



Draft

Economic Research Southern Africa Activity

April 2012 – March 2013

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Director's Statement

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

Toward this end ERSA publishes a Working Paper series, provides financial incentives to researchers to publish their papers in peer reviewed scholarly journals, run Workshop programmes in 5 core research areas, and provides extensive support to graduate students in economics in Southern Africa.

For the Working and Policy Paper series of ERSA, the number of published papers has now risen to 362. During the course of 2012/13 ERSA has switched from a manual submission system to an electronic system in order to facilitate the administration of the work flow surrounding the editorial process. The web site portal can be found at <http://mc04.manuscriptcentral.com/ersa>

Publications in peer reviewed journals associated with the ERSA paper series also continues to rise steadily. The number of published papers has now risen to 156, of which 119 have appeared in international journals, and 37 in national journals.

Workshop activity continues across research groups. During 2012-2013, 7 workshops were held, and attendance at the workshops continues to represent a diverse representation of national institutions and demographics. A total of more than 186 institutions, of which 127 were South African, have been represented at ERSA workshops from the inception of the programme.

During 2012/13, ERSA has appointed its first Policy Associate as a full-time researcher. Biniam Bedasso completed his PhD at the University of Maastricht and served as a Robert McNamara Fellow at the University of Maryland. I would like to welcome Biniam to ERSA and look forward to his contributions to the debate on growth in South Africa.

The appointment of further Policy Associates is currently in the process of being finalized.

Under the ERSA scholarship scheme, 29 scholarships have been awarded to date, 26 for Masters, and 3 for PhD study.

During the course of 2012 – 2013, 32 applicants responded to ERSA's scholarship funding invitation of R80000 for a one year full time Master's programme in Economics. Of these applications, 9 successful candidates from a diverse range of institutions throughout South Africa, were selected and awarded with an ERSA scholarship for 2013. The demographic breakdown of the 9 awardees is as follows: 5 black females, 2 white females, 1 black male and 1 white male.

The administrative staff of ERSA have provided close and diligent support to the ERSA programmes. My sincere thanks to them for their efficiency and dedication in performing their work.

Similarly, the contributions of both group convenors and the members of the editorial committee of ERSA, who provide substantial inputs of time to ensure the smooth functioning of the paper and workshop series of ERSA require the strongest possible recognition, as well as the thanks of the economics community in South Africa who benefit from their continuing efforts.

Finally, the continuing financial support from the National Treasury, which has provided long term funding to the ERSA initiative, deserves ongoing thanks and recognition. There is no doubt in my mind that the strength of research activity in economics in South Africa would be far weaker at present, without the extensive support that National Treasury has extended to the profession over the past 7 years.



Johann Fedderke
Director

Summary of Existing ERSA Mechanisms

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

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

ERSA employs six 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 Board of ERSA for the use of the funding, and to the Academic Committee of ERSA for the academic content, direction and quality of its activities.

The ERSA Board

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

- The Chair of the Board: Elias Masilela

- The Chair of the Academic Committee: John Luiz
- The Director of ERSA: Johannes Fedderke
- Private Sector Representative: Christopher Loewald
- Nominated Representative Academic Community: Waldo Krugell
- National Treasury: Ismail Momoniat

The Academic Committee

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

Membership for the 2012/13 period was as follows:

- Tania Ajam, AfRec
- Meshach Aziakpono, GSB, University of Stellenbosch
- Philippe Burger, University of the Free State
- Lawrence Edwards, University of Cape Town
- Johan Fourie, University of Stellenbosch
- James Fairburn, University of KwaZulu-Natal
- Johannes Fedderke, Director: ERSA
- Alain Kabundi, University of Johannesburg
- Steve Koch, University of Pretoria
- John Luiz, Chair, Graduate School of Business, UCT
- Asrat Tsegaye, University of Fort Hare
- Jan van Heerden, University of Pretoria
- Nicola Viegi, University of Pretoria

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

Current ERSA Office Bearers

The ERSA programme employs one research policy associate and two administrators full-time. 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:
 - Shakill Hassan
 - Jan van Heerden
 - Nicola Viegi
- Administrator: Gloria Halland
- Program Co-Ordinator: Yoemna Mosaval

The Research Group Programme

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

Currently, ERSA recognises five core research groups.

These have been in the following areas:

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

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

The Working and Policy Paper Series

ERSA publishes two paper series. Publication is both in hard copy format, as well as in electronic form on the ERSA website, at www.econrsa.org.

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

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

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

Completed papers are submitted to the ERSA office for evaluation. Evaluation is completed by the ERSA editorial team, consisting of the Director and Deputy Directors of ERSA, for assignment to referees. Referee's reports require author responses, and determine acceptance into the ERSA paper series.

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

The Workshop Programme

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

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

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

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

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

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

The Academic Visitorship Programme

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

The explicit intention of the academic visitorship programme is to:

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

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

The Scholarship Programme

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

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

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

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

The Economics Prize Programme

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

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

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

Report from the Chair of the Academic Board 2012/2013

The past year was another one of success for ERSA as calculated by almost all indicators. ERSA outputs as measured by working papers, workshops and published journal articles have remained excellent and we see an increasing diversity of academics and practitioners making use of ERSA mechanisms.

I am also particularly pleased to see the relaunch of the ERSA scholarship programme and the diversity of the recipients. We congratulate them and wish them well on this academic journey and look forward to them making a contribution towards the economics profession in the near future.

The Academic Committee continued its role in providing oversight of the academic management of ERSA activities. Again I would like to thank the members of the Committee for their tireless input. They have thereby demonstrated the ethos of ERSA of providing a network of scholarship and collegiality.

The support of the National Treasury towards ERSA has been extraordinary and reflects their foresight in strengthening the economics community. Lastly, we acknowledge the tireless efforts of the ERSA Executive in ensuring its smooth functioning not only on a daily basis but in providing strategic guidance for the future.

This year represents my final year within my current term as Chair of the Academic Committee. It has been a privilege to be part of this important initiative from the outset which started off with much humbler beginnings.

John Luiz

Chair: Academic Committee

April 2013

Income and Expenditure Statement: 1 April 2012 – 31 March 2013

Economic Research Southern Africa (NPC)

(Registration number 2010/002225/08)

Annual Financial Statements for the year ended 31 March 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Government grant		10,000,000	10,000,000
Other income			
Other Income		-	30,003
VOX/TIPS Income		81,679	-
Interest received	10	313,073	190,667
		394,752	220,670
Operating expenses			
Accounting fees		111,277	86,478
Advertising		67,458	600
Auditors' remuneration	13	28,000	27,000
Bank charges		3,264	7,794
Board meetings		158,073	161,393
Cleaning		8,970	8,940
Computer expenses		132,787	84,464
Depreciation, amortisation and impairments		69,522	52,762
Editor's Fees		-	26,000
Employee costs		1,443,759	1,126,804
Entertainment		9,264	5,833
Honorarium		25,000	75,318
IT expenses		1,650	211,742
Insurance		18,063	5,996
Lease rentals on operating lease		439,967	400,579
Legal expenses		6,270	9,998
Office expenses		6,398	6,073
Placement fees		59,658	67,246
Postage		11,144	4,774
Printing and stationery		38,557	25,511
Prizes		82,700	174,800
Repairs and maintenance		5,134	-
Research fees		2,134,390	1,578,557
Scholarships		640,000	400,000
Small assets written off		6,315	4,398
Staff welfare		14,177	-
Stipend - board and conveners		115,000	-
Subscriptions		4,700	200
TIPS expenses		118,623	22,000
Telephone and fax		29,917	30,234
Travel - local		158,402	231,887
Workshops		1,350,527	999,934
		7,298,966	5,837,315
Operating profit	9	3,095,786	4,383,355
Finance costs	11	-	(1)
Profit for the year		3,095,786	4,383,354
Other comprehensive income		-	-
Total comprehensive income for the year		3,095,786	4,383,354

1. The Policy Research Programme

Report from the Deputy Director Research 2012/2013

The past year has been dedicated to the building of in-house research capacity and the setting of a research agenda for the institution complementary to the research already present in the country.

We have appointed the first ERSA Policy Associate, Dr. Biniam Bedasso, a researcher of the highest quality who in few months has already provided a significant contribution towards an original understanding of the complex relationship between the political economy of the country and its growth prospects. Two more Policy Associates will be in place in the next few months to deepen our capacity in the research areas of institutional economics, economic history and public economics.

The ERSA research agenda we are developing will explore two broad areas of research. First we continue to develop our analysis of the relationships between the political economy of the country, its institutional history and its growth prospects. Second we will explore the optimal design of public finance instruments for the development and growth of the country as envisaged in the National Development Plan.

The development of an internal research capacity opens an exciting new phase of the ERSA initiative which aims at making of ERSA an important, independent and credible institution which contributes significantly to the intellectual debate and the policy formulation in South Africa.

Nicola Viegi
Deputy Director Research
April 2013

ERSA Policy Associate Report: Biniam Bedasso

I joined ERSA as a Policy Associate in October 2012. I am tasked with developing a theoretical framework that could help policy-makers and researchers to better understand the political economy of institutions in South Africa. I am also expected to undertake empirical work on the political economy of land institutions in South Africa. I became interested to work for ERSA because I have always found the South African economy in general and its political economy in particular a lot more fascinating than the typical developing country.

Since my arrival at ERSA, I have gotten the opportunity to familiarize myself with the topical issues in economic research in South Africa through the workshops ERSA has organized. In particular, the materials delivered at the Public Economics and Economics of Apartheid workshops have raised my curiosity on the country's economy even further.

In January 2013, I presented the preliminary outline of the research projects we are planning on undertaking as part of the political economy research program to experts at the National Treasury. The seminar offered me a good opportunity to interact with policy-makers and listen to their perspectives on the challenges facing the South African economy currently. On the academic front, I delivered seminar talks at the Economics Departments of the University of Cape Town and the University of Pretoria in March and April 2013, respectively. I have been impressed by the depth and breadth of the feedback I was able to get during those presentations. I believe such seminar talks could be used as a useful channel to introduce contemporary political economy analysis to the academic community in South Africa.

Currently, I am in the middle of finalizing the first full-fledged theoretical framework to explain the dynamics between democratic transition and economic inequality in South Africa.

Biniam Bedasso
ERSA Policy Associate
April 2013

2. 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 2013-2013, ERSA has hosted a total of 9 workshops across a wide range of areas in economics. The workshops have served the purpose of research dissemination, of training, as well as networking amongst researchers and policy makers, in order to lower transactions and dissemination costs of new results. In addition, ERSA pays close attention to the need to include young graduate students and academics from universities that have not traditionally been central to research activity in economics in South Africa, in order to allow wider participation in core research and policy debates that concern economists.

The areas covered by the workshops have included the following:

- Economic History: World Economic History Congress 2012
- Macro: African Development Finance Workshop
- Public Economics: ERSA Public Economics workshop
- Economic History: GIS in History
- Training workshop on Modeling of Illegal Behaviour in Natural Resource Management in Developing Countries
- Macro: Training workshop on Now-Casting variables in South Africa
- Trade and IO: Time Series and Competition Policy
- Economic History: Economics of Apartheid

A full list of workshops, including their institutional affiliation, the location in which they were held, for the April 2012– March 2013 period, is listed in Table 1. A fuller description and report back for each workshop can be found in Appendix I.

Use of the workshop mechanism has been widespread by different universities in South Africa. Organisers of workshops have included the University of Stellenbosch,

University of Johannesburg, and University of the Free State, University of Cape Town amongst other contributors and participants.

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

1. Dr Anke Hoeffler, CSAE, Department of Economics, University of Oxford, United Kingdom - Presented at the ERSA Sponsored Civil War Session at the World Economic History Congress 2012 from 9-13 July 2012.
2. Dr Leopoldo Fergusson, Universidad de los Andes, Bogota, Colombia, South America - Presented at the ERSA Sponsored Civil War Session at the World Economic History Congress 2012 from 9-13 July 2012.
3. Professor David Laitin, Department of Political Science, Stanford University, USA - Presented at the ERSA Sponsored Civil War Session at the World Economic History Congress 2012 from 9-13 July 2012.
4. Dr Richard Reid, School of Oriental and African Studies, University of London, United Kingdom - Presented at the ERSA Sponsored Civil War Session at the World Economic History Congress 2012 from 9-13 July 2012.
5. Professor Marta Reynal-Querol, Department of Economics, Universitat Pompeu Fabra, Barcelona, Spain - Presented at the ERSA Sponsored Civil War Session at the World Economic History Congress 2012 from 9-13 July 2012.
6. Professor Augustin Fosu, Deputy Director of UNU-WIDER in Helsinki, Finland - Keynote speaker at the African Development Finance workshop held at the University of Stellenbosch Business School from 7-8 August 2012.
7. Dr David Porteous, Managing Director of Bankable Frontier Associates LLC in Boston, USA - Keynote speaker at the African Development Finance workshop held at the University of Stellenbosch Business School from 7-8 August 2012.
8. Dr Alexander Moradi, School of Business, Management and Economics, University of Sussex, United Kingdom - Presented at the Economic History workshop held in East London from 21 to 23 November 2012.
9. Professor Wisdom Akpalu, Department of History, Economics and Politics, State University of New York (SUNY) - Farmingdale, USA - Presented at the training workshop on Modeling of Illegal Behaviour in Natural Resource Management in Developing countries from 17-19 January 2013.

10. Professor Domenico Giannone, Universite' Libre de Bruxelles – ECARES, Brussels, Belgium – Presented at the Macro Training workshop on Now Casting Economic Variables in South Africa from 28-30 January 2013.
11. Professor Daniel Rubinfeld, University of California Berkley School of Law, USA – presented at the Time Series and Competition Policy workshop from 4-5 March 2013.
12. Dr Kai Hüschelrath, Head: Competition and Regulation Research Group, ZEW Centre for European Economic Research; Coordinator: MaCCI Mannheim Centre for Competition and Innovation and Assistant Professor: WHU Otto Beisheim School of Management - presented at the Time Series and Competition Policy workshop from 4-5 March 2013.
13. Dr Elena Argentesi, Department of Economics, University of Bologna, Italy - presented at the Time Series and Competition Policy workshop from 4-5 March 2013.
14. Dr Veit Böckers, Düsseldorf Institute for Competition Economics (DICE), University of Düsseldorf, Germany - presented at the Time Series and Competition Policy workshop from 4-5 March 2013.
15. Dr Martine Mariotti, Australian National University, Australia – Presented at Economic History workshop: Economics of Apartheid, at the Slave Lodge in Cape Town, 20-22 March 2013.

A total of 224 people attended the eight ERSA workshops of 2012/13. A breakdown of the attendance by demographic characteristics is provided in Table 1 below. What is clear is that attendance at conferences is not only diverse in terms of demographic characteristics, but also in terms of institutional affiliation as illustrated by Table 2.

Table 1 : Demographics of Workshop Attendance: April 2012 – March 2013

Name of Workshop	Date	Institution/ Place	WM	BM	WF	BF	Total
Economic History: World Economic History Congress	July 12	Stellenbosch	5	10	2	0	18
Macro: African Development Finance Policy Workshop	Aug 12	USB - Bellville	3	5	2	6	16
ERSA Public Economics Workshop	Nov 12	Limpopo	12	14	5	1	32
Economic History: GIS in History	Nov 12	East London	11	1	8	2	22
Training workshop on Modeling of Illegal Behaviour in Natural Resource Management in Developing Countries	Jan 13	Cape Town	4	11	4	5	24
Macro: Training workshop on Now-Casting variables in South Africa	Jan 13	Pretoria	9	13	5	5	32
Trade and IO: Time Series and Competition policy	Mar 13	Stellenbosch	18	8	8	1	35
Economic History: Economics of Apartheid	Mar 13	Cape Town	16	14	9	7	46
Total			78	76	43	27	224

Table 2: Institutions represented at ERSA Workshops

ABSA
Accounting, University of Stellenbosch
Actuaries Without Frontiers
African Bank
Alexander Forbes
American Cancer Association
Applied Fiscal Research Centre (AFReC)
Association for Savings & Investment South Africa (ASISA)
Australian National University
Bank of Namibia
BANKSETA
Benguela Health Group
Black Sash
British Museum
Bureau for Economic Research (BER)
Cadiz Securities
Central European University
Centre for Affordable Housing Finance
Clinton Foundation
Columbia University
Community of Mandela Rhodes Scholars
Competition Commission South Africa
Consultative Group on International Agricultural Research (CGIAR)
Council for Scientific & Industrial Research (CSIR)
De Nederlandsche Bank
Denmark
Departamento de Historia Economica e Instituciones Universidad Carlos III
Department of Agriculture, Fishing and Foresteries
Department of Economic Development, Environment & Tourism, Eastern Cape
Department of Economic Development, Environment & Tourism, Limpopo
Department of Economic Development, Environment & Tourism, Mpumalanga
Department of Health
Department of Labour
Department of Mineral Resources
Department of Trade and Industry
Development Bank of South Africa
Development Policy Research Unit (DPRU)
Discovery
Discovery Financial Consultants
DNA Economics
Durban University of Technology
Düsseldorf Institute for Competition
East London Industrial Development Zone
Eastern Cape Department of Health
Econex
Edward Nathan Sonnenbergs Inc
Elsenburg

ERSA
Feasibility Pty Ltd
Ferere Hospital East London
Financial & Fiscal Commission
Financial Planning Institute
Financial Services Board
Free State Treasury
Frost & Sullivan
Gauteng Provincial Government
Genesis Analytics
Ghana Statistical Services
Glen Steyn Consulting Economist
Gulu University
Harvard University
Health Systems Trust
Helen Suzman Foundation
Hollard Insurance
Human Sciences Research Council (HSRC)
Independent
Industrial Development Corporation
INSTAT – Madagascar
International Development Research Centre, Canada
International Monetary Fund
Jack Hammer Executive Headhunters
J-PAL
KPMG
KZN Treasury
Liberty Life
London School of Economics
Lund University
Mapungubwe Institute for Strategic Reflection
Medical Research Council
Mercantile Law, University of Stellenbosch
Mosswick Investments
Moulay Ismail University
Mpumalanga Department of Finance
Mpumalanga Provincial Government
MSG Afrika Investment Holdings
National Energy Regulators of South Africa
National Film and Video Foundation
National Treasury
National Youth Development Agency
Nelson Mandela Metropolitan University
Northern cape Provincial Government
Norwegian University of Science & Technology
Office of the Premier: Limpopo
Ogilvy & Mather
Old Mutual

Oxford Policy Management
Oxford University
Oxford University Press
P&DM Wits
Pan-African Investment & Research Services
Parliament
Penn State University
Presidency Office
Provincial government of the Western Cape
Quantec
Rand Merchant Bank
RBB Economics
Redeemer University
Renaissance Capital
Resolve
Rhodes University
Royal Netherlands Institute of Southeast Asian and Caribbean Studies
SA Savings Institute
Sanlam
South African Government
South African Institute of International Affairs
South African National Treasury
South African Reserve Bank
South African Revenue Services
Southern African Labour & Development Research Unit (SALDRU)
Standard Bank
Stanford University
Stanlib
State University of New York
Stats SA
Stellenbosch Business School
Stockholm University
Thebe Employee Benefits
Trade and Industrial Policy Strategies
Transunion
Treatment Action Campaign
Tshwane University of Technology
United States Census Bureau
Universidad de los Andes
Universidad de la Republica
Universitat Pompeu Fabra
Universite de Montreal
Universite Cheikh Anta Diop
University Kyoto
University of Alberta
University of Arizona
University of Bologna
University of California, Berkley

University of Cambridge
University of Cape Coast
University of Cape Town
University of Cape Town (Historical Studies)
University of Cape Town: Graduate School of Business
University of Constantine
University of Dar es Salaam
University of Fort Hare
University of Frankfurt
University of Glasgow
University of Gothenburg
University of Guanajuato – Mexico
University of Helsinki
University of Johannesburg
University of KwaZulu Natal
University of Lagos
University of Limpopo
University of London
University of Mannheim
University of Nigeria
University of Pretoria
University of South Africa
University of Southern Denmark
University of Stellenbosch
University of Sussex
University of the Free State
University of the North West
University of the Western Cape
University of the Witwatersrand
University of the Witwatersrand: Graduate School of Business
University of Tilburg
University of Toulouse 1
University of Tuebingen
University of Venda
University of Zululand
Utah Valley University
Utrecht University
Walter Sisulu University
Western Cape Department of Health
World Bank
WHU Otto Beisheim School of Management
ZEW Centre for European Economic Research

3. The Working and Policy Paper Series

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

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

Submissions are subject to standard academic peer review, and acceptance into the series results in a R 5000 financial pay-off. Subsequent publication in peer reviewed journals attracts an additional financial reward, on a nonlinear scale depending on the professional status of the journal accepting the paper. Journal rankings are provided by the ISI Thomson Web of Science impact factor adjusted ranking according to the total citations criterion, which is an international standard for journal rankings in economics.

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

The rate of publication of working papers still remains at a satisfactory level. In the last annual report, ERSA was able to report the publication of 279 Working Papers and 20 Policy Papers. Since April 2012 to date, this has increased to 342 Working Papers, and 20 Policy Papers.

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

What is especially pleasing about the papers appearing in the ERSA series is that they are meeting a high success rate in terms of publication in peer reviewed journals. To date, 156 out of the 362 Working and Policy Papers have been

published, with a number of additional papers forthcoming. Thus the publications rate currently stands at 44%. Also noteworthy is that of the published papers, 119 have appeared in international journals, and 37 in Southern African journals, giving a 76% proportion for international as opposed to local publication rate.

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

Table 3 : ERSA Working Paper – Publication Breakdown

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

18	J Fedderke & P Flamand	Macroeconomic News 'Surprises' and the Rand/Dollar Exchange Rate	2005, Studies in Economics & Econometrics,	National
21	K Pauw & L Edwards	Evaluating the general equilibrium effects of a wage subsidy scheme for SA	2006, South African Journal of Economics,	National
22	J Fedderke & J Luiz	Fractionalization and long-run economic growth: Webs and direction of association between the economic and the social – SA as a time series study	2007, Applied Economics,	International
23	J Fedderke & G Szalontai	Industry concentration in SA manufacturing industry: trends and consequences, 1972-96	2008, Economic Modelling,	International
24	S Koch	The AID and MAID Systems: South African Household Data Pitfalls	2007. Studies in Economics and Econometrics,	National
26	J Fedderke	An analysis of industry concentration in SA manufacturing, 1972-2001	2009, Applied Economics	International
27	J Fedderke	Technology, human capital and growth	2006, SARB, Banco de Mexico and the People's Bank of China (eds). Economic Growth, Proceedings of a G20 seminar held in Pretoria, SA on 4 – 5 August 2005.	International
28	J Kibambe & S Koch	South African Hospital Efficiency: DEA Applied to a Gauteng Sample of SA Public Hospitals	2007, South African Journal of Economics	National
29	J Fedderke & J Luiz	Does human generate social and institutional capital? Exploring evidence from time series data in a middle income country	2008, Oxford Economic Papers	International
31	C Simkins	The determinants of educational attainment	2012, Economic History of Developing Regions	National

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

50	A Kabundi	Synchronization between SA and the US: A structural dynamic factor analysis	2009, South African Journal of Economics	National
51	R Gupta	Forecasting the SA Economy: A DSGE- VAR approach	2010, Journal of Economic Studies	International
52	E Muchapondwa, F Carlsson & G Kohlin	Can local communities in Zimbabwe be trusted with wildlife management?: Evidence from contingent valuation of elephants	2008, South African Journal of Economics	National
54	P Aghion, M Braun & J Fedderke	Competition and productivity growth in South Africa	2008, Economics of Transition	International
55	J Geldenhuys & M Marinkov	Robust estimates of Okun's Coefficient for South Africa	2007, South African Journal of Economics	National
56	D Lam, C Ardington & M Leibbrandt	Schooling as a lottery: Racial differences in school advancement in urban South Africa	2010, Journal of Development Economics	International
57	D Casale & D Posel	Bridewealth and the marital earnings premium for men	2010, Economic Dev & Cultural Change	International

58	A Zimper	Half empty, half full and the possibility of agreeing to disagree	2009, Journal of Economic Behaviour and Organization	International
59	C Ardington, A Case and V Hosegood	Labor supply responses to large social transfers: longitudinal evidence from South Africa	2009, American Economic Journal, Applied Economics	International
60	W Simbanegavi	Exchange Rates and Product Variety	2009, International Journal of Finance and Economics	International
61	D Posel & C Muller	Is there evidence of a wage penalty to female part-time employment in South Africa?	2008. South African Journal of Economics	National
63	D Hodge	Economics, realism and reality: a comparison of Maki and Lawson	2008, Cambridge Journal of Economics	International
64	N Pillay	Theory consistent formal risk measures	2010, Oxford Bulletin of Economics and Statistics	International
65	W Akpalu, E Muchapondwa & P Zikhali	Can the restrictive harvest period policy conserve mopane worms in Southern Africa? A bio-economic modelling approach	2009, Environment and Development Economics	International
67	M Bittencourt	Inflation and financial development: Evidence from Brazil	2010, Economic Modeling	International
68	R Gupta & J Uwillingiye	Measuring the welfare cost of inflation in South Africa	2008, South African Journal of Economics	National

72	H Amusa	Fiscal Illusion at the local sphere: An empirical test of the flypaper effect using SA municipal data	2008. South African Journal of Economics	National
74	A Zimper	A parsimonious model of subjective life expectancy	2013, Theory & Decision	International
75	S Muller	Begging the question: Permanent Income and Social Mobility	2010, Economic Letters 108: 291-295	International
76	C Ardington, M Leibbrandt	Orphanhood and Schooling in SA: Trends in the vulnerability of orphans between 1993 & 2005	2009, Economic Development and Cultural Change	International
77	A Hofmeyr, J Burns and M Visser	Income Inequality, Reciprocity and public good provision: An experimental analysis	2007, South African Journal of Economics	National
78	J Fedderke & Simbanegavi	Price Elasticities and Pricing Power in Emerging Markets: The Case of Petrochemical-Derived Plastics in South Africa	2012, South African Journal of Economics	National
79	M Aziakpono	Exchange rate pass-through to import prices in SA	2008, South African Journal of Economics	National
81	R Gupta & E Ziramba	Costly tax enforcement and financial repression	2008, Review of Banking, Finance and Monetary Economics	International
83	A Hofmeyr	Social networks and ethnic niches: An econometric analysis of the manufacturing sector in SA	2010, South African Journal of Economics	National
84	L Bonga-Bonga	Modelling the rand-dollar future spot rates: The Kalman Filter approach	2008, African Finance Journal	National

86	M Bittencourt	Macroeconomic performance and inequality: Brazil 1983-1994	2008, The Developing Economies	International
89	W Boshoff & J Fourie	Ship Traffic and the economy of the Cape Colony: 1652-1794.	2010, European Review of Economic History	International
90	E Muchapondwa	Estimation of the aggregate agricultural supply response in Zimbabwe: the ARDL approach to cointegration	2009, Afjare	International
91	W van der Merwe & J Burns	What's in a name? Racial identity and altruism in post-apartheid South Africa	2008, South African Journal of Economics	National
92	A Zimper	Asset pricing in a lucas 'fruit-tree' economy with the best and worst in mind	2011, Journal of Economic Dynamics & Control	International
95	J Luiz	Perceptions regarding entrepreneurship in an emerging and culturally diverse economy: A SA survey	2011, SAJEMS	National
97	A Zimper	Revisiting independence and stochastic dominance for compound lotteries	2008, B E Journal of Theoretical Economics	International
98	L Bonga-Bonga	National savings and fiscal policy in SA: An empirical analysis	2009, Acta Academica	National
101	M Bittencourt	Macroeconomic performance & inequality: Brazil 1983-1994	2009, The Developing Economies	International
102	E Giovannetti	Asymmetry and discrimination in internet peering: evidence from the LINX	2009, International Journal of Industrial Organization	International

103	S Das	Adaptive Bayesian Analysis for Binomial Proportions	2009, South African Statistical Journal	National
104	A Zimper	On attitude polarization under Bayesian learning with non-additive beliefs	2009, Journal of Risk and Uncertainty	International
109	E Gilbert	Does survivorship bias really matter? An empirical investigation into its effects on the mean reversion of share returns on the JSE securities Exchange (1984-2006)	2010, Investment Analysts Journal, Vol 72	National
111	J Fedderke, & W Simbanegavi	SA Manufacturing industry structure and its implications for competition policy	2008, Journal of Development Perspectives	National
112	F Gwenhamo	Measuring institutions: The Zimbabwean Case	2012, The Journal of Peace Research	International
113	D Casale & D Posel	Unions and the gender wage gap in South Africa	2010, Journal of African Economies	National
115	L Rangasamy	How persistent is SA's inflation	2009, South African Journal of Economics	National
116	W Krugell	Local municipalities and progress with the delivery of basic services in SA	2010, South African Journal of Economics	National
118	J Luiz	Factors influencing foreign direct investment of SA financial services firms in sub-saharan Africa	2009, International Business Review	International
119	D Hodge	Growth, employment and unemployment in SA	2009, South African Journal of Economics	National

120	E Muchapondwa	Using economic incentives in conservation oriented regional management in Southern Africa	2012, Journal of Sustainable Development	National
122	L Bonga Bonga	Forward exchange rate puzzle: joining the missing pieces in the rand-US dollar exchange market	2009, Journal of Studies in Economics and Econometrics	National
130	W Akpalu	Ostracism and common pool resource management in a developing country: young fishers in the laboratory	2011, Journal of African Economies	International
135	E Muchapondwa	Assessing the viability of small-scale wind turbines in different scenarios in SA	2011, Journal of Energy in Southern Africa	National
139	R Seymore	The impact of an electricity generation tax on the SA economy	2010, Journal of Studies in Economics and Econometrics	National
141	J van Heerden	Is Water Shedding Next?	2009, Water SA	National
142	S Koch	Dynamic Health Care Decisions and Child Health in SA	2010, Journal of Income Distribution	International
144	F Gwenhamo	Foreign direct investment in Zimbabwe: the role of institutional factors	2011, South African Journal of Economics	National
146	M Aziakpono	Dynamic returns linkages and volatility transmission between SA and the world market equity markets	2009, Journal of Studies in Economics and Econometrics	National
147	H Bezuidenhout	A regional perspective on Aid and FDI in Southern Africa	2009, Int Adv Econ Res	International

149	A Kabundi	Could we have predicted the recent downturn in the South African housing market?	2009, Journal of Housing Economics	International
150	J Luiz	Evaluating the performance of SA economics departments and economists	2009, South African Journal of Economics	National
153	D Posel & D Casale	Sex ratios and racial differences in marriage rates in South Africa	2011, Applied Economics	International
154	S Hassan	In sample predictability does not imply opportunities for profitable trading in real time: evidence from the cross-section of SA common stocks	2011, Australian Journal of Management	International
155	M Reid	Loud and Clear? Can we hear when the SARB speaks?	2010, South African Journal of Economics	National
156	S Hassan	The equity premium and risk-free rate puzzles in a turbulent economy: evidence from 105 years of data from SA	2010, South African Journal of Economics	National
157	Er Danan, A Guerdjikova & A Zimper	Indecisiveness aversion and preference for commitment	2011, Theory and Decision	International
160	D Igan, A Kabundi et al.	Three cycles: Housing, credit and real activity	2011, Journal of Housing Economics	International
161	U Schmidt & A Zimper	The harmonic sequence paradox reconsidered	2011: British Journal of Mathematical and Statistical Psychology	International
162	J Luiz & R Fidal	An economic analysis of sports performance in Africa	2011, International Journal of Social Economics	International

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

187	Z Chinzara	Macroeconomic uncertainty and emerging market stock market volatility: the case for South Africa	2011, South African Journal of Economics	National
189	R Naraidoo & I Paya	Forecasting monetary policy rules in South Africa	2011, International Journal of Forecasting	International
191	M Bittencourt	Financial development and economic growth in Latin America: is Schumpeter right?	2012, Journal of Policy Modelling	International
193	D Casale	Indirect taxation and gender equity: evidence from South Africa	2012, Feminist Economics	International
195	N Monkam	Mobilizing tax revenue to finance development: The case of property taxation in francophone Africa	2011, Public Finance & Management, Vol 11	National
196	M Chitiga	Analysing alternative policy responses to high oil prices using an energy integrated CGE micro simulation approach for SA	2012, Environment and Development Economics	International
198	Z Chinzara	Risk return tradeoff and the behavior of volatility on the South African stock market: Evidence from both aggregate and disaggregate data	2012, South African Journal of Economics	National
202	A Duncan	Volatility spillovers across SA asset classes during domestic and foreign financial crises	2012, Economic Modelling	International
203	R Inglesi-Lotz & J Blignaut	SA's electricity consumption: A sectoral decomposition analysis	2012, Applied Energy	International
205	D Posel	Gendered trends in poverty in the post-apartheid period: 1997-2006	2012, Development Southern Africa	National

