

DEVELOPMENT ECONOMICS 771 and 872
COURSE OUTLINE: FIRST SEMESTER 2023

Lecturer: Prof. Servaas van der Berg (SvdB@sun.ac.za; tel. 021 808 2239)
Internal moderator: Prof RCC Jafta

"Underdevelopment economics is a vastly important subject, but it is not a formal or theoretical subject. It is a practical subject which must expect to call upon any branch of theory (including non-economic, for instance sociological, theory) which has any relevance to it." (Sir John Hicks, Capital and Growth, quoted in Meier, Gerald M. 1968. The International Economics of Development. New York: Harper & Row: x)

Economic development can be described as a process of structural change that facilitates a sustained rise in the living standards of the population as a whole. From this follows that *structural change* (and thus *discontinuities*) rather than only economic growth alone is emphasised and that the *distribution* of the gains from economic growth is a central issue.

This course provides an introductory overview of current economic development issues (i.e. structural economic issues) as they are encountered, particularly in South Africa or other African countries. The debate about the nature and legacy of apartheid and the impact thereof on the post-apartheid economy is naturally central to any course on economic development in South Africa.

Class participation and discussion are encouraged. Students should read the prescribed readings beforehand and be ready to provide a brief verbal synopsis in class if required. As an introductory course of this nature naturally can cover only a tiny part of the literature, students should also read more widely. You should consult at least five additional sources in addition to the prescribed readings for essays. Essay topics will be announced later.

The examination will test the readings, with an emphasis on understanding rather than memorisation of information. There will be **one compulsory question on measurement** issues (Poverty Lines; FGT Poverty Measures; Lorenz curve and Gini-coefficient; Cumulative Density Curves; Benefit Incidence Analysis; Concentration Curves) and at least **four** further questions, of which you have to **answer two** on other issues discussed in the course.

Sessions are scheduled from 8:30 to 10:30 on the dates set out below:

Session 1	9 February 2023	Introduction: Developing economies in perspective
Session 2	16 February 2023	SA poverty and inequality in perspective
Session 3	23 February 2023	Economic growth and the reduction of poverty and income inequality
Session 4	2 March 2023	Explaining poor African growth performance
<i>Recess</i>	<i>9 March 2023</i>	<i>Recess</i>
Session 5	16 March 2023	Social grants (Dr Krige Siebrits)
Session 6	23 March 2023	Migration and looking inside the household (Dr Eldridge Moses)
Session 7	30 March 2023	Poverty: Quantitative perspectives
<i>Recess</i>	<i>6 April 2023</i>	<i>Recess</i>
Session 8	13 April 2023	Poverty and distribution
Session 9	20 April 2023	The labour market and inequality (Prof Ronelle Burger)
<i>Public holiday</i>	<i>27 April 2023</i>	<i>Public holiday</i>
Session 10	4 May 2023	Public spending and the poor: Incidence and targeting
Session 11	11 May 2023	Health services and the poor: Spending for improved health (Prof Ronelle Burger)
Session 12	18 May 2023	Education and development
		Postgraduate lectures end on Friday, 19 May

Due dates for essays:

- Essay 1: 3 March 2023 at midnight
- Essay 2: 24 April 2023 at midnight

There will be no mid-term tests. In addition to the essays, **Economics 872 students** (Master's students) will also be required to submit short **Reading Reflections** on those readings indicated with an asterisk (*). Note that **Economics 771 students** need not read those sources marked with an asterisk. Master's students should see the notes on the last page of this document about how to approach a Reading Reflection. These Reading Reflections will be assessed as part of their year mark and those readings will also be tested in the examination for the course.

Essay topics and requirements will be discussed in class.

The final module mark is determined as follows:

- For Honours students: Essay 1 and Essay 2 both carry a weight of 25%, and the Examination a weight of 50%
- For Masters students: Essay 1 and Essay 2 both carry a weight of 20%, the Reading Reflections 10%, and the Examination 50%.

To pass a module, a mark of at least 40% is required for the examination and a final mark of at least 50% has to be obtained. A student fails a module (with no access to a supplementary examination opportunity) if they get less than 40% in the examination. A student that obtains at least 40% in the examination and a final mark of less than 50%, qualifies for a supplementary examination opportunity, which can increase the final mark to a maximum of 50%.

To obtain a **distinction** in a module, a minimum final mark of 75% is required

Other sources:

Apart from the class readings, students can gain much by reading more. There is a wide body of international literature on development economics topics available, e.g. on the websites of the World Bank, and the Working Papers available on the RepEