competitiveness. In general, we conclude that electricity prices *per se* does not significantly influence the real exchange rate, regardless of which closure is used.

Working Paper 97

Title: Revisiting independence and stochastic dominance for compound lotteries

Author(s): Alexander Zimper

Journal: 2008, *B E Journal of Theoretical Economics*, 8 (1)

Abstract: We establish mathematical equivalence between independence of irrelevant alternatives and monotonicity with respect to first order stochastic dominance. This formal equivalence result between the two principles is obtained under two key conditions. Firstly, for all $m \in \mathbf{N}$, each principle is defined on the domain of compound lotteries with compoundness level m . Secondly, the standard concept of reduction of compound lotteries applies. We establish mathematical equivalence between independence of irrelevant alternatives and monotonicity with respect to first order stochastic dominance. This formal equivalence result between the two principles is obtained under two key conditions. Firstly, for all $m \in \mathbf{N}$, each principle is defined on the domain of compound lotteries with compoundness level m . Secondly, the standard concept of reduction of compound lotteries applies.

Working Paper 98

Title: Modeling the rand-dollar future spot rates: The Kalman Filter approach

Author(s): Lumengo Bonga-Bonga

Journal: Forthcoming, *Acta Academica*

Abstract: A number of studies have contended that it is challenging to explain exchange rate movement with macroeconomic fundamentals. A naive model such as a random walk forecasts exchange rate movements more reliably than existing structural models. This paper confirms that it is possible to improve the forecast of structural exchange rate models, by explicitly accounting for parameter instability when estimating these models. Making use of the Kalman filter as an estimation method that accounts for time-varying coefficients in the presence of parameter instability, this paper indicates that forward exchange rates with different maturities predict the future spot exchange rates more reliably than the random walk model for the Rand exchange rates.

Working Paper 99

Title: Costly tax enforcement and financial repression

Author(s): Rangan Gupta and Emmanuel Ziramba

Abstract: Using an overlapping generations production-economy model characterised by financial repression, purposeful government expenditures and tax collection costs, we analyse whether financial

repression can be explained by the cost of raising taxes. We show that with public expenditures affecting utility of the agents, modest costs of tax collection tend to result in financial repression being pursued as an optimal policy by the consolidated government. However, when public expenditures are purposeless, the above result only holds for relatively higher costs of tax collection. But, more importantly, costs of tax collection cannot produce a monotonic increase in the reserve requirements. Of critical importance in this regard, are the weights the consumer assigns to the public good in the utility function and the size of the government.

Working Paper 100

Title: Will availing credit incentives to Zimbabwean farmers trigger a maize output response?

Author(s): Sophia Musuna and Edwin Muchapondwa

Abstract: This paper evaluates the impact of credit availability on communal and commercial sector maize output in Zimbabwe. This is important given the increased use of concessionary credit for agriculture as a policy strategy to increase agricultural output and food security, in response to the disruption caused by controversial land reform. The results show that communal sector maize output does not respond to credit availability. Neither does it respond to area under cultivation. Rainfall is the single most important driver of communal agriculture. The commercial sector responds to credit incentives albeit with a very low elasticity. Therefore, credit availability is a rather impotent device for enhancing maize output and, generally, agricultural output in Zimbabwe. Since most of the newly resettled farmers typically operate like communal farmers, both the land reform programme and concessionary credit for agriculture will not be likely to increase agricultural output. An urgent review of the beneficiaries of the controversial land reform programme is needed to ensure that only profit maximizing farmers will have their landownership confirmed, while unproductive farmers are replaced, if the agricultural sector is to help revive the Zimbabwean economy. Thus, commercialisation - rather than communalisation - of the agricultural sector is the appropriate strategy to trigger an increased agricultural output response.

Working Paper 101

Title: Macroeconomic performance and inequality: Brazil 1983-1994

Author(s): Manoel Bittencourt

Abstract: We examine how poor macroeconomic performance, mainly in the role of high rates of inflation, affected earnings inequality in the 1980s and early 1990s in Brazil. The results based initially on aggregate time-series, and then on the relatively novel sub-national panel time-series data and analysis show that the extreme inflation, combined with an imperfect process of financial adaptation and an incomplete indexation coverage, had a regressive and significant impact on inequality. The implication of the results is that sound macroeconomic policies, which keep inflation low and stable in the long-run, should be a necessary first step of any policy package implemented to alleviate inequality in Brazil.

Working Paper 102

Title: Asymmetry and discrimination in internet peering evidence from the LINX

Author(s): A D'Ignazio and E Giovannetti

Journal: Forthcoming, *International Journal of Industrial Organization*

Abstract: Is the quality of interconnection between Internet operators affected by their asymmetry? While recent game theoretic literature provides contrasting answers to this question, there is a lack of empirical research. We introduce a novel dataset based on Internet routing policies, and study the interconnection decisions amongst the Internet Service Providers (ISPs) members of the London Internet Exchange Point (LINX). Our results show that interconnection quality degradation can be significantly explained by asymmetry between providers. We also show that Competition Authorities should focus more on the role played by the "centrality of an operator", rather than on its market share.

Working Paper 103

Title: Adaptive Bayesian Analysis for Binomial Proportions

Author(s): Sonali Das and Sourish Das

Abstract: We consider the problem of statistical inference of binomial proportions for non-matched, correlated samples, under the Bayesian framework. Such inference can arise when the same group is observed a different number of times on two or more inference occasions, with the aim of testing the proportion of some trait. These scenarios can occur when we are interested to infer the proportion of

extreme wave height per year, at a certain measuring station, where measurements are made every hour. Gaps in measurements, either due to a malfunction of the measuring instrument or another reason, can result in an unequal number of observations in different years. For such scenarios, we develop an adaptive Bayesian method, and suggest a heuristic decision procedure to conduct statistical inference. We use the ϕ -divergence measure to quantify the perturbation of the posterior distribution of the proportion in different time points. We present a simulation study for frequentist power investigation for both the adaptive Bayesian method, as well as the regular frequentist method, using the Monte Carlo technique. Based on the simulation study of frequentist power, as well as theoretical proof, under certain design, the adaptive Bayesian method is shown to outperform the regular frequentist method. We administer the developed adaptive Bayesian method to two case studies when the total number of observation instances of the same group are unequal, at different time points of interest.

Working Paper 104

Title: On attitude polarization under Bayesian learning with non-additive beliefs

Author(s): Alexander Zimper and Alexander Ludwig

Journal: Forthcoming, *Journal of Risk and Uncertainty*

Abstract: Ample psychological evidence suggests that people's learning behavior is often prone to a "myside bias" or "irrational belief persistence" in contrast to learning behavior exclusively based on objective data. In the context of Bayesian learning such a bias may result in diverging posterior beliefs and attitude polarization even if agents receive identical information. Such patterns cannot be explained by the standard model of rational Bayesian learning that implies convergent beliefs. As our key contribution, we therefore develop formal models of Bayesian learning with psychological bias as alternatives to rational Bayesian learning. We derive conditions under which beliefs may diverge in the learning process despite the fact that all agents observe the same - arbitrarily large - sample, which is drawn from an "objective" i.i.d. process. Furthermore, one of our learning scenarios results in attitude polarization even in the case of common priors. Key to our approach is the assumption of ambiguous beliefs that are formalized as non-additive probability measures arising in Choquet expected utility theory. As a specific feature of our approach, our models of Bayesian learning with psychological bias reduce to rational Bayesian learning in the absence of ambiguity.

Working Paper 105

Title: Loss leader or low margin leader? Advertising and the degree of product differentiation

Author(s): Witness Simbanegavi

Abstract: This paper attempts to isolate the conditions that give rise to loss leader pricing. I show that for sufficiently low distance between firms, the advertised good is priced below cost irrespective of whether firms advertise the same or different products. Instead, if products are sufficiently differentiated, loss leader pricing may result only if firms advertise the low reservation value product, otherwise the advertised good is a low margin leader. Thus, whether the advertised good is a loss leader or a low margin leader is primarily a function of the extent of differentiation between competing firms.

Working Paper 106

Title: Characterizing Conflict Forms

Author(s): Johannes Fedderke and Chandana Kularatne

Abstract: This paper presents a model in which two groups in society are engaged in strategic interaction. Privileged members of society have the opportunity to allocate resources either to their own productive capacity, or to enhance the productive capacity of the disadvantaged. Redistribution to the disadvantaged can increase the productive capacity of society, but comes at the cost of rising political aspirations of the poor, which erodes the power of the rich. The paper derives conditions under which (a) the rich will redistribute to the point of equality with the poor; (b) conditions under which the disadvantaged face genocide; as well as (c) the range of intermediate redistributive activity likely to be employed by the privileged. Examination of empirical evidence suggests that the model generalizes across the experience of a panel of 102 countries, over the 1960-2000 period.

Working Paper 107

Title: Modelling international tourism demand for Zimbabwe

Author(s): Edwin Muchapondwa and Obert Pimhidzai

Abstract: This paper uses the autoregressive distributed lag (ARDL) approach to cointegration to estimate

the coefficients of the determinants of international tourism demand for Zimbabwe for the period 1998 to 2005. The results show that taste formation, transport costs, changes in global income and certain specific events have a significant impact on international tourism demand. This implies that the improvement of international tourism infrastructure (in order to reduce travel costs and enhance the quality of services to tourists) so as to reinforce taste formation are important for attracting more international tourists to Zimbabwe. Furthermore, the authorities can potentially increase international tourism demand for the country by promoting pleasant events in the country.

Working Paper 108

Title: Application of a multi-criteria integrated portfolio model for quantifying South Africa's crude oil import risk

Author(s): H Amusa, N Wabiri and K Chetty

Abstract: The availability of secure energy resources at sustainable quantities and affordable prices is fundamental to South Africa's current objective of enhancing and sustaining its current growth trajectory. Economic reforms, since the early 1990s, have led to the economy growing at an average rate of almost 5% per annum. A major consequence of this strong growth is the rapid increase in domestic demand for oil energy. With small amounts of proven oil reserves, the rise in oil demand as an essential energy source has prompted an increasing reliance on external sources for domestic crude oil supplies. High oil prices, the extent of proven oil reserves, instability in major oil producing regions and the rise in 'oil-nationalism' have raised serious concerns about the security of South Africa's oil supplies. In this context, a comprehensive understanding of oil import security risks is critical as it will guide in the formulation of energy policy framework aimed at alleviating the impact of oil import risks. This study utilises portfolio theory to provide quantitative measures of systematic and specific risks of South Africa's crude oil imports over the period 1994 to 2007. It explains the relationship between supply sources diversification and oil energy security risks, and highlights the impact of different crude oil import policy adjustment strategies on the total crude oil import risk for South Africa. The results for the adjustment strategies show that: (a) a policy of having the same quantity of oil imported every month or a constant quantity of oil imported from the supply regions reduces both systematic and specific risks of oil import portfolio, and (b) a reduction in specific risks of South Africa's oil imports can be achieved if some of the Middle Eastern supplies can be diversified to less risk regions of Europe, North America and Russia.

Working Paper 109

Title: Does survivorship bias really matter? An empirical investigation into its effects on the mean reversion of share returns on the JSE securities exchange (1984-2006)