204	R Inglesi-Lotz	Electricity intensities of the OECD and South Africa: a comparison	2012, Renewable and Sustainable Energy Reviews	National
205	D Posel	Gendered trends in poverty in the post-apartheid period: 1997-2006	2011, The Journal of Socio-Economics	International
208	A Zimper	Optimal liquidity provision through a demand deposit scheme: The Jacklin critique revisited	2012, German Economic Review	International
210	D Casale	Relative standing and subjective well being in Sa, the role of perceptions expectations and income mobility	2011, Social Indicators Research	International
212	S Koch	An analysis of Specialist Surgeons and their practices	2011, SAJEMS	National
215	F Tregenna	What are distributional implications of halving poverty in South Africa when growth alone is not enough?	2011, Applied Economics	International
217	H Ngalawa	Dynamic effects of monetary policy shocks in Malawi	2011, South African Journal of Economics	National
221	D Liu	Business Cycle and Bank Capital Regulation: Basel II Procyclicality	2012, Economic Modelling	International
222	J Luiz	Determinants of Foreign Direct Investment of South African telecommunications firms into sub-saharan Africa	2012, Telecommunications Policy	International
226	W Boshoff	Gasoline, diesel fuel and jet fuel demand in South Africa	2012, J.Stud.Econ.Econometrics	National

227	K Brick et al.	Risk Aversion: Experimental Evidence from South African Fishing communities	2012, American Journal of Agricultural Economics	International
232	M Kohler	Measuring the impact of trade finance on South African export flows	2011, SAJEMS	National
237	K Behrens & A Pholo-Bala	Do rent seeking and interregional transfers contribute to urban primacy in sub-saharan Africa?	2011, Papers in Regional Science	International
238	G Verhoef	Global since Gold: The globalization of conglomerates: explaining the experience from SA: 1990-2009	2011, The Globalization of South African Conglomerates, 1990-2009	National
239	M du Preez et al	The recreational value of beaches in the Nelson Mandela Bay area, South Africa	2011, J Stud Econ Econometrics	National
240	A Zimper	Do Bayesians learn their way out of ambiguity?	2011, Decision Analysis	International
243	W Akpalu	Demand for cooking fuels in a developing country: To what extent do taste and preferences matter?	2011, Energy Policy	International
248	S Koch	Does one size fit all? Heterogeneity in the valuation of community forestry programmes	2011, Ecological Economics	International
250	M Cakir	Trade Shocks from BRIC to South Africa; A Global VAR Analysis	2013, Economic Modelling	International
251	J Luiz	The economics of information technology in public sector health facilities in developing countries: the case of South Africa	2013, BMC Medical Informatics & Decision Making	International

257	J Dikgang	The valuation of biodiversity conservation by the SA Khomani San 'bushmen' community	2012, Ecological Economics	International
258	M du Preez et al	Measuring the indirect costs associated with the establishment of a wind farm: An application of the contingent valuation model	2012, Journal of Energy in Southern Africa	National
260	J Fourie	The Determinants of African Tourism	2012, Tourism Management	International
261	C Claasen	Chinese Foreign Direct Investment in Africa	2012, African Journal of Business Management	National
265	M du Preez	Determining the impact of low-cost housing development on nearby property prices using discrete choice analysis	2012, J.Stud. Econ Econometrics	National
268	J Fourie	The wealth of the Cape Colony: measurements from probate inventories	2012, Economic History Review	International
285	T Leshoro	Estimating the inflation threshold for SA	2012, J.Stud.Econ.Econometrics	National
288	M Rogan	Poverty and headship in post-apartheid SA: 1997-2008	2012, Social Indicators Research	International
290	J Fedderke	The cost of rigidity: The case of the SA labour market	2012, Comparative Economic Studies	National
291	A Zimper	The emergence of 'fifty-fifty' probability in a conditional savage world	2012, Fuzzy Sets and Systems	International

296	A Zimper	A decision-theoretic model of asset price underreaction and overreaction to dividend news	2012, Ann Finance	International
300	J Fedderke	The objectivity of NRF Peer Review Based Ratings in SA	2013, Scientometrics	International
303	E Makaudze	Assessing the economic value of El Nino Based seasonal climate forecasts for smallholder farmers in Zimbabwe	2012, Meteorological Applications	International
321	S Makanjari	Evaluating the prospects of benefit sharing schemes in protecting mountain gorillas in Central Africa	2013, Natural Resource Modelling	International
322	M Sarr	Risk preferences and environmental uncertainty: implications for crop diversification decisions in Ethiopia	2012, Environ Resource Economics	International
326	H Ngalawa	Interaction of formal and informal financial markets in quasi-emerging market economics	2013, Economic Modelling	International
335	I Kanyama	Time-varying parameters in the almost ideal demand system and the Rotterdam model: will the best specification please stand up?	2013, Applied Economics	International
Policy Papers				
01	J Fedderke	From Chimera to Prospect: SA Sources of and Constraints on Long Term Growth, 1970-2000	2006, in Borat, H. and Kanbur, R., eds., Poverty and Policy in Post Apartheid South Africa, HSRC Press	National

02	S Koch & M Peet	Non-tariff Barriers Faced by SA Firms: Are there any Lessons?	2007, South African Journal of Economic and Management Sciences	National
07	Z Bogetic & J Fedderke	International Benchmarking of South Africa's Infrastructure Performance	2006, Journal of Development Perspectives	International
10	C van Walbeek	Official revisions to SA National accounts data: magnitudes and implications	2006, South African Journal of Economics	National
13	Evan Blecher	The impact of tobacco advertising bans on consumption in developing countries	2008, Journal of Health Economics	International

Statement by the Chair of the ERSA Editorial Committee

The Board

ERSA

Dear Sirs/Madams

ERSA Working Paper Series – April 2012 to March 2013

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

Since the start of the WPS in 2005, we have accepted and published 362 working and policy papers.

The popularity of the WPS has been growing, and this is clear from the fact that in the last year there were 125 papers received and sent out for review. Eleven of these were accepted unconditionally, fifteen were rejected outright, while most others were sent back with comments to be revised and resubmitted. During the above mentioned reporting period, 63 working papers were published.

The editorial committee consisting of Johann Fedderke from Penn State University, Shakill Hassan from UCT and SARB, Nicola Viegi and myself, Jan van Heerden from University of Pretoria, corresponded on a weekly basis via email 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 referee reports.

We have recently moved to an electronic platform, namely ScholarOne Manuscripts, and all new submissions are treated through this platform.

The WPS is the premier series in Economics 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,

A handwritten signature in black ink, appearing to read 'J. van Heerden', is written over a light blue rectangular highlight.

Jan van Heerden

4. ERSA Sponsored Visitors

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

See below a list of international visitors to ERSA Workshops in the 2012 – 2013 period.

1. Dr Anke Hoeffler, CSAE, Department of Economics, University of Oxford, United Kingdom - Presented at the ERSA Sponsored Civil War Session at the World Economic History Congress 2012 from 9-13 July 2012.
2. Dr Leopoldo Fergusson, Universidad de los Andes, Bogota, Colombia, South America - Presented at the ERSA Sponsored Civil War Session at the World Economic History Congress 2012 from 9-13 July 2012.
3. Professor David Laitin, Department of Political Science, Stanford University, USA – Presented at the ERSA Sponsored Civil War Session at the World Economic History Congress 2012 from 9-13 July 2012.
4. Dr Richard Reid, School of Oriental and African Studies, University of London, United Kingdom - Presented at the ERSA Sponsored Civil War Session at the World Economic History Congress 2012 from 9-13 July 2012.
5. Professor Marta Reynal-Querol, Department of Economics, Universitat Pompeu Fabra, Barcelona, Spain - Presented at the ERSA Sponsored Civil War Session at the World Economic History Congress 2012 from 9-13 July 2012.
6. Prof Augustin Fosu, Deputy Director of UNU-WIDER in Helsinki, Finland – Keynote speaker at the African Development Finance workshop held at the University of Stellenbosch Business School from 7-8 August 2012.
7. Dr David Porteous, Managing Director of Bankable Frontier Associates LLC in Boston, USA – Keynote speaker at the African Development Finance workshop held at the University of Stellenbosch Business School from 7-8 August 2012.
8. Dr Alexander Moradi, School of Business, Management and Economics, University of Sussex, United Kingdom – Presented at the Economic History workshop held in East London from 21 to 23 November 2012.

9. Professor Wisdom Akpalu, Department of History, Economics and Politics, State University of New York (SUNY) – Farmingdale, USA – Presented at the training workshop on Modeling of Illegal Behaviour in Natural Resource Management in Developing countries from 17-19 January 2013.
10. Professor Domenico Giannone, Universite' Libre de Bruxelles – ECARES, Brussels, Belgium – Presented at the Macro Training workshop on Now Casting Economic Variables in South Africa from 28-30 January 2013.
11. Professor Daniel Rubinfeld, University of California Berkley School of Law, USA – presented at the Time Series and Competition Policy workshop from 4-5 March 2013.
12. Dr Kai Hüschelrath, Head: Competition and Regulation Research Group, ZEW Centre for European Economic Research; Coordinator: MaCCI Mannheim Centre for Competition and Innovation and Assistant Professor: WHU Otto Beisheim School of Management - presented at the Time Series and Competition Policy workshop from 4-5 March 2013.
13. Elena Argentesi, Department of Economics, University of Bologna, Italy - presented at the Time Series and Competition Policy workshop from 4-5 March 2013.
14. Dr Veit Böckers, Düsseldorf Institute for Competition Economics (DICE), University of Düsseldorf, Germany - presented at the Time Series and Competition Policy workshop from 4-5 March 2013.
15. Dr Martine Mariotti, Australian National University, Australia – Presented at Economic History workshop: Economics of Apartheid, at the Slave Lodge in Cape Town, 20-22 March 2013.

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

5. ERSA Economics Prizes

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

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

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

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

Table 4: Prize Winning Students

Institution	Placing	First Year	Second Year	Third Year	Honours	Masters	PhD
Monash U	First Place	ML Mwanga	RJ Albuquerque	MM Munene	M Stonehouse		
	Second Place	C Houston McMillan	F Sande	ADDN Mouzinho			
Nelson Mandela Metropolitan U	First Place	A Neglur	R Ferreira	PGF McEwan	DS Gate	J Beukes	L Chikoko
	Second Place	A Botha	K Gardiner	V Hibbers	SJ Lauwo	IC Anyikwa	
	Second Place					KT Jacoby	
Tshwane U of Technology	First Place	N Sehlangu	SM Molefe	SM Mongolela	JD Mabulango		
	Second Place	TL Ngwenya	MC Sgudla	ML Mfati	MD Mashianoke		
U Cape Town	First Place	DC Ferrandi	DL Golden	J Standish-White			
	Second Place	A Moolla	BJ van der Watt	ML Newham	M Virira		
U Fort Hare – Alice	First Place	K Chithekwe	E Mutambirwa	FR Ncube	S Maqaga		
	Second Place	J Mwafisheni	N Ndlovu	L Munkombwe			
U Fort Hare – E.L	First Place	T Mustafa	L Watson	T Phekun	S Chuma		
	Second Place	T Sokopo	P Ngonisa	D Dewing	A Mtimkhulu		
U Free State	First Place	A vd Westhuizen	D Nikolov		P du Preez	H Bezuidenhout	
	Second Place	D Basson	L du Plessis		R Sepenyane		
U Johannesburg	First Place	SL Mazibuko	TA Maake	PJ Venter	T Alberts	EAE Umoetok	A Duncan
	Second Place	SMT Mandeya	KW Mokono	X Mazomba	LA Bezuidenhout	J Mattes	J Mwamba
	Second Place	G Wilmans			CM Ledingoane		YS Stander
U Limpopo	First Place	MK Masipa	SS Nkolsielo	KP Mabusela	S Mbewe		
	Second Place	B Marakalala	ME Boshielo	MP Mphela	RH Chimeri		
U Stellenbosch	First Place	C du Plessis	N Lester	AJ Doyle	C Kleynhans	M Hendriksz	
	Second Place	CM van der Walt	D Hariparsad	KLI Shaw	E Moolman	T Molise	
U Western Cape	First Place	ZN Mngoma	A Musa	F Chiparawasha	M Msoni	SC Mujuta	
	Second Place	N Hlongwana	B Kilani	F Fredericks	MA Moosajee	S Murozvi	
Walter Sisulu U	First Place	A Mugadza	M Allen	NW Florence	M Kholiswa		
	Second Place	VE Awuh	NA Zikhona	Z Sokapase	M Nwabisa		
Wits U	First Place	JD Bortz	V Chibabhai	Z Kretzmer	MN Ngarachu	N Ramos	
	Second Place	M Rama	R Phalafala	C Markantonis	S Kalidas	Z Ismail	

6. ERSA Economics Scholarships

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

From a total of 32 applications received, nine candidates from a diverse range of institutions were unanimously selected by the scholarship committee (Profs Jan van Heerden (chair), Meshach Aziakpono and Asrat Tsegaye), to receive an upfront payment of R70000 to be followed by R10000 upon submission of their final dissertation to the ERSA working paper series.

See below list of Scholarship Awardees for 2013.

Student Name	Institution	Course
Ayabonga Cawe	University of the Witwatersrand	Master's degree
Chennel Jagesur	University of KwaZulu-Natal	Master's degree
Sisonke Makalima	Rhodes University	Master's degree
Matsediso Malimabe	North West University	Master's degree
Karissa Moothoo-Padayachie	University of KwaZulu-Natal	Master's degree
Struan Robertson	Rhodes University	Master's degree
Maria Sikaundi	University of Pretoria	Master's degree
Caroline Stapleton	University of Cape Town	Master's degree
Amy Bo Trembling	University of Pretoria	Master's degree

Appendix I: Workshop Reports: April 2012 – March 2013

1. World Economic History Congress 2012, – Tracing the roots of development, 9-13 July, Stellenbosch, Cape Town - Workshop convenor: Sophia Du Plessis

The first ERSA workshop for 2012 coincided with the World Economic History Congress, from 9-13 July 2012. This was a wonderful opportunity for the research group, as almost 800 delegates from 55 countries gathered in Stellenbosch. Fourteen participants were fully sponsored by ERSA, whereas about 15 other regular ERSA Economic History participants attended, but with their own funding.

Holding the Congress in Africa was symbolically important. Economic history has important implications for development and underdevelopment in Africa, and it is important that academic discussions about the 'roots of development' take place on African soil. Some of the papers at the congress provided new insights into previously generally accepted ideas, while new data sources brought forth some new understandings about development in Africa, like for instance, the sessions on New African economic history: approaches to long-term African economic development; Labour, wages and living standards in colonial Africa; Dynamics of agriculture and agrarian institutions in sub-Saharan Africa, 19th and 20th centuries; Pre-colonial sub-Saharan Africa: interactions between internal and external sources of change, 1450-1890. Other sessions compared Africa to other developing regions, for instance, sessions on Human capital and development in Africa and Latin America; Historical origins of developmentalism: Asian and African experiences compared.

There were also sessions that addressed specific themes, like for instance, Does the history of entrepreneurship in Africa matter?; The South African industrialisation model and its consequences; Modern economic history of South Africa from the perspective of comparison and connectedness: land, labour and business; Global land grabbing and food security in Africa: on whose terms?

What was particularly striking about some of the papers presented on African themes was the interesting data sources that were explored. With a general lack of good data, it is important to be creative in searching for data. The lack of easy-to-find data contributes to the fact that Africa is not over-researched and leaves room for new

researchers. Attending the Congress made it possible for the ERSA research group members to witness new techniques, and they got inspired by other researchers. But most importantly, the group got the opportunity to network with a number of new, young researchers with an interest in Africa. This is an important development and one that needs to be encouraged. I hope this will encourage even more economic history research on the continent in the future.

Since 2006, economic history has grown remarkably in South Africa, and this growth has been facilitated by the ERSA funding and administrative support from the ERSA office. I would like to thank ERSA for their continuing support.

Regards,
Sophia du Plessis

2. African Development Finance Workshop, 7-8 August 2012 University of Stellenbosch Business School, Bellville, Cape Town, Convenor: Meshach Aziakpono

Keynote speakers were Prof Augustin Fosu, Deputy Director of UNU-WIDER in Helsinki, Finland, and Dr David Porteous, Managing Director of Bankable Frontier Associates LLC in Boston, USA.

A total of 45 abstracts were submitted for presentation, out of which 32 were accepted. Two (2) papers out of the 32 accepted were withdrawn; in the one case the author had difficulties raising funds for her travel (from Belgium) and in the other the withdrawal was based on a change in work schedule. Thirty (30) papers were therefore accepted for presentation, 17 from participants based in South Africa and 13 from participants coming from outside South Africa.

The workshop began on 7 August (Day 1) with registration (07:30-08:30) and a welcome address by the Director of the USB-Prof John Powell (08:30-09:30). It was followed by the first plenary session where a presentation on the project report Role of Perceptions and Behaviour on Access to and use of Financial Services Evidence from South Africa was made. The concurrent sessions began at 09:45 and were structured around two broad themes; Theme 1: Access to finance, financial inclusion and risk and Theme 2: Institutional factors and macroeconomic issues in development and innovative finance. The Concurrent sessions for Day 1 ended at 16:00. The workshop hosted participants to a Dinner at Bloemendal Restaurant at 19:00.

Day 2 of the workshop began with a continuation of presentations at concurrent sessions until 10:45 when the second plenary session started. The plenary consisted of presentations by the two keynote speakers Prof Fosu and Dr. Porteous, as well as a questions and answers session and lasted until lunch time (duration of 2 hours). The final session for the workshop was a round table discussion on development finance moderated by Prof Sylvanus Ikhide after lunch. The workshop officially ended at 15:30.

3. Report on ERSA Public Economics workshop, Polokwane 15-16 November 2012

The Department of Economic Development, Environment and Tourism of the Limpopo Provincial government hosted the workshop. The official topic of the workshop was taxation, though we received a number of papers on other topics too. In total sixteen papers, plus three official submissions by the FFC by Ramos Mabugu formed part of the workshop. Presentations came from individuals affiliated with a variety of institutions (see Table 1).

Table 1 – Institutions to which authors are affiliated
Department of Economic Development, Environment and Tourism
Department of Transport
Financial and Fiscal Commission
KwaZulu-Natal Treasury
National Treasury
South African Revenue Services
University of Cape Town
University of KwaZulu-Natal
University of Pretoria
University of Stellenbosch
University of the Free State

Because of the cost to travel to Polokwane, the number of people attending the workshop was smaller than the previous workshop (about 33 attended this workshop). Nevertheless, they still represent a large variety of institutions (see Table 2).

Table 2 – Institutions attending the workshop
Department of Economic Development, Environment and Tourism
Department of Transport
Department of Economic Development, Environment and Tourism, Eastern Cape
Economic Research Southern Africa
Financial and Fiscal Commission
Glen Steyn Consulting Economist
KwaZulu-Natal Treasury
Mpumalanga Provincial Government
National Treasury
Northern Cape Provincial Government
Office of the Premier: Limpopo
South African Revenue Services
University of Cape Town
University of KwaZulu-Natal
University of Pretoria
University of Stellenbosch
University of the Free State

What was clear from the workshop is that the members of the working group really see the working group as their group – they took ownership of it and come up with

ideas as to what we can do in future workshops. There is also a culture of sharing and debating ideas, with some institutions now much more willing to participate.

As mentioned above, the workshop's topic was taxation and we received a good number of papers that addressed taxation. We also received papers on health policy, intertemporal choice and employment, intergovernmental finance and provincial and local government finance.

Six of the papers on taxation were deemed of good quality and Ian Stuart and I are busy to get the authors to finalise them and write proper summaries. We will then add an executive summary and send the papers to the Minister of Finance. These papers will also become ERSA Occasional Papers.

The response rate to the workshop assessment questionnaire that ERSA sent out to all workshop participants after the workshop was limited to thirteen respondents. All these respondents were quite happy with the workshop, with all averages except the one on the quality of the venue being in excess of 4 out of 5. The only one on the quality of the venue was just below 4. The expenditure for the workshop came in well below the budgeted R200 000.

The working group expressed a wish for the next workshop to be on the economics of regulation. We are not quite sure how many papers we will get on this topic, but we will open the workshop also for papers on other topics in public economics. For the second workshop in 2013 a workshop on micro-simulation is planned. Because the second workshop and the ESSA conference both take place in the second half of 2013 and since members will probably prefer to submit their papers to the ESSA conference, the second workshop will not be a workshop with papers. Rather, we plan to get an expert on micro-simulation to present the workshop and teach people how to do micro-simulation.

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

Philippe Burger

Coordinator: ERSA Public Economics Working Group

4. Economic History Workshop: GIS in History, 21-23 November 2012, East London

From 21-23 November, the eight ERSA Economic History workshop was held at Crawford's close to East London.

22 participants attended the workshop on GIS in History. We invited Alexander Moradi, based at Surrey University but working on African economic history and who often use GIS in his research, to present a training workshop over three days. Alex used several of his papers as case studies to demonstrate the applicability of GIS techniques to economic history questions. In addition to Alex's presentations, all participants had to present a 15 minute paper on a research paper or planned research topic. This was also an important event to connect people working in similar fields and using similar (geographical) datasets. The workshop participants specifically noted these benefits in their feedback to me.

The conference venue was fantastic and is highly recommended for future ERSA workshops. The conference was organised within the allocated R200 000 budget; a final surplus of R40 765.90 was realised.

Sincerely,
Johan Fourie

5. Macro Training workshop on Now Casting Economic Variables in South Africa from 28-30 January 2013, University of Pretoria

General Impression

The macro training workshop on Nowcasting economic variables in South Africa was held at the University of Pretoria from the 28th to the 30th of January 2013. Initially there were 32 participants and the number decreased slightly the second day. The workshop was a combination of theoretical presentation in the morning and application using the computer laboratory after lunch. The participants came from both academia and the private sector. There were three candidates from the South African Reserve Bank, quite a considerable number from the South African Revenue Service, and from different universities across the country. The outcome of assessment by candidates reveals that the workshop was successful with the lowest assessment mark of 4.21 out of 5. The lower mark refers to the pace of the workshop. This issue is related to comments made in order to improve the workshop.

For many candidates, this was the first time that they came in contact with Matlab. Given that all applications were conducted using the software, some participants were somewhat lost or slow. It is, therefore, preferable to have a quick introduction to the software. Another issue of concern was the absence of internet connection in the computer laboratory. Both the presenter and the audience found it difficult to load necessary files in the computer because of lack of internet connection. The only way to deal with the issue was to load files in the USB and pass it on to each participant, which brought about considerable delay. Besides these two issues everything worked out well. All logistics regarding accommodations and transportations were timely and of high standard.

An honorarium of €4,000.00 or R47,883.20 was paid to the presenter. The budget of R200,000.00 was met with a surplus of R16,876.80

Alain Kabundi

6. Training workshop on Modelling of Illegal Behaviour in Natural Resource Management in Developing countries from 17-19 January 2013

The School of Economics at the University of Cape Town hosted the ERSA Training workshop on Modelling Illegal Behaviour in Natural Resource Management in Developing Countries from 17-19 January 2013.

The principal objective of the workshop was to teach the techniques of formalizing socio-economics of crime and punishment as it relates to natural resource management. The workshop targeted advanced graduate students and academic researchers with an interest in studying illegal behaviour in natural resource management.

The guest lecturer was Professor Wisdom Akpalu who teaches at the State University of New York, Farmingdale; and direct the Centre for Environmental Economics Research & Consultancy, Ghana. He has published widely on illegal fishing in developing countries.

The workshop enrolled 23 participants from the Universities of Cape Town, Fort Hare, Johannesburg, KwaZulu-Natal, Pretoria, Stellenbosch, Venda, Witwatersrand and the Tshwane University of Technology as well as from the National Treasury. Participants ranged from Masters students, Masters graduates , PhD students, PhD graduates and lecturers. The demographics were as follows:

Black Male	Black Female	White Male	White Female	Total
10	5	4	4	23
43%	22%	17%	17%	100%

The workshop took the format of a series of lectures with a lot of discussions and practical modelling exercises in between. The lectures were clustered around the following topics:

Day 1 (17 January 2013)

- The concepts of Expected Utility, Risk Aversion and Discounting

- Introduction to the theory of (renewable) natural resources management in developing countries
- Static models of supply of crime in natural resource management
 - The Becker (1968) formulation
 - Applications and Extensions of the Becker (1968) model
- Time allocation between illegal and legitimate activities (Ehrlich, 1973)
- Quota busting (Sutinen and Anderson, 1984; Hatcher, 2005)
- Conditional subjective probabilities and supply of crime (Furlong, 1991)
- The role of social norms in the supply of violation (Sutinen and Kuperan, 1999; Eggert and Lokina, 2008; Akpalu, 2008; 2011a,b)

Day 2 (18 January 2013)

- Uncertain returns and supply of crime (Akpalu, 2011a; 2012)
- Enforcement of harvest regulations, social disapproval and corruption (Akpalu, *et al.*, 2009)
- Crime externalities: The case of provision of public goods.

Day 3 (19 January 2013)

- Dynamic models of crime (Akpalu, 2008; 2010; 2011)
- Data Collection in developing countries and analyses

The participants were happy with all aspects of the workshop as evidenced by their response in the ERSA evaluation form.

I am confident that the workshop achieved its objective of giving the participants familiarity with various types of socio-economic models of criminal behaviour in static and dynamic settings, how to specify empirical models that derive from the theoretical models, and how to collect data on criminal behaviour to estimate the empirical models.

Yours faithfully

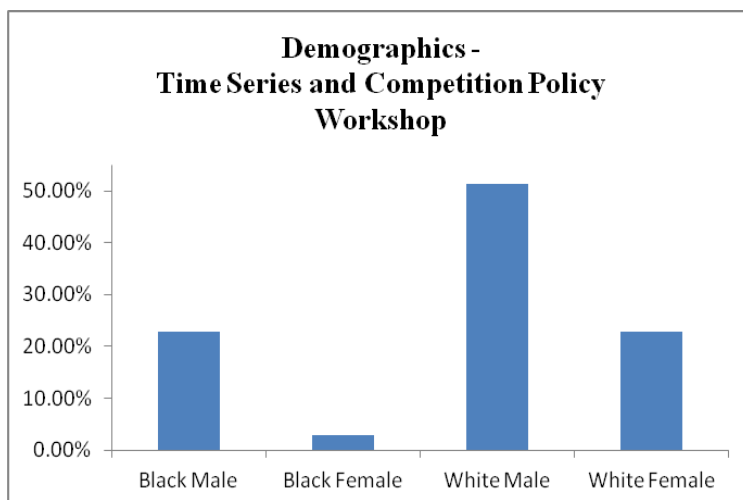
Edwin Muchapondwa

7. Time Series and Competition Policy workshop from 4-5 March 2013, STIAS, Stellenbosch, Cape Town

This workshop is the first attempt at encouraging focused research around a particular topic in competition policy. The theme of the workshop was 'Time series and competition policy'. Time-series tools are often employed in competition law investigations to detect collusion, estimate damages and study post-merger market outcomes. The aim of the workshop was therefore to promote South African research employing these tools. The community of South African researchers working in this field is still quite small and the aim was to connect these researchers to each other and to expose them to international researchers who can help to raise the quality of the South African papers.

The two-day workshop was organised around the visit by Prof Daniel Rubinfeld (Berkeley & NYU) to Stellenbosch. Prof Rubinfeld, a leading authority in the use of econometric tools in competition policy and a well-known competition policy analyst in the US, presented a keynote lecture. Two other European academics, Prof Kai Hüscherlath (Mannheim) and Prof Elena Argentesi (Bologna) presented their research and commented on South African papers. The larger part of the workshop was devoted to papers by graduate students and researchers at South African universities. Each paper was assigned a discussant, which greatly facilitated the debate. The larger part of Day 1 was committed to, firstly, papers on the relationship between competition and the performance of markets and, secondly, papers on merger evaluation. Day 2 was focused mostly on collusion research.

The intended target audience were researchers, academics and graduate students in the fields of IO and competition policy as well as competition policy practitioners. 35



participants registered for the workshop. The participants came from a diverse set of institutions including provincial government (1), National Treasury (1), Competition Commission (2), consulting

firms (6) and eleven universities (25). 25 percent of the participants came from historically disadvantaged backgrounds and 25 percent were female (see figure).

The feedback from the group – including students attending – was extremely positive. They found the in-depth discussion of papers and the focus of the workshop helpful. The next aim is to continue the association by linking the same researchers in alternative forums (such as at the ESSA conference in Bloemfontein) and, hopefully, with further workshops to refine the papers.

Willem Boshoff organised the event. Stellenbosch University contributed extensively towards the organization of the programme and Econex helped to finance a delightful dinner event. The international guests were highly impressed by the quality of facilities and the potential for research on South African topics. Discussions are underway to invite further international guests and to link up South African researchers to them.

Willem Boshoff

8. Economic History Workshop: Economics of Apartheid, 20-22 March 2013, Slave Lodge, Cape Town

From 20-22 March 2013, the ninth ERSA Economic History Workshop was held in Cape Town. The topic was The Economics of Apartheid.

Several very interesting papers were presented. One feature of the workshop was the participation of South African historians, a trend which we hope to encourage at future workshops. Below I list a summary of several papers:

This workshop (and earlier research) has begun to investigate the lesson from the Apartheid period, but much more needs to be done.

- There is little doubt that the success of Afrikaner society to “pull themselves up by their bootstraps” can be attributed to the dramatic improvement in white education. Spending on white education already began after unification, but spending was only part of the story: Jan Smuts emphasised the improvement in teacher quality. Yesterday, Servaas mentioned the poor quality of South Africa’s teachers, specifically in math and science. Are there lessons to be learned from the large, state-sponsored roll-out of teacher education during the early twentieth century for today?
- In addition to the higher quality teacher, and something that has been given very little attention, is the important role of civil society in improving the white education system. Women’s leagues (notably the ACVV) and the Dutch Reformed Church, for example, not only provided facilities for rural schools, but also funded and managed school hostels and feeding programmes for poor rural kids. This was indeed a policy of ‘no child left behind’. It’s great to see Oprah and Patrice Motsepe investing in education, but can we draw on lessons from private spending in the twentieth century to improve education outcomes today?
- On Thursday, Dieter showed the massive spatial inequalities that persist, that the highest unemployment levels remain in the former homelands (even though the boundaries and barriers to migration have been removed). During the general discussion, culture was mentioned as a possible explanation; that people ‘have an affinity to the land’ or ‘treasure their roots’. Ironically, these same arguments were made by the first Carnegie commission into white

poverty in 1932. Afrikaners were seen to value the land and therefore would not move to cities, remaining isolated and impoverished. But within a generation, better education and better job prospects meant that most Afrikaners were living in urban areas. Are cultural explanations for poverty really helpful?

- Edward argued that apartheid's industrial decentralisation policies were ineffective in bringing manufacturing industries to the borders of the homelands, mostly because the focus was on outcomes other than financial viability. Will policy-makers' current attempts to establish special economic zones, for upliftment and development purposes, learn from these apartheid spatial policy errors?
- Danelle discussed the complexities within the white labour movement of the 1970s. Is the same not happening within COSATU at the moment?
- Laurence collected data on agricultural inputs and outputs during the apartheid period, which allow economists to calculate whether the introduction of new technologies – like tractors or harvesters - were labour complementing technologies or labour-substituting technologies. (Tractors may have been labour-complementing while harvesters labour-substituting, but this is still just an hypothesis.) Such lessons may have important implications for the current episode of labour unrest and mechanisation on farms.

46 participants attended the workshop, the largest ever for an Economic History workshop. The racial was very even, with 25 white participants and 21 black participants. The gender distribution was quite unequal, with 30 males and only 16 females. The conference was organised within the allocated R200 000 budget; a final surplus of R36 347 was realised.

Yoemna again did an exceptional job with the organisation and the caterers were fantastic. There were a few problems with the venue organisers that double-booked venues, but these were dealt with by rearranging the schedule.