Author(s): Evan Gilbert and Dave Strugnell

Abstract: This paper tests for the impact of survivorship bias by building on the work of Cubbin, Eidne, Firer and Gilbert (2006), and Bailey and Gilbert (2007). The former paper confirmed the existence of mean reversion on the JSE Securities Exchange, because portfolios of shares with high Price to Earnings (P/E) ratios (being those which had tended to outperform recently) underperformed significantly over five years against portfolios of shares with low P/E ratios. The latter paper developed the economic validity of this conclusion by applying liquidity constraints to portfolio formation. This tended to slightly dampen the observed effects, but confirmed the significant presence of mean reversion. In both cases, extensive efforts were made to include all delisted shares in the study to avoid the effects of survivorship bias. This paper updates both studies by extending the period for a further 21 months, and then quantifies the impact of survivorship bias by comparing the results against those of an equivalent study based on a data set of currently listed shares only. The results of our study confirm that the effects of survivorship bias are present and material. While patterns of mean reversion are detected on both data sets, the returns earned on portfolios selected from currently listed shares are significantly higher than the corresponding returns on portfolios selected from all shares. Survivorship bias is therefore confirmed to be a significant issue in such studies, which researchers should be careful to avoid; although it does not necessarily affect the conclusion of the patterns of mean reversion revealed in the earlier studies.

Working Paper 110

Title: Who would eat more with a food voucher programme in South Africa?

Author(s): Jan van Heerden

Abstract: This paper surveys the literature on the manufacturing sector in South Africa, focusing on concentration and markup levels, with a view to inform policy. The literature has employed a number of different measures of industrial concentration, namely, the Gini and Rosenbluth indices, the Occupancy

Count, the C5% index and, to a lesser extent, Concentration Ratios and the Herfindahl-Hirschman index. Generally, manufacturing industry concentration is found to be high and increasing up to 1996. However, all the measures show decreasing concentration post-1996. In respect of markups, the evidence suggests that markups in South Africa are significantly higher than they are in comparable industries world-wide and they appear to be non-declining. However, there are dissenting voices on this point. We then juxtapose the concentration and price-cost margins findings to industry performance (at the macro level). In particular, we review the literature that examines the relations between concentration and price-cost margins on the one hand and output growth, productivity growth, employment, employment growth, investment and export and import competitiveness on the other. We then draw implications for competition policy in South Africa, pointing out areas that need further research as well as international best practices.

Working Paper 111

Title: South African manufacturing industry structure and its implications for competition policy

Author(s): Johannes Fedderke and Witness Simbanegavi

Journal: 2008, *Journal of Development Perspectives*, 4(1), 134-189

Abstract: This paper surveys the literature on the manufacturing sector in South Africa, focusing on concentration and markup levels, with a view to inform policy. The literature has employed a number of different measures of industrial concentration, namely, the Gini and Rosenbluth indices, the Occupancy Count, the C5% index and, to a lesser extent, Concentration Ratios and the Herfindahl-Hirschman index. Generally, manufacturing industry concentration is found to be high and increasing up to 1996. However, all the measures show decreasing concentration post-1996. In respect of markups, the evidence suggests that markups in South Africa are significantly higher than they are in comparable industries world-wide and they appear to be non-declining. However, there are dissenting voices on this point. We then juxtapose the concentration and price-cost margins findings to industry performance (at the macro level). In particular, we review the literature that examines the relations between concentration and price-cost margins on the one hand and output growth, productivity growth, employment, employment growth, investment and export and import competitiveness on the other. We then draw implications for competition policy in South Africa, pointing out areas that need further research as well as international best practices.

Working Paper 112

Title: Measuring institutions: The Zimbabwe Case

Author(s): Farayi Gwenhamo, Johannes Fedderke and Raphael de Kadt

Abstract: The current, persistent growth problem in Zimbabwe is often attributed to poor economic and political institutional frameworks characterised by insecure property rights and an unreliable rule of law. An empirical test of this hypothesis presents some methodological difficulties. Although political scientists have been constructing measures of social and political dimensions of societies for some time, such measures are not available over sufficiently long time runs to inspire confidence in their usefulness in being able to address the long-run and dynamic questions that arise when linking economic performance and institutions. The aim of the paper is to assemble a new set of political and economic institutional indicators for Zimbabwe covering the period 1946 to 2005. While the new indices span for a significantly long time period, they are highly correlated with existing, widely used institutional indices produced by the Freedom House, the Heritage Foundation and the Fraiser Institute. The new data set will contribute towards understanding the institutional dimension of Zimbabwe's persistent economic decline.