Sincerely,
Johan Fourie

Appendix II: ERSA Working and Policy Papers published: April 2011- March 2012

Working Paper 280

Title: Evaluation of the Effects of Reduced Personal and Corporate Tax Rates on the Growth Rates of the U.S. Economy

Author(s): Jacques K Ngoie and Arnold Zellner

Date of Publication: May 2011/December 2012

Classification-JEL: E27

Keywords: Marshallian Macroeconomic Model, Disaggregation, Transfer Functions, Impulse Response Functions, U.S. Fiscal Policy Analysis

Abstract: Using several variants of a Marshallian Macroeconomic Model (MMM), see Zellner and Israilevich (2005) and Ngoie and Zellner (2012), this paper investigates how various tax rate reductions may help stimulate the U.S. economy while not adversely affecting aggregate U.S. debt. Variants of our MMM that are shown to fit past data and to perform well in forecasting experiments are employed to evaluate the effects of alternative tax policies. Using quarterly data, our one-sector MMM has been able to predict the 2008 downturn and the 2009Q3 upturn of the U.S. economy. Among other results, this study, using transfer and impulse response functions associated with our MMM, finds that permanent 5 percentage points cut in the personal income and corporate profits tax rates will cause the U.S. real GDP growth rate to rise by 3.0 percentage points with a standard error of 0.6 percentage points. Also, while this policy change leads to positive growth of the government sector, its share of total real GDP is slightly reduced. This is understandable since short run effects of tax cuts include the transfer of tax revenue from the government to the private sector. The private sector is allowed to manage a larger portion of its revenue while government is forced to cut public spending on social programs with little growth enhancing effects. This broadens private economic activities overall. Further, these tax rate policy changes stimulate the growth of the federal tax base considerably which helps to reduce annual budget deficits and the federal debt.

Working Paper 281

Title: The Exchange Rate, Dutch Disease and Manufacturing in South Africa: What do the Data Say?

Author(s): Duncan Hodge

Date of Publication: May 2012

Classification-JEL: E20, E31, F43, O55

Abstract: The Dutch disease argument suggests that in commodity exporting countries "overvaluation" of the currency due to increases in commodity prices harms manufacturing even though the economy as a whole benefits, led by the booming natural resources sector. The relationship between the real exchange rate and manufacturing is studied here with regard to South Africa as a minerals-rich export-led economy. Since manufacturing is co-determined within a system of inter-related variables, a Johansen VAR/VEC cointegration approach was used to estimate these relationships. Using quarterly data for the sample period 1980–2010, the main findings are: world growth is the single most important determinant of domestic manufacturing; while the real exchange rate has the predicted negative sign, there is no evidence of a Dutch disease specific effect on manufacturing; large increases in unit labour costs since the early 1980s have dragged down manufacturing in South Africa over the sample period.

Working Paper 282

Title: Micro-evidence on day labourers and the thickness of labour markets in South Africa

Author(s): PF Blaauw and WF Krugell

Date of Publication: May 2012

Classification-JEL: J21, J24, J31, R23

Keywords: Day labourers, Labour market, Agglomeration

Abstract: The South African labour market is characterised by sharp segmentation, high unemployment and apparently limited informal sector employment. Recent work has focussed on the importance of the quality of education while others have argued that the rigidity of the labour market constrains employment growth. This paper considers the spatial aspects of the day labour market and argues that the size and proximity of economic activity found in agglomerations ensure a thick labour market that allows for better matching between workers and jobs. The results indicate that the day labourers, who were hired by the same employer more often, receive higher earnings and the thicker metropolitan labour market allows workers to become more specialised and receive higher earnings.

Working Paper 283

Title: Islamic Economics: Still in Search of an Identity

Author(s): Abdulkader Cassim Mahomed

Date of Publication: May 2012

Classification-JEL: Q11, Q13, Q18, C33

Abstract: The last few decades have seen a phenomenal growth of the emerging discipline of Islamic Economics and Finance. In this paper I trace the origins and birth of this nascent science examining the various factors that gave impetus to its emergence and development. I contrast the different characterisations of the discipline as it has developed within the broader socio-political context and the reasons thereof. Despite the concerted efforts of the proponents of Islamic economics to shape for their discipline a distinctive paradigm they have had little success in doing so beyond arguing that it is underpinned by a strong moral ethic. By and large its epistemological roots have remained firmly within the framework of Rationalism and methodological individualism and consequently it has not been able to shed itself of its neoclassical moorings, the very paradigm it originally set out to replace. I illustrate several of the contradictions apparent in the discipline as hitherto enunciated and I critically analyse the reasons for some of these shortcomings. Finally, I conclude by arguing that if Islamic economics is to fulfil its *raison d'être* its proponents must resolve its theoretical and practical difficulties by clearly expounding on its *weltanschauung* and develop its content and form appropriate to this worldview.

Working Paper 284

Title: Literacy at South African Mission Stations

Author(s): Johan Fourie, Robert Ross and Russel Viljoen

Date of Publication: May 2012

Abstract: Accurate measures of education quality — primarily, years of schooling or literacy rates — are widely used to ascertain the contribution of human capital formation on long-run economic growth and development. This paper, using a census of 4500 missionary station residents in 1849 South Africa, documents, for the first time, literacy and numeracy rates of non-White citizens in nineteenth-century South

Africa. The census allows for an investigation into the causes of literacy at missionary stations. We find that age, residency, the missionary society operating the stations and numeracy, as a proxy for parental education, matter for literacy performance. The results provide new insights into the comparative performance of missionary societies in South Africa and contribute to the debate about the role of missionary societies in the economic development of colonial settings.

Working Paper 285

Title: Estimating the inflation threshold for South Africa

Author(s): Temitope L.A. Leshoro

Date of Publication: May 2012

Classification-JEL: E31, C12, C22

Keywords: Inflation, GDP Growth, Threshold level, South Africa.

Abstract: How detrimental is inflation to growth in South Africa? At what level? Motivated by the adoption of inflation targeting by many countries, this paper sets out to empirically determine the threshold level of inflation in South Africa. This study adopts quarterly time series data spanning over the period 1980:Q2 to 2010:Q3. The threshold regression model developed by Khan and Senhadji (2001) was used in this study. The econometric technique used is the Ordinary Least Squares (OLS) and the model was re-estimated using the two-stage least squares instrumental variable (2SLS-IV) to check for robustness. The results show that the inflation threshold level occurs at 4 percent. At inflation levels below and up to 4 percent there is a positive but insignificant relationship between inflation and growth. The relationship becomes negative and significant when the inflation rate is above 4 percent. The tests of robustness support these findings

Working Paper 286

Title: The Consistency of Merger Decisions in a Developing Country: The South African Competition Commission

Author(s): Sunel Grimbeek, Steven F. Koch and Richard J. Grimbeek

Date of Publication: May 2012

Classification-JEL: K21, L40, D78

Keywords: South African Competition Commission, Merger Decisions

Abstract: The South African Competition Commission's merger decisions for FY2002 through FY2009 are analyzed to empirically identify the factors historically influencing prohibition, conditional approval and unconditional approval. The key explanatory variables are linked to provisions of the 1998 Competition Act, such that the analysis provides insight into the consistency of merger decisions with respect to the legal requirements specified in the Act. Although the legislation includes standard economic concerns, it also includes a provision for advancing public interests and development concerns. Initial results point to differing behaviour over the time period, which suggests that the Commission is inconsistent; however, those inconsistencies are removed, once additional measures of market contestability are included in the analysis. The final results suggest that the Commission is less likely to approve mergers that they link to markets that are less contestable. In addition to protecting competition, the Commission is simultaneously protecting other public interests. Therefore, our research supports the hypothesis that the Commission consistently applies its legislative remit.

Working Paper 287

Title: Efficiency of Optimal Taxation in a Dynamic Stochastic Environment: Case of South Africa

Author(s): Jacques K. Ngoie and Niek Schoeman

Date of Publication: May 2012

Keywords: Optimality hypothesis; Dynamic stochastic environment; Marshallian macroeconomic model

Abstract: This study investigates the optimality hypothesis of taxation and the volatility thereof in South Africa when using appropriate tax rates within a dynamic stochastic environment. Using a Marshallian macroeconomic model disaggregated by sectors (MMM-DA) several features of the South African economy are analysed that may contribute to the efficiency of the optimal taxation hypothesis. The results show that within a tax regime where revenue from labour and capital income constitutes the most significant source of government income, both such taxes distort the economy but that the distortion from a tax on capital exceeds that of a tax on income. This study has twofold implications. It highlights the impact of efficient optimal taxation on both overall economic growth and fiscal policy in the country.

Working Paper 288

Title: Poverty and headship in post-apartheid South Africa, 1997-2008

Author(s): Michael Rogan

Date of Publication: May 2012

Classification-JEL:

Keywords: Female-headed households; poverty; South Africa

Abstract: In this paper, I investigate the characteristics and poverty status of female- and male-headed households in South Africa using nationally representative household survey data from the October Household Surveys (1997 and 1999) and the General Household Surveys (2004 and 2008). These years (1997-2008) represent a period for which there is an extensive poverty literature documenting (particularly in the 2000s) an overall decrease in the poverty headcount rate. At the same time, however, there is evidence to suggest that female-headed households have a far higher risk of poverty and that the poverty differential between female and male-headed households widened over the period. The aim of this paper is to identify some of the main reasons that female-headed households are more vulnerable to poverty in post-apartheid South Africa and why poverty has decreased by more in male-headed households (relative to female-headed households). The study examines the key features which distinguish female- and male-headed households and whether these have changed over time. In order to link these characteristics with the poverty differential between female- and male-headed households, I then examine whether (and by how much) controlling for the observable differences between female- and male-headed households reduces the significantly greater risk of poverty in female-headed households.

Working Paper 289

Title: The unintended consequences of education policies on South African participation and unemployment

Author(s): Rulof Burger, Servaas van der Berg and Dieter von Fintel

Date of Publication: May 2012

Abstract: In the late 1990s the South African Department of Education implemented two policies that were meant to reduce the large number of over-age learners in the school system: schools were no longer allowed to accept students who were more than two years older than the correct grade-age and students could not be held back more than once in each of four schooling phases. Our analysis uses school

administrative data and household survey data to show that these policies coincided with a decrease in school enrolment of at least 400,000 and possibly as many as 900,000 learners. This effect was most noticeable for over-aged learners who remained in school due to their poor labour market prospects. Most of these students seem to have been pushed into the labour market by these policies, which could explain much of the sudden increase in labour force participation and unemployment over this period. However, since these individuals would probably have entered the labour market sooner if not for their poor employment prospects, we argue that the increase in unemployment signifies a more accurate reflection of disguised unemployment that already existed in the mid-1990s rather than a deterioration of labour market conditions.

Working Paper 290

Title: The Cost of Rigidity: The Case of the South African Labor Market

Author(s): J.W. Fedderke

Date of Publication: June 2012

Classification-JEL: H83; I22, I23

Keywords: Subjective research ratings; objective research ratings; research funding

Abstract: The South African labor market has been characterized by high and persistent levels of unemployment, and a poor capacity to create jobs. This paper examines existing evidence on what rigidities have generated this outcome. Pricing power in output markets, as well as labor supply and demand side rigidities are all found to have contributed, resulting in excessive increases in real wage costs which under conditions of relatively low economic growth, has produced a stagnant labor market. Policy requirements are the pursuit of stronger economic growth and reductions in real labor costs.

Working Paper 291

Title: The emergence of "fifty-fifty" probability judgements in a conditional Savage world

Author(s): Alexander Zimper

Date of Publication: June 2012

Keywords: Non-additive measures, Learning, Decision analysis, Economics

Abstract: This paper models the empirical phenomenon of persistent "fifty-fifty" probability judgements within a dynamic non-additive Savage framework. To this purpose I construct a model of Bayesian learning such that an agent's probability judgement is characterized as the solution to a Choquet expected utility maximization problem with respect to a conditional neo-additive capacity. Only for the non-generic case in which this capacity degenerates to an additive probability measure, the agent's probability judgement coincides with the familiar estimate of a Bayesian statistician who minimizes a quadratic (squared error) loss function with respect to an additive posterior distribution. In contrast, for the generic case in which the capacity is non-additive, the agent's probability judgements converge through Bayesian learning to the unique fuzzy probability measure that assigns a 0:5 probability to any uncertain event.

Working Paper 292

Title: Is Africa Integrating? Evidence from Product Markets

Author(s): Lawrence Edwards and Neil Rankin

Date of Publication: June 2012

Keywords: Product market integration, Retail prices, African regional integration, Price dispersion, Law of one price, Economist Intelligence Unit city price data

Abstract: Integration into the global trading environment is viewed as a key factor underlying the success of the fastest growing economies. Yet many African countries remain isolated and appear to have failed to achieve the level integration of these fast growing economies. This paper presents a price-based assessment of product market integration in Africa using disaggregated retail prices for over 200 products and 13 African cities. Product market integration is first assessed using absolute and relative measures of price dispersion. This followed by an econometric analysis to identify some of the domestic, regional and global factors that have contributed towards product market integration in Africa. Overall, we find evidence of increased product market integration in Africa. The volatility of real exchange rates between African countries has fallen over the past two and a half decades. Product price dispersion at the retail level amongst the sample of African cities also fell, although much of the decline was concentrated in North Africa during the early 1990s. The econometric estimates reveal that trade costs, as proxied by distance and MFN tariffs, are the dominant determinant of price dispersion amongst the African cities. External forces also matter. Global trends in price dispersion contributed around 29 percent of the overall increase in integration.

Working Paper 293

Title: Ethnic Reunion and Cultural Affinity

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

Date of Publication: June 2012

Keywords: migration, trade, tourism, history, cultural affinity, ethnic reunion, ethnicity

Abstract: Ethnic reunion is the propensity of tourists to travel to regions where their ancestors originate from, while cultural affinity is the propensity of tourists to travel to regions with a shared cultural identity. This paper uses a "world migration matrix", which records the year-1500 origins of the current populations of 159 countries, in a standard tourism gravity equation to provide the first empirical evidence of the existence of both these tourism traits at the global level. Our results remain robust even when controlling for other historical links, such as colonial legacy and regional trade agreements. By controlling for trade flows, we also show that this impact is unique to tourism. Ethnic reunion and cultural affinity are thus important — and neglected — constituents of tourism patterns (and of research), with important policy implications.

Working Paper 294

Title: Are arts events a good way of augmenting the economic impact of sports? The case of the 2010 Soccer World Cup and the National Arts Festival in South Africa

Author(s): Jen D. Snowball

Date of Publication: June 2012

Abstract: Despite the debate about whether arts consumers are also sports consumers, many countries have used cultural events to leverage further tourism spending from sports events, the most famous example being the cultural Olympics. This paper reports the findings of research conducted at the 2010 South African National Arts Festival, which was specifically timed to coincide with Soccer World Cup matches being played in a nearby city. Of the 600 interviews conducted with Festival-goers, only 23% reported also attending World Cup soccer matches. Regression analysis revealed that, while there is some overlap between arts and sports attendees, their demographics and consumption habits are significantly different. However, consumption outside of major events showed somewhat more

overlap. This suggests that staging cultural events at the same time as major sporting events is not an ideal strategy, since they tend to compete with, rather than complement, each other.

Working Paper 295

Title: The Role of Banks in Monetary Policy Transmission in South Africa

Author(s): Syden Mishi and Asrat Tsegaye

Date of Publication: June 2012

Abstract: The role of banks in transmission of monetary policy in an economy has been a subject of theoretical and empirical investigations. This study attempts to empirically investigate the role played by private commercial banks in South Africa in transmitting the impulses of monetary policy shocks to the rest of the economy. Focus is placed on the bank lending channel of monetary transmission due to the importance of banks in the financial system. Specifically, we examine whether the central bank's monetary policy stance affects banks' lending behaviour. We specify and test the bank lending channel of monetary policy transmission in South Africa by using a panel structural approach that distinguishes banks according to size. The results indicate the prevalence of the bank lending channel in which banks play a pivotal role in the monetary policy transmission in South Africa. Also bank size had proved to appropriately discriminate banks in South Africa according to their external finance cost.

Working Paper 296

Title: A decision-theoretic model of asset-price underreaction and overreaction to dividend news

Author(s): Alexander Ludwig and Alexander Zimper

Date of Publication: June 2012

Classification-JEL: C62, D81, G11, G12

Keywords: Choquet Expected Utility Theory, Portfolio Choice, Asset Pricing Puzzles

Abstract: We combine new developments in decision theory with a standard consumption-based asset-pricing framework. In our model the efficient market hypothesis is violated if and only if agents' beliefs' express ambiguity about the stochastic process driving economic fundamentals. Asset price fluctuations result because agents with ambiguous beliefs are prone to a confirmatory bias in the interpretation of new information. We demonstrate that our approach gives rise to price-patterns of "underreaction" and "overreaction" to news about dividend payments. Although these empirical phenomena have received significant attention in the behavioral finance literature, we argue that our decision-theoretic underpinning of psychological attitudes has a less ad hoc flavor than existing approaches.

Working Paper 297

Title: Trends and Structural Changes in South African Macroeconomic Volatility

Author(s): Stan Du Plessis and Kevin Kotze

Date of Publication: June 2012

Classification-JEL: C32, E32

Keywords: Business cycles, emerging market economies, quantitative analysis of business cycles

Abstract: The international financial crisis that started in 2007 and the subsequent end of the long expansion in South Africa has refocused attention on the business cycle. Prior to the crisis, the economies of both developed and developing countries

experienced an extended period of low and stable inflation and stable real economic growth, an episode that has been called the "great moderation". The disruption of this era by the financial crisis has highlighted the importance of understanding the nature and causes of the great moderation, to assist policy makers in facilitating its resumption. This paper considers the historical evidence for the great moderation in South Africa with the aid of a time-varying stochastic volatility model and various break-point tests.

Working Paper 298

Title: Heterogeneity and Voting: A Framed Public Good Experiment

Author(s): Kerri Brick and Martine Visser

Date of Publication: June 2012

Keywords: heterogeneity; voting; communication; public good

The lack of cooperation and prevalence of free riding in efforts to reduce emissions reflects the public good dilemma synonymous with climate change: whereby individual incentives lead to sub-optimal outcomes. This study examines how cooperative norms can be fostered through democratic processes. Specifically, we assess whether a given policy affects cooperation more significantly when it is democratically chosen by heterogeneous subjects as opposed to exogenously imposed by the experimenter. Subjects with differing marginal costs of abatement must democratically select an institution to reduce a national greenhouse gas inventory. By majority vote, subjects can choose between communication and two carbon tax variants. The experimental literature from studies with homogenous subjects suggests that cooperation improves when policy is endogenously selected as opposed to exogenously enforced. Overall we find that endogenous choice does not improve cooperation when subjects are heterogeneous. Furthermore, we find that, in the absence of a binding commitment, cooperation declines with endogenous choice as the prevalence of free-riding increases.

Working Paper 299

Title: Adaptation to Climate Change by Smallholder Farmers in Tanzania

Author(s): Coretha Komba and Edwin Muchapondwa

Date of Publication: June 2012

Classification-JEL: Q10, Q12, Q51, Q54

Keywords: Adaptation methods, smallholder farmers, agro-ecological zones, climate change, Tanzania

Abstract: In Sub-Saharan Africa, climate change is set to hit the agricultural sector the most and cause untold suffering particularly for smallholder farmers. To cushion themselves against the potential welfare losses, smallholder farmers need to recognize the changes already taking place in their climate and undertake appropriate investments towards adaptation. This study investigates whether smallholder farmers in Tanzania recognize climate change and consequently adapt to it in their agricultural activities. The study also investigates the factors influencing their choice of adaptation methods to climate change. To do this, the study collected and analyzed data from 556 randomly selected households in a sample of districts representing the six agro-ecological regions of the country. The data shows that Tanzanian smallholder farmers have observed changes in mean and variance precipitation and temperature and responded to it. The farmers have generally used short-season crops, drought-resistant crops, irrigation, planting dates and tree planting to adapt to the potential negative impacts of climate change on their agricultural yields. A binary logit model is used to investigate the factors influencing a farmer's decision to undertake any adaptation at all to climate change while a

multinomial logit model is used to investigate the factors influencing farmers' choice of specific adaptation methods. The Tanzanian government needs to help smallholder farmers overcome constraints they face in taking up adaptation to climate change. Furthermore, the government can play a significant role by promoting adaptation methods appropriate for particular circumstances e.g. particular crops or agro-ecological zones.

Working Paper 300

Title: The Objectivity of National Research Foundation Peer Review Based Ratings in South Africa

Author(s): J. W. Fedderke

Date of Publication: July 2012

Classification-JEL: H83; I22, I23

Keywords: Subjective research ratings; objective research ratings; research funding

Abstract: This paper examines the strength of association between the outcomes of National Research Foundation (NRF) peer review based rating mechanisms, and a range of objective measures of performance of researchers. The analysis is conducted on 1932 scholars that have received an NRF rating or an NRF research chair. We find that scholars with higher NRF ratings record higher performance on average against the objective measures of absolute output and the impact of their research, than scholars at lower ratings. In addition, the higher the performance of scholars against all objective measures of absolute output and impact, increases the probability of higher rating. However, we also find that the probability of achieving a B-rating remains higher than that of achieving an A-rating even at the very highest levels of recorded performance for South African scholars. In addition, scholars who have received the highest ratings record objective levels of research output and impact of their research that are no different from the minimum levels of objective performance at much lower NRF ratings. Moreover, we find strong cross-disciplinary differences in terms of the impact that objective levels of performance have on the probability of achieving different NRF ratings. Finally, we report evidence that NRF peer review is less likely to reward multi-authored research output than single-authored output.

Working Paper 301

Title: The Abolition of User Fees and the Demand for Health Care: Re-evaluating the Impact

Author(s): Steven F. Koch

Date of Publication: July 2012

Keywords: Health Care, Regression Discontinuity

Abstract: The impact of the abolition of user fees in South Africa, a policy implemented in 1994 for children under the age of six and the elderly, as well as pregnant and nursing mothers, is examined via regression discontinuity. The analysis focuses on provider choice decisions for curative care treatment, but also examines potential externalities that could arise from the policy. As a result of the policy, curative care demand in the public sector is found to increase by approximately 7%; however, the demand for curative care in the private sector is found to decrease by nearly the same amount, suggesting that the policy led to provider choice substitution. The analysis further supports the hypothesis that the health of young children improved marginally.

Working Paper 302

Title: Trends on the hours worked of the employed, 1997 - 2011

Author(s): Derek Yu and Adél Bosch

Date of Publication: July 2012

Classification-JEL: E32, J00

Keywords: work hours, business cycles, formal sector employees, manufacturing industry, South Africa

Abstract: This paper analyses trends in hours worked from South African household survey data for the period 1997 – 2011. The purpose of the paper is fourfold. First, the paper provides an overview on the trends in hours worked of formal sector employees, by various demographic and work characteristics. Second, the paper aims to establish how mean hours worked corresponded to the business cycle and third, the reliability of the Statistics South Africa hours worked data is assessed by comparing it with the data on hours working in the manufacturing sector by the Bureau of Economic Research (BER). Last, the newly derived hours worked variables are evaluated in terms of their usefulness as leading indicators, and how they can be used in productivity studies in the South African macroeconomic environment.

Working Paper 303

Title: Assessing the Economic Value of El Niño based seasonal climate forecasts for smallholder farmers in Zimbabwe

Author(s): Ephias M Makaudze

Date of Publication: July 2012

Keywords: Seasonal forecasts, smallholder farmers, El Niño, economic value, drought risk, with and without forecasts

Abstract: Drought constitutes the most dominant source of food insecurity in Zimbabwe and many other countries in Africa. With a majority of smallholder farmers practicing dry-land agriculture, seasonal forecasts hold promise as an effective risk management tool, giving farmers the ability to anticipate rainfall variability early enough to adjust crucial farm decisions and better prepared to handle climatic anomalies in ways that can reduce costly losses (crop, animal and even human). This study demonstrates the potential value of forecasts to smallholder farmers in Zimbabwe, a majority who often suffer severely from the impact of drought. Using crop simulation models to compare yield performances of farmers with and without forecasts, results indicate that for a drought year, farmers with forecasts (WF) record higher yield gains (28%) compared to those without forecasts (WOF); in particular, farmers located in driest regions (NR V) record the highest yield gains (42%). Similar results are observed for a neutral/average year as farmers WF obtain predominantly higher yield gains (20%) than those WOF. However for a good year, results show a different pattern as no yield gains are observed. In fact farmers WOF perform better; suggesting forecasts in this case may not make much difference. Using gross margin analysis, results show farmers WF obtaining higher returns during a drought (US\$0.14ha⁻¹) and neutral year (US\$0.43ha⁻¹) but again not for good year as farmers WOF outperform those WF. In sum, forecasts can play an important role as loss-minimization instruments especially if the underlying year is a El Niño (drought) year. In conclusion, to attain full economic value of forecasts, complementary policies (currently missing) such as effective communication, improvement in forecast extension skills and promotion of farmer participatory and outreach activities, all could prove vital in enhancing the value of forecasts to smallholder farmers in general.

Working Paper 304

Title: The Cost-effectiveness of Intervening in Low and High HIV Prevalence Areas in South Africa

Author(s): Josué Mbonigaba

Date of Publication: July 2012

Classification-JEL: I18

Keywords: cost-effectiveness, LPA, HPA health outcomes, simulation, HIV/AIDS, interventions, Markov, prevalence, low, high, South Africa

Abstract: The cost-effectiveness of intervening with a set of HIV/AIDS interventions in low HIV prevalence areas (LPA) and high HIV prevalence areas (HPA) in South Africa is analysed. The rationale for this analysis is to assess the suspected effect of interaction between the intervention and area of implementation, on cost-effectiveness. The paper used the Markov model, which tracked a cohort of patients over their lifetime in each area. Data on costs and health outcomes were collected from the literature, but the distribution of patients in health states at baseline and over time, were based on the patterns observed in the Actuarial Society of South Africa AIDS model (ASSA2008) projections, to depict these interaction dynamics. The effects of recent changes in guidelines of some interventions under consideration were assessed separately outside of modelling and sensitivity analysis conducted on all model parameters. In terms of efficiency, the study found it more cost-effective to intervene in LPA. However, to align efficiency with equity and ethical principles underlying HIV response, more than proportional resources should go into non-ARV based interventions in LPA, while more than proportional resources should go into non-ARV interventions in HPA.

Working Paper 305

Title: Returns Correlation Structure and Volatility Spillovers Among the Major African Stock Markets

Author(s): Tinashe Harry Dumile Kambadza and Zivanemoyo Chinzara

Date of Publication: July 2012

Classification-JEL: G15, F36

Keywords: Returns and volatility linkages, Factor Analysis (FA), Vector Autoregressive (VAR), Financial Stability, asymmetric GARCH

Abstract: The paper analyses the structure of returns co-movements and the volatility spillovers among the African stock markets using daily data for the period 2000-2010. We particularly focus on two issues: whether the stock markets of countries with close trading and financial links are more synchronised, and whether the financial crises influences volatility spillovers. Econometric models used include the Factor Analysis (FA), the Vector Autoregressive (VAR) and the GARCH. Our findings suggest that linkages among the African stock markets only exist along regional blocs. South Africa is found to be both the most dominant and most endogenous stock market. Most of the markets exhibit evidence of asymmetry and persistence in volatility. The results also show that it is important to account for structural change in volatility during financial crises when modelling volatility. We outline the investment and policy implications of the findings.

Working Paper 306

Title: Financial Reforms and Consumption Behaviour in Malawi

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

Date of Publication: July 2012

Classification-JEL: C49 D12 D91 E21 E44

Keywords: Financial Liberalisation, Permanent Income Hypothesis, Linear Spline Function, Principal Component Analysis, Rule-of-Thumb

Abstract: The purpose of the study is to examine whether financial reforms implemented in the 1980's and 1990's altered the pattern of aggregate consumption behaviour in Malawi. More specifically, the study questions whether financial reforms affected consumption behaviour by reducing the excess sensitivity of changes in consumption to changes in current income using the Permanent income hypothesis (PIH) framework. If it happens that excess sensitivity does not reduce, the paper explores further whether the failure is due to liquidity constraints or myopia. This study is unique from the rest in the sense that new constructed time series of financial reform indices are used in the estimation of the consumption function. The study finds that PIH of aggregate consumption behaviour does not exist in Malawi. Most of the consumers follow the "rule-of-thumb" of consuming their current income partly due to liquidity constraints. Although, we demonstrate that the effects of financial reforms on consumption behaviour are due to both liquidity constraints and myopia, the increase in consumption in Malawi can be explained along other factors than financial liberalisation. The excess sensitivities obtained are larger than what has been obtained in developed countries as well as other less developed countries. Liberalisation was implemented on the background of weak institutions and unstable macroeconomic environment.

Working Paper 307

Title: Monetary policy and commodity terms of trade shocks in emerging market economies

Author(s): Seedwell Hove, Albert Touna Mama and Fulbert Tchana Tchana

Date of Publication: August 2012

Classification-JEL: E52, G28

Keywords: Commodity terms of trade, Monetary policy, DSGE

Abstract: Commodity terms of trade shocks have continued to drive macroeconomic fluctuations in most emerging market economies. The volatility and persistence of these shocks have posed great challenges for monetary policy. This study employs a New Keynesian Dynamic Stochastic General Equilibrium (DSGE) model to evaluate the optimal monetary policy responses to commodity terms of trade shocks in commodity dependent emerging market economies. The model is calibrated to the South African economy. The study shows that CPI inflation targeting performs relatively better than exchange rate targeting and non-traded inflation targeting both in terms of reducing macroeconomic volatility and enhancing welfare. However, macroeconomic stabilisation comes at a cost of increased exchange rate volatility. The results suggest that the appropriate response to commodity induced exogeneous shocks is to target CPI inflation.

Working Paper 308

Title: Quality of Institutions: Does Intelligence Matter?

Author(s): Kalonda-Kanyama and Oasis Kodila-Tedika

Date of Publication: June 2012

Classification JEL: D73, I2

Keywords: governance, institutions, intelligence

Abstract: This paper analyzes the effect of the average level of intelligence on different measures of the quality of institutions, using a 2006 cross-sectional sample of 113 countries. The results show that average IQ positively affects all the measures of institutional quality considered in our study, namely government efficiency, regulatory quality, rule of law, political stability and voice and accountability. The positive effect of intelligence is robust to controlling for other determinants of institutional quality. It follows that countries with higher IQ levels enjoy institutions

of better quality than countries with low levels of IQ. This finding should by no means be interpreted as evidence that there exist some countries with more intelligent populations that build better institutions and some other countries with less intelligent populations that build poor institutions. What our finding points out to is the fact that a country's level of the understanding of the rules and principles that govern the institutions and the degree of cooperation of its human capital within national institutions is important for institutional quality.

Working Paper 309

Title: Dynamic deterrence analysis of factors affecting the management of Sudan Fishery

Author(s): Sana Abusin

Date of Publication: September 2012

Keywords: Fishery regulations, dynamic deterrence model, Sudan, Tobit, management

Abstract: This paper adapted the modified dynamic deterrence model to investigate factors affecting compliance with mesh size regulation. The reduced form of this model is tested based on data from the Jebel Aulia Reservoir (JAR) in Khartoum State, Sudan. Factors that determine noncompliance with mesh size regulations were analysed, using the Tobit model. The results showed that the main determinants of noncompliance are poverty and weak and inefficient institutions. This has induced a sudden increase in violation that has led to desperate fishery situations. Young fishers are more likely to violate these regulations, and the study finds that deterrence and social variables are both important determinants of noncompliance with mesh-size regulation. A regime of self enforcement to manage this resource is not possible due to various factors, such as low levels of education, lack of proper knowledge about regulations, and the low skills and lack of ability of administration and of the funding needed to implement such a regime. The study therefore suggests a co-management regime given that co-management increases the awareness of fishing communities about the need for sustainable management of fishery resources and in this turn helps to reduce violation. More than half of the surveyed fishers believed that this regime is suitable for them to achieve sustainable fishery resource.

Working Paper 310

Title: Violent Development: Toward an economic history of African warfare and military organisation

Paper presented at the ERSA-sponsored Civil War Session of the World Economic History Congress 2012

Author(s): Richard J. Reid

Date of Publication: August 2012

Abstract: The aim of this paper is deceptively simple: What has war achieved in Africa in the last two hundred years? What have the wagers of war aimed to achieve, even if they did not succeed? Why and in what ways has violence failed? This paper represents a preliminary attempt to explore what can broadly be termed the 'economic aspects' of both warfare and military organisation in Africa's modern history — to identify the economic drivers of conflict, as well as the material constraints upon it; to explore the ways in which warfare can be said to have facilitated 'development', broadly defined, as well as bringing about economic catastrophe, or at least severely inhibiting economic growth; and to highlight the degree to which participation in violence, notably as armed combatant, represented material aspiration and offered opportunities for both economic gain and social mobility. At root, it is argued here that the developmental aspects of warfare —

viewed over the long term, and understood within local parameters — need to be appreciated alongside its unquestionably highly destructive elements. The paper uses as its timeframe the period since c.1800, a date which — give or take a decade or two on either side, variable from place to place — denotes the beginning of Africa's 'modern era'. In many ways the centrepiece of the thesis presented here is that across much of the continent the 'long' nineteenth century — stretching between the 1780s and the 1920s — witnessed a revolution in military affairs, ongoing aspects of which have had a profound influence on postcolonial Africa. The paper aims to examine the economic dimensions of that revolution and its aftermath, and to place Africa's recent economic and military history in a longer-term context.

Working Paper 311

Title: How persistent is armed conflict?