Working Paper 113

Title: Unions and the gender wage gap in South Africa

Author(s): Daniela Casale and Dorrit Posel

Abstract: Studies of the wage effects of unions in South Africa have been concerned largely with the impact of union membership on the wages of African and White male workers. Consistent with findings in the international literature, these studies have concluded that unions compress the distribution of wages in South Africa, and more specifically, that racial inequality is lower in the union sector than in the non-union sector. In this paper, we explore whether unions in South Africa are associated with comparable gender wage effects among African workers, using data collected in the nationally representative Labour Force Surveys. In contrast to international studies, we find that the gender wage gap is larger in the union sector than in the non-union sector, in part reflecting the nature of occupational segregation by

gender in union employment. We also consider how possible selection into union status affects our estimates, and demonstrate the difficulty of addressing this problem in the South African context by evaluating a variety of selection models.

Working Paper 114

Title: Wage subsidy and labour market flexibility in South Africa

Author(s): Delfin Go, Marna Kearney, Vijdan Korman, Sherman Robinson and Karen Thierfelder

Abstract: In this paper, we use a highly disaggregate general equilibrium model to analyse the feasibility of a wage subsidy to unskilled workers in South Africa, isolating and estimating its potential employment effects and fiscal cost. We capture the structural characteristics of the labour market with several labour categories and substitution possibilities, linking the economy-wide results on relative prices, wages, and employment to a micro-simulation model with occupational choice probabilities in order to investigate the poverty and distributional consequences of the policy. The impact of a wage subsidy on employment, poverty, and inequality in South Africa depends greatly on the elasticities of substitution of factors of production, being very minimal if unskilled and skilled labour are complements in production. The desired results are attainable only if there is sufficient flexibility in the labour market. Although the impact in a low case scenario can be improved by supporting policies that relax the skill constraint and increase the production capacity of the economy especially towards labour-intensive sectors, the gains from a wage subsidy are still modest if the labor market remains very rigid.

Working Paper 115

Title: How persistent is South Africa's inflation

Author(s): Logan Rangasamy

Abstract: An estimate of the persistence of inflation captures the long-run effects of a shock on inflation. A better understanding of the persistence of inflation can be useful for a variety of reasons. Firstly, a persistence measure can provide important information about the likely impact of shocks on the economy over time. This information can be extremely useful for the purpose of setting monetary policy, especially in a small, open economy like South Africa. Secondly, estimates of persistence over time can shed some light on the performance of monetary policy under different policy regimes. Finally, persistence estimates could assist in the identification of underlying inflationary pressures in the economy. This paper addresses these three issues with a reference to the South African experience. There are basically three main conclusions that emanate from the results in this paper. Firstly, there has been a significant decline in the persistence of inflation in South Africa. This decline occurred during the inflation targeting (IT) regime which suggests that IT provided a good anchor for inflationary expectations, despite the economy being subject to sizable external shocks during this period. Secondly, inflation at the disaggregate level is lower than at the aggregate level. This implies that the impact of external shocks on aggregate inflation will depend on each commodity's level of inflation persistence as well as its weight in the consumption basket. Finally, a core measure of inflation, which considers both the persistence of inflation at the disaggregate level as well as the weight of the commodity in the consumption basket, does a better job in identifying the underlying inflationary pressures in the economy when compared to the other more readily available core measures. This measure may thus be a useful addition to the range of indicators considered for policy-making purposes.

Working Paper 116

Title: Local Municipalities and progress with the delivery of basic services in South Africa

Author(s): Waldo Krugell, Hannelie Otto and Jacky van der Merwe

Abstract: In 1994, South Africa adopted the Reconstruction and Development Programme (RDP) and emphasised the delivery of services to meet basic needs. Since then, great strides have been made to redress past social inequalities. However, analysis of these successes have been limited to national or provincial aggregates, when much of the responsibility for meeting the RDP commitment lies at the local government level. The need for closer investigation of basic service delivery is clear from continuing protests over poor service delivery. This paper aims to shed more light on delivery at a local level by using data from the 2001 Census and the 2007 Community Survey. The analysis involves the construction of a service delivery index for each municipality and analysis of variance to explain the changes in service delivery over the period 2001 to 2007. The results show that improved service provision may require further urbanisation and densification. Also, local economic growth in itself may not be important, but it would contribute to the ability to pay for services, thereby aiding delivery.