Paper presented at the ERSA-sponsored Civil War Session of the World Economic History Congress 2012

Author(s): James D. Fearon and David D. Laitin

Date of Publication: September 2012

Abstract: We assess the degree of persistence in armed conflict in particular places over the last two centuries, asking in addition if conflict-ridden places have durable features – social, demographic or geographical – that explain persistence, or whether armed conflict at one time has a causal effect on propensity for armed conflict at later times. For all types of war in the Correlates of War data, we code the territories on which the armed conflict occurred. The data reveal significant levels of persistence in territories that experienced extra-state (imperial and colonial) and non-state wars in an earlier era. Exogenous features such as geography and pre-1800 demography are important in explaining where conflicts persist. However there remains significant persistence controlling for geographic and demographic features. In particular, extra-state wars before 1945 are strongly related to civil war after 1945. This persistence does not appear to arise from the long-run enmity of particular groups that fight repeatedly over centuries. We conjecture that imperial and colonial wars may have been more likely in territories where there were more and/or more developed pre-colonial state structures, and that either the persistence of these structures or changes in them brought about by the violent encounters raised civil war risks after 1945.

Working Paper 312

Title: The Legacy of Historical Conflict Evidence from Africa

Paper presented at the ERSA-sponsored Civil War Session of the World Economic History Congress 2012

Author(s): Timothy Besley and Marta Reynal-Querol

Date of Publication: February 2013

Classification-JEL: N47, O43, O55

Keywords: Conflict, Trust, Identity

Abstract: This paper exploits variation between and within countries to examine the legacy of recorded conflicts in Africa in the pre-colonial period between 1400 and 1700. There are three main findings. First, we show that historical conflict is correlated with a greater prevalence of post-colonial conflict. Second, historical conflict is correlated with lower levels of trust, a stronger sense of ethnic identity and a weaker sense of national identity across countries. Third, historical conflict is negatively correlated with subsequent patterns of development within countries.

Working Paper 313

Title: Don't Make War, Make Elections. Franchise Extension and Violence in XIXth-Century Colombia

Paper presented at the ERSA-sponsored Civil War Session of the World Economic History Congress 2012

Author(s): Leopoldo Fergusson and Juan F. Vargas

Date of Publication: March 2013

Classification-JEL: D72, D74, P16

Keywords: Democracy, Civil Conflict, Colombia

Abstract: This paper studies the effect of strengthening democracy, as captured by an increase in voting rights, on the incidence of violent civil conflict in nineteenth-century Colombia. Empirically studying the relationship between democracy and conflict is challenging, not only because of conceptual problems in defining and measuring democracy, but also because political institutions and violence are jointly determined. We take advantage of an experiment of history to examine the impact of one simple, measurable dimension of democracy (the size of the franchise) on conflict, while at the same time attempting to overcome the identification problem. In 1853, Colombia established universal male suffrage. Using a simple difference-indifferences specification at the municipal level, we find that municipalities where more voters were enfranchised relative to their population experienced fewer violent political battles while the reform was in effect. The results are robust to including a number of additional controls. Moreover, we investigate the potential mechanisms driving the results. In particular, we look at which components of the proportion of new voters in 1853 explain the results, and we examine if results are stronger in places with more political competition and state capacity. We interpret our findings as suggesting that violence in nineteenth-century Colombia was a technology for political elites to compete for the rents from power, and that democracy constituted an alternative way to compete which substituted violence.

Working Paper 314

Title: Can International Interventions Secure the Peace?

Paper presented at the ERSA-sponsored Civil War Session of the World Economic History Congress 2012

Author(s): Anke Hoeffler

Date of Publication: March 2013

Keywords: International interventions

Abstract: The international community uses a number of interventions to make and build peace. How effective are these interventions? What works and what does not? The discussion highlights the uncertainties when evaluating interventions. Although some interventions are frequently advocated we know very little about their success. Some of the commonly advocated interventions have been assessed in large n-studies. Although there is no evidence that development aid helps to prevent wars, there is evidence that aid stabilizes post-war situations. There are also a number of studies suggesting that UN Peace Keeping Operations do indeed keep the peace. Although there are fewer studies, there is some emerging evidence that arms embargoes do restrict arms transfers to conflict zones and thus help to make conflicts less deadly. The discussion also suggests that internationally binding rules on arms transfers and the use of private military and security services would support conflict prevention.

Working Paper 315

Title: Consumer demand for alcoholic beverages and tobacco in Lesotho: A double-hurdle approach

Author(s): Ramaele Moshoeshoe

Date of Publication: September 2012

Classification-JEL: C31, C34, C54, D12

Keywords: Elasticity, Excise Tax, Double-Hurdle, Lesotho

Abstract: In this paper, we estimate income elasticities and investigate the determinants of alcohol and tobacco consumption in Lesotho using a Double-Hurdle model on the 2002/03 Lesotho HBS data. The results reveal that both alcohol and tobacco are income inelastic with estimated elasticities of 0.6553 and 0.3561, respectively. Given this, therefore, we argue that differentiated tax hikes, with a relatively higher rate on tobacco, can be more effective both as a consumption deterrent and revenue increasing policy, without much compromise on employment and poverty. Further, we find evidence that alcoholic beverages and tobacco are complementaries, suggesting the need for a more holistic social policy aimed at curbing consumption of these two goods.

Working Paper 316

Title: Monetary policy and inflation in South Africa: A VECM augmented with foreign variables

Author(s): Annari de Waal and René van Eyden

Date of Publication: October 2012

Classification-JEL: C50, E52

Keywords: South Africa, Monetary policy, structural cointegrated vector autoregressive model, augmented VECM, VECX*

Abstract: We develop a structural cointegrated vector autoregressive (VAR) model with weakly exogenous foreign variables, suitable for a small open economy like South Africa. This type of model is known as an augmented vector error correction model (VECM), referred to by VECX*. We compile the foreign variables with trade-weighted three-year moving average data for 32 countries, to account for the significant change in trade shares over time. This model is novel for South Africa, in two ways: it is the first VECX* developed to analyse monetary policy in the country and the first model that uses time-varying trade weights for the creation of the foreign series. We find three significant long-run economic relations: the augmented purchasing power parity, the uncovered interest parity and the Fisher parity. These long-run relations are imposed on the VECX* to investigate the effect of a monetary policy shock on inflation. The results suggest the effective functioning of the monetary transmission mechanism in South Africa.

Working Paper 317

Title: Social capital and as an engine of growth: Multisectoral modelling and implications

Author(s): Youyou Baende Bofota, Raouf Boucekine and Alain Pholo Bala

Date of Publication: October 2012

Keywords: social capital, Human Capital, economic growth, imbalance effects

Abstract: We propose a multisector endogenous growth model incorporating social capital. Social capital only serves as an input in the production of human capital and it involves a cost in terms of the final good. We show that in contrast to existing alternative specifications, this setting assures that social capital enhances productivity gains by playing the role of a timing belt driving the transmission and propagation of all productivity shocks throughout society whatever the sectoral origin

of the shocks. Further econometric work is conducted in order to estimate the contribution of social capital to human capital formation. We find that depending on the measure of social capital considered, the elasticity of human capital to social capital varies from 6% to 10%. Finally we investigate the short-term dynamics and imbalance effects properties of the models depending on the value of this elasticity (taking the Lucas-Uzawa model as a limit case). In particular, it's shown that when the substitutability of social capital to human capital increases, the economy is better equipped to surmount initial imbalances as individuals may allocate more working time in the final goods sector without impeding economic growth.

Working Paper 318

Title: Institutional dynamics and capital accumulation: Evidence from Namibia and Tanzania

Author(s): B.P. Zaaruka

Date of Publication: November 2012

Classification-JEL: E02, K00, N4, O1

Keywords: Namibia, Tanzania, institutional indicators, capital stock, irreversible investment, uncertainty

Abstract: The purpose of this study is to examine the impact of institutions on fixed capital accumulation over time in two developing countries, both former German colonies: Namibia and Tanzania. This is motivated by two recent underpinning theories: the new institutional theory, which views institutions as fundamental determinants of economic outcomes and income variations among countries (the institutional hypothesis); and the theory of irreversible investment under uncertainty, which emphasis the impact of uncertainty on investment and capital-stock accumulation. Using the theoretical framework of irreversible investment under uncertainty, we apply the Vector Error Correction Model (VECM).The findings highlight the importance of uncertainty (political instability) in explaining capital accumulation over time in Namibia. The empirical evidence for Tanzania indicates the importance of property rights in explaining capital accumulation over time.

Working Paper 319

Title: A Greek wedding in the SADC?- Testing for structural symmetry

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

Date of Publication: December 2012

Classification-JEL: E32, F15, F33

Keywords: Triples test, optimal currency area, SADC, structural symmetry

Abstract: This paper investigates structural symmetry among SADC countries in order to establish, judged by modern OCA theory, which of these countries may possibly make for a good monetary matrimony and which countries may be left out in the cold. SADC remains adamant that it would conclude monetary union by 2018. It can ill afford a repeat of the type of financial and fiscal instability brought about by ex ante structural economic differences and asynchronous business cycles in the EU. This study contributes to the literature on macro-economic convergence in the SADC region. We make use of the Triples test to analyse each country's business cycles for symmetry and then evaluate SADC countries' ratio of relative intensity of co-movements in business cycles with co-SADC country and versus that of major trade partners. We find that not all countries in SADC conform to OCA criteria judged by both asymmetrical business cycles and weak co-movements in business cycles.

Working Paper 320

Title: Does Famine Matter for Aggregate Adolescent Human Capital Acquisition in Sub-Saharan Africa

Author(s): Julius A. Agbor and Gregory N. Price

Date of Publication: December 2012

Classification JEL: C33, I15, I25, O10, O15, O55, Q18

Keywords: Human Capital, Famine, Nutrition, Sub-Saharan Africa

Abstract: To the extent that in utero and childhood malnutrition negatively affects later stage mental and physical health, it can possibly constrain later stage human capital acquisition, which is an important driver of economic growth. This paper considers the impact of famine on aggregate adolescent human capital formation in Sub-Saharan Africa. We parameterize a joint adolescent human capital and food nutrition production function to estimate the effects of famine on primary school completion rates of individuals age 15 - 19. Mixed fixed and random coefficient parameter estimates for 32 Sub-Saharan African countries between 1980 - 2010 reveal that primary school completion rates of adolescents are proportional to the quantity of food and nutrition produced during childhood and in utero. This suggests that declines in food production and nutrition associated with famine in Sub-Saharan Africa have large negative effects on the acquisition of human capital by adolescents and on long-run material living standards. Our findings also suggest that policy makers in Sub-Saharan Africa should prioritize food security policies that prevent food shortages and famines, which would increase long-run economic growth and material living standards.

Working Paper 321

Title: Evaluating the Prospects of Benefit Sharing Schemes in Protecting Mountain Gorillas in Central Africa

Author(s): Mukanjari, Edwin Muchapondwa, Precious Zikhali and Birgit Bednar-Friedl

Date of Publication: December 2012

Keywords: Benefit sharing, bioeconomic model, conservation, mountain gorilla, performance payment

Abstract: Presently, the mountain gorilla in Rwanda, Uganda and the Democratic Republic of Congo is endangered mainly by poaching and habitat loss. This paper sets out to investigate the possible resolution of poaching involving the local community by using benefit sharing schemes with local communities. Using a bioeconomic model, the paper demonstrates that the current revenue sharing scheme yields suboptimal conservation outcomes. It is however shown that a performance-linked benefit sharing scheme in which the Park Agency makes payment to the local community based on the growth of the gorilla stock can achieve socially optimal conservation. This scheme renders poaching effort by the local community, and therefore poaching fines and anti-poaching enforcement towards the local community unnecessary. Given the huge financial outlay requirements for the ideal benefit sharing scheme, the Park Agencies in central Africa could reap more financial benefits for use in conservation if they employ an oligopolistic pricing strategy for gorilla tourism.

Working Paper 322

Title: Risk Preferences and Environmental Uncertainty: Implications for Crop Diversification Decisions in Ethiopia

Author(s): Mare Sarr and Mintewab Bezabih

Date of Publication: January 2013

Classification-JEL: Q57, Q56, C33, C35

Keywords: Crop diversity, Experimental risk preferences, Rainfall, uncertainty

Abstract: To the extent that diversifying income portfolio is used as a strategy for shielding against production risk, both individual risk preferences and weather uncertainty could affect crop diversification decisions. This paper is concerned with empirically assessing the effects of risk preferences and rainfall variability on farm level diversity. Unique panel data from Ethiopia consisting of experimentally generated risk preference measures combined with rainfall data are employed in the analysis. The major contribution of this study is its explicit treatment of individual risk preferences in the decision to diversify, simultaneously controlling for environmental risk in the form of rainfall variability. Covariate shocks from rainfall variability are found to positively contribute to an increased level of diversity with individual risk aversion having a positive but less significant role. We find that rainfall variability in spring has a greater effect than rainfall variability summer—the major rainy season. This finding is in line with similar agronomic-meteorological studies. These results imply that in situ biodiversity conservation could be effective in areas with high rainfall variability. However, reduction in risk aversion, which is associated with poverty reduction, is likely to reduce in situ conservation.

Working Paper 323

Title: Retirement Date Effects on Saving Behavior: The Case of Non-Separable Preferences

Author(s): Aylit Tina Romm

Date of Publication: January 2013

Classification-JEL: D91, J26

Keywords: Non-separable preferences, retirement date, saving

Abstract: In this paper we demonstrate that the magnitude of the reaction of saving behavior to a change in the anticipated retirement date is largely determined by the degree to which utility is additively separable in consumption and leisure. We show that the relative decrease in saving in response to a later anticipated retirement date is larger when preferences are non-separable in consumption and leisure, and the cross-derivative of the utility function is negative, than when preferences are separable. In particular, based on our simulations, the short term decrease in aggregate pre-retirement saving in response to a later anticipated retirement date may be up to 61.5% in the non-separable case as against 31% in the separable case. In the long-term, the decrease in pre-retirement saving would be as much as 28.5% in the non-separable case, as against 16.5% in the separable case.

Working Paper 324

Title: Business Cycle Co-movements between South Africa and the BRIC Countries

Author(s): Mustafa Yavuz Cakir and Alain Kabundi

Date of Publication: January 2013

Classification JEL: C3, E32

Keywords: Dynamic Factor Model, International Business Cycles, Co-movement, BRICS

Abstract: This paper investigates the co-movement of business cycles between South Africa and the other BRICS countries namely, Brazil, Russia, India, and China, the so-called BRICS. In particular, it identifies the nature and key features of the co-movement of cycles of South African economy with cycles of the BRICs. It uses the dynamic factor model to a set of 307 macroeconomic series during the period 1995Q2-2009Q4. We find significant evidence of synchronization between South Africa and the BRIC countries over the business cycle, although the magnitude of co-

movement differs with each country. India portrays strong ties with South Africa over time. Moreover, Brazil, China, and Russia lead South Africa in the long-run, while India is contemporaneous. Further, the findings imply that the first two factors are BRICS factors while the third one is a US factor.

Working Paper 325

Title: Heights and Development in a Cash-Crop Colony: Living Standards in Ghana, 1870-1980

Author(s): Alexander Moradi, Gareth Austin and Jorg Baten

Date of Publication: January 2013

Classification-JEL: I30, I32, N37, O10

Keywords: Nutrition, health, anthropometrics, colonial, living standards

Abstract: While Ghana is a classic case of economic growth in an agricultural-export colony, scholars have queried whether it was sustained, and how far its benefits were widely distributed, socially and regionally. Using height as a measure of human well-being we explore the evolution of living standards and regional inequality in Ghana from 1870 to 1980. Our findings suggest that, overall, living standards improved during colonial times and that a trend reversal occurred during the economic crisis in the 1973-83. In a regression analysis we test several covariates reflecting the major economic and social changes that took place in early twentieth-century Ghana including railway construction, cocoa production, missionary activities, and urbanization. We find significant height gains in cocoa producing areas, whereas heights decreased with urbanization.

Working Paper 326

Title: Interaction of Formal and Informal Financial Markets in Quasi-Emerging Market Economies

Author(s): Harold P.E. Ngalawa and Nicola Viegi

Date of Publication: January 2013

Classification-JEL: E44, E47, E52, E58

Keywords: Informal financial sector, formal financial sector, Monetary policy, general equilibrium

Abstract: The primary objective of this paper is to investigate the interaction of formal and informal financial markets and their impact on economic activity in quasi-emerging market economies. Using a four-sector dynamic stochastic general equilibrium model with asymmetric information in the formal financial sector, we come up with three fundamental findings. First, we demonstrate that formal and informal financial sector loans are complementary in the aggregate, suggesting that an increase in the use of formal financial sector credit creates additional productive capacity that requires more informal financial sector credit to maintain equilibrium. Second, it is shown that interest rates in the formal and informal financial sectors do not always change together in the same direction. We demonstrate that in some instances, interest rates in the two sectors change in diametrically opposed directions with the implication that the informal financial sector may frustrate monetary policy, the extent of which depends on the size of the informal financial sector. Thus, the larger the size of the informal financial sector the lower the likely impact of monetary policy on economic activity. Third, the model shows that the risk factor (probability of success) for both high and low risk borrowers plays an important role in determining the magnitude by which macroeconomic indicators respond to shocks.

Working Paper 327

Title: The Impact of Economic Freedom on Economic Growth in the SADC: An Individual Component Analysis

Author(s): Vsevolod I. Gorlach and Pierre Le Roux

Date of Publication: January 2013

Classification-JEL: C33, O43, O55

Keywords: Economic freedom, economic growth, SADC, causality, Elasticity

Abstract: The SADC is attempting to achieve development and economic growth. This paper investigates the relationship between economic freedom – in aggregate and on an individual component basis – on economic growth in the SADC. The annual data for 13 SADC countries from 2000 to 2009 are used to construct a generalised method of moments, dynamic panel-data model. When cross-sectional dependence of the error term, individual- and time-specific effects are controlled, economic freedom and GDP per capita are positively related and freedom Granger-causes growth. All five individual components are highly significant and are positively related to growth; however, the magnitude of the elasticity parameters varies. The causality among the individual freedom components indicates that linkages exist between certain of these components.

Working Paper 328

Title: The Impact of the Global Financial Crisis on Efficiency and Productivity of the Banking System in South Africa

Author(s): Andrew Maredza and Sylvanus Ikhide

Date of Publication: January 2013

Classification-JEL: G01, G21, C14, C24

Keywords: Bank efficiency, data envelopment analysis, global financial crisis, Hicks-Moorsteen, Malmquist, South African banking, total factor productivity efficiency, censored Tobit model

Abstract: South Africa's financial sector is believed to have weathered the contagion and catastrophic effects of the 2008 world-wide financial crisis partly on account of a sound regulatory framework and solid macroeconomic policies. In this paper, we seek to measure efficiency and productivity changes during the period of the crisis through an analysis of bank performance over the period 2000 – 2010 using a two stage methodology framework. The recently developed Hicks-Moorsteen total factor productivity (TFP) index approach developed by O'Donnell (2010a) as opposed to the popular Malmquist TFP was utilised. Our first stage results showed that during the crisis period there was a noticeable but mild deviation of total factor productivity and efficiency measures. Second stage analysis using the censored Tobit model showed that the financial crisis was the main determinant of bank efficiency, indicating that total factor productivity efficiency was 16.96% lower during the crisis period compared to the pre-crisis period.

Working Paper 329

Title: Democracies and Government Size: Evidence from South America

Author(s): Manoel Bittencourt

Date of Publication: January 2013

Classification-JEL: H11, N16, O11, O54

Keywords: Democracy, government, South America

Abstract: We investigate in this paper the hypothesis that when democracies are young, or still fragile and unconsolidated, the size of government tends to increase, predictably in an attempt of redistribution, or to buy out the electorate, so that democracy becomes acceptable and "the only game in town". For that we use a

sample of all nine South American young democracies during the period between 1970 and 2007. The results, based on dynamic panel data analysis, suggest that the young democracies of South America have been indeed associated with bigger governments. Furthermore, we test for the hypothesis that the outgoing dictatorships of the day engaged in activities which would bequest the young democracies with big bills to be repaid at the initial stages of those new democratic regimes. This hypothesis is not confirmed by the analysis conducted here. Finally, there is evidence that, as those democracies mature over the long run, the size of governments tends to decrease, or to return to a sort of long-run steady state. All in all, in times of a new wave of democratisation being experienced by some countries, the evidence presented here is rather informative of what to expect in terms of government size during political transitions.

Working Paper 330

Title: Competition, Industrial structure and Economic growth

Author(s): J.W. Fedderke

Date of Publication: February 2013

Classification-JEL:

Keywords: Competition, industrial structure, economic growth

Abstract: This paper takes as its starting point established findings on industrial conduct as measured by pricing power in South African industry. The South African findings are contrasted with recent results derived from firm-level data from China and India. A stark contrast emerges between China, with low mark-ups of price over marginal cost of production, and South Africa and India with high mark-ups. Given the impact of pricing power on productivity growth, we show that lack of competitive pressure in the manufacturing sector, contributes one important explanation of why China has a relatively large, while South Africa and India have a relatively small manufacturing sector. We also provide an estimate of foregone employment opportunities due to the presence of pricing power has carried for South Africa. We provide a framework in terms of which the impact of success of potential policy intervention in the labour market can be assessed, given the findings on industrial structure. Returning to Chinese firm level data, we also examine whether there is a case to be made for differential policy treatment of established, new entrant, and struggling firms - and find that there is little evidence to support such a claim. For China we find that state intervention in the manufacturing sector has primarily served to suppress pricing power. We conclude with reflections on competitive pressures in other sectors of the economy, as well as final inferences on desirable policy interventions designed to stimulate growth and employment creation.

Working Paper 331

Title: Using a choice experiment to manage the excess demand challenges facing the Sundays River Estuary recreational fishery in South Africa

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

Date of Publication: February 2013

Keywords: Estuary, demand management, recreational attributes, recreational fishery, choice experiment

Abstract: The Sundays River Estuary, situated in the Eastern Cape, South Africa, has excess recreational demand for estuarine services, specifically recreational fishing. The estuary has been over-fished, putting its sustainability at risk. Various management interventions may be required in order to save it, but how is this to be done without reducing welfare. This paper reports the application of a choice experiment to guide this very issue. It is found that the physical size of fish stocks is

a very important predictor of recreational choice at the Sundays River Estuary, and it is recommended that demand be curtailed through an increase in the boat license fee for using the estuary of R174 per annum.

Working Paper 332

Title: Encouraging Tutorial Attendance and its Impact on Grades: A Randomised Controlled Trial

Author(s): Callie Shenker and Katherine Eyal

Date of Publication: March 2013

Classification-JEL:

Keywords: Tutorial, Grades

Abstract: Tutorial programs offer academic support to students at the tertiary level. In a randomised trial, the effect of encouragement provision on tutorial uptake was explored on second-year economics students at the University of Cape Town. The experiment used a tutorial group-clustered randomisation design to send informative emails regarding the impact that tutorials can have on grades. This led to a substantial increase in tutorial attendance amongst treated students, particularly for males and previous high academic achievers. The increase in attendance however did not translate into an improvement in final grades. This was partially attributed to the fact that the treatment did not appeal to low academic achievers, for whom tutorials would have proved most beneficial.

Working Paper 333

Title: The Productivity Impact of Infrastructure in Turkey, 1987 -2006

Author(s): J.W. Fedderke and T.E. Kaya

Date of Publication: March 2013

Classification-JEL:

Keywords: Productivity, infrastructure, Turkey

Abstract: This paper explores the impact of some key infrastructure measures in transportation, telecommunication and electricity production sectors on labor productivity, using data on two-digit sectors for the Turkish economy for the years 1987 to 2006. We find both statistical and economic significance of infrastructure on productivity growth, for road, port and air transport, telecommunications and electricity production. In the railway sector, only measures of actual freight carried are consistently statistically significantly associated with productivity growth, while other measures of infrastructure are insignificantly or perversely associated with productivity growth. Given that the railway transport sector is the only infrastructure sector that remains closed to competition and private participation, this raises the issue of the significance of private sector involvement in infrastructure provision.

Working Paper 334

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Working Paper 335

Title: Time-Varying Parameter in the Almost Ideal Demand System and the Rotterdam Model: Will the Best Specification Please Stand Up?

Author(s): William A. Barnett and Isaac Kalonda-Kanyama

Date of Publication: March 2013

Classification JEL: D12, C51, C52

Keywords: AIDS, Rotterdam model, structural time series models, Monte Carlo experiment, theoretical regularity

Abstract: This paper assesses the ability of the Rotterdam model and of three versions of the almost ideal demand system (AIDS) to recover the time-varying elasticities of a true demand system and to satisfy theoretical regularity. Using Monte Carlo simulations, we find that the Rotterdam model performs better than the linear-approximate AIDS at recovering the signs of all the time-varying elasticities. More importantly, the Rotterdam model has the ability to track the paths of time-varying income elasticities, even when the true values are very high. The linear-approximate AIDS, not only performs poorly at recovering the time-varying elasticities but also badly approximates the nonlinear AIDS.

Working Paper 336

Title: Pearls worth Rds4000 or less: Reinterpreting eighteenth century sumptuary laws at the Cape

Author(s): Stan Du Plessis

Date of Publication: March 2013

Classification-JEL: N47, N97

Keywords: Sumptuary laws, Cape colony in the 18th century, Dutch East India Company

Abstract: Governor Ryk Tulbagh promulgated sumptuary laws at the Cape in 1755. Umbrellas could no longer be carried freely by all classes, silk dresses of a certain length could not be worn by ladies without regard to rank, and the value of pearl necklaces was strictly limited. These laws have often been interpreted as an attempt to maintain a social hierarchy (e.g. Ross 1990), a "defence against emulation" in the words of De Vries (2008). But the standard explanation leaves something to be desired: it does not engage with the economic motivation for sumptuary laws that influenced similar regulations in Europe and Asia at the time, nor does it explain why the VOC would legislate in the Cape what the Dutch never tolerated at home, and it seamlessly extrapolates the explanation for laws in Batavia to a different social and economic setting in the Cape. An alternative interpretation of Tulbagh's sumptuary laws is developed in this paper, which draws on evidence from the Cape and from Batavia. Their economic causes are sought in the East, where the laws originated, while their social reception and their impact are sought in the records of the Cape. In this way the paper provides a new interpretation of the causes underlying the sumptuary laws of 1755 and their role as instruments of economic and social policy.

Working Paper 337

Title: Happy in the Informal Economy? A Case Study of Well-Being Among Day Labourers in South Africa

Author(s): PF Blaauw, I Botha, R Schenck and C Schoeman

Date of Publication: March 2013

Classification-JEL: J21, J24

Keywords: Day labouring, Well-being, Happiness, Informal economy

Abstract: Past research provided evidence of the negative effect that individual unemployment can have on subjective well-being. The persistent high levels of unemployment and poverty in South Africa have been well documented. Many people are forced into the informal economy, where they engage in a variety of survivalist activities such as day labouring. As no previous study has been conducted on the well-being of day labourers, the aim of this paper is to investigate the determinants of the well-being of South African day labourers. Objective and subjective functions are compared to determine the role of income and other variables in the well-being of day labourers. The determinants are categorised according to economic, comparison and attitudinal variables. The objective function uses income and the subjective function uses the binary measure of 'experiencing a good week in terms of wages' as dependent variables. The results showed that comparison variables are important determinants for the subjective measure of well-being, and attitudinal variables are important for the objective measure of well-being. The economic variables were important in both functions. The findings of this paper confirm other research findings showing that personal income is important for well-being in a poor community. The difference between these functions indicates that the subjective and objective measures of well-being both capture valuable characteristics of SWB in a poor community.

Working Paper 338

Title: Estimating the willingness to pay for the removal of a local undesirable land use: The case of the Manganese ore dump and oil tank farm in the Port Elizabeth Harbour

Author(s): Mario Du Preez, Deborah Ellen Lee and Leann Cloete

Date of Publication: March 2013

Keywords: Contingent valuation, willingness to pay, dichotomous choice, parametric estimation, non-parametric estimation

Abstract: This paper examines the Nelson Mandela Bay public's willingness to pay (WTP) for the removal of a local undesirable land use, the manganese ore dumps and the oil tank farm situated within the boundaries of the Port Elizabeth harbour, Eastern Cape, South Africa, by means of the contingent valuation method. Both a non-parametric and parametric estimate of the WTP is derived. Estimated WTP for the removal of this disamenity ranges from R47.09 to R93.21 per household. The aggregate WTP ranges from R13 489 683 to R26 701 496. Due to the sensitivity of the parametric estimate of WTP to functional form specification and the distribution of the random part of preferences, the less restricted non-parametric WTP estimate (R47.09) is more appropriate. The results of this study show that policy-makers should take heed of the importance communities attach to the location of pollution-creating activities in urban areas.

Working Paper 339

Title: Improving navigability on the Kromme river Estuary: A choice experiment application

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

Date of Publication: March 2013

Keywords: Estuary, recreational attributes, navigability, choice experiment, willingness-to-pay, conditional logit model, random parameters logit model

Abstract: Navigation of estuaries is a vitally important aspect of boating recreation in South Africa and elsewhere. This paper uses a choice experiment to estimate recreation values of the Kromme River Estuary, a popular estuary along South Africa's east coast. This valuation methodology allows for the identification of preferred management strategies through the trade-offs made by estuarine recreational users. It is found that the level of navigability is the most important predictor of user choice, and argued that more attention needs to be paid than is being to options for improving navigability and methods to fund these interventions. It is concluded that an increase in license fee of R437 would improve recreational value.

Working Paper 340

Title: Institutional Quality and Debt Relief: A Political Economy Approach

Author(s): William Akoto

Date of Publication: March 2013

Classification-JEL: F33, F34, F35, F55, H6

Keywords: Debt relief, Aid, Institutional Quality, HIPC, Development

Abstract: Recent shifts in the global debt relief architecture has meant that countries with superior institutions are often rewarded with increasing aid and debt relief, an incentive for debtor countries to strategically improve their institutions prior to seeking debt relief. This paper contributes to the literature by developing and empirically testing a political economy model of the possible impact of this shift on the motivations of politicians and bureaucrats in debtor countries. The findings suggest that debtor countries have quickly adapted to the shift by strategically improving in key areas of institutional governance prior to applying for debt relief.

Working Paper 341

Title: Determinants of Government and External Debt: Evidence from the Young Democracies of South America

Author(s): Manoel Bittencourt

Date of Publication: March 2013

Classification-JEL: H60, N16, O11, O54

Keywords: Government and External Debt, Democracy, South America

Abstract: We investigate in this paper what are the main determinants of government and external debt in South America. Our sample purposely includes all nine South American countries that re-democratised in the last thirty years or so, and the data cover the period 1970-2007. The results, based on principal component and dynamic panel (time-series) data analyses (we use the Pooled OLS, Fixed Effects, Fixed Effects with Instrumental Variables, DIF-GMM and SYS-GMM estimators), suggest that economic growth has had the ability of significantly reduce debt in the region. Other important candidates suggested by the literature, such as inflation, in-equality and constraints on the executive (variables that some would deem important within the rather turbulent South American context), do not present the expected nor clear-cut estimates on government and external debt. Essentially, the results suggest firstly that the (neoclassical) tax-smoothing model holds in South America, or that the continent is, after all, countercyclical, and secondly they highlight the importance of such case studies in order to avoid unwarranted generalisations about the continent's recent history. All in all, in times of a renewed spell of populism in the region and of a severe debt crisis in Europe, these

conclusions are suggestive of the importance of an economic environment geared towards generating economic activity and prosperity in, at least, keeping debt under control.

Working Paper 342

Title: Yet Another Look at the Modernisation Hypothesis: Evidence from South America

Author(s): Manoel Bittencourt

Date of Publication: March 2013

Classification-JEL: O10, O54, P16

Keywords: Modernisation hypothesis, Democracy, Development, South America

Abstract: We investigate in this paper whether the exogenous version of the modernisation hypothesis holds in South America, or whether democracy needs development for its own consolidation. We use a sample of all nine countries that re-democratised in the last thirty years or so and the data sets cover two distinct periods, 1970-2007, and 1945-1969. The results, based on dynamic panel time-series data analysis (we use the Fixed Effects, Common Correlated Effects and Fixed Effects with Instrumental Variables estimators), suggest that the modernisation hypothesis holds in the region during the period 1970-2007, or that income, or development in general, plays a positive role in "sustaining" democracy. Moreover, the exogenous version of the modernisation hypothesis does survive scrutiny for the period 1945-1969 as well, a period in which the continent was relatively poorer and democracy a rather elusive concept in the region. We also test for the critical junctures hypothesis, or whether particular historical structural changes play any role in contemporaneous democratisation in the region, however we are not able to provide any concrete evidence in favour of it. Essentially, we suggest that a certain level of development is an important condition for democracy to survive and mature, which - in times of a new democratisation wave taking place in societies with different developmental paths - is a suggestive observation.