Working Paper 117

Title: The economic rationale for agricultural regeneration and rural infrastructure investment in South Africa

Author(s): N G Meyer, M C Breitenbac, T I Fenyes and A Jooste

Abstract: This paper informs government policy insofar as it relates to the agricultural and rural development sectors and infrastructure investment within these sectors. The paper first quantifies the role of agriculture in the South African economy. This is done within the context of, inter alia, food security, agriculture's contribution to gross domestic product (GDP), economic linkages and multipliers with respect to the agricultural sector, as well as agriculture's employment creation and external stabilisation capacity. Investment in the agricultural and rural sectors are then analysed with a view of supporting the argument that agriculture's role in the economy is sufficiently important to warrant regenerative strategies, including renewed emphasis on agricultural and rural infrastructure investment by South African policy makers. The quantification of the agricultural sector in relation to the total economy and that of agricultural and rural infrastructure investment are investigated against the backdrop of declining government support, increasing production risks due to a variety of exogenous events like climate change, and increasing dynamic trade impacts. In this paper, the authors offer both supporting arguments in terms of current economic policy and recommendations for more decisive policy measures aimed at agricultural regeneration and rural infrastructure investment.

Policy Paper 01

Title: From Chimera to Prospect: South African Sources of and Constraints on Long-Term Growth, 1970-2000

Author(s): J. W. Fedderke

Journal: 2006, in Borat, H. and Kanbur, R., eds., *Poverty and Policy in Post-Apartheid South Africa*, HSRC Press.

Policy Paper 02

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Author(s): Michael A Peet and Steven Koch

Journal: 2007, *South African Journal of Economic and Management Sciences* 10(4): 530-543

Policy Paper 03

Title: Fiscal Incentives for Research and Development

Author(s): J.W. Fedderke and B.G. Teubes

Policy Paper 04

Title: Love and Addiction: The Importance of Commitment

Author(s): Steven Koch

Policy Paper 05

Title: Higher Education

Author(s): Charles Simkins

Policy Paper 06

Title: School Quality

Author(s): Charles Simkins

Policy Paper 07

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Author(s): Željko Bogetic and Johannes W. Fedderke

Journal: 2006, *Journal of Development Perspectives*, 2(1), 7-31.

Policy Paper 08

Title: International Financial Architecture, Macroeconomic Volatility and Institutions: South Africa Experience

Author(s): Melvin Ayogu and Hashem Dezhbakhsh

Policy Paper 09

Title: The Importance of Courts for Trade Credit in East African Manufacturing Firms

Author(s): Sheshangai Kaniki

Policy Paper 10

Title: Official Revisions to SA National Accounts Data: Magnitudes and Implications

Author(s): Corne van Walbeek

Journal: 2006, *South African Journal of Economics*, 74(4), 745-765

Policy Paper 11

Title: Day labourers, unemployment and socio-economic development in South Africa

Author(s): A C Harmse, P F Blaauw and C J Schenck

Policy Paper 13

Title: The impact of tobacco advertising bans on consumption in developing countries

Author(s): Evan Blecher

Journal: 2008, *Journal of Health Economics*, 27, 930-942

Abstract: Tobacco advertising bans have become commonplace in developed nations but are less prevalent in developing countries. The importance of advertising bans as part of comprehensive tobacco control strategies has been emphasised by the Framework Convention on Tobacco Control which calls for comprehensive bans on tobacco advertising. The empirical literature suggests that comprehensive advertising bans have played a role in reducing consumption in developed countries but that limited policies have not. This paper extends this analysis to include 30 developing countries and finds that bans do play an important role in reducing tobacco consumption in these countries. It finds that both comprehensive as well as limited policies are effective in reducing consumption although comprehensive bans have a far greater impact than limited ones. Furthermore, it finds that advertising bans may be even more effective in the developing world than they are in the developed world.

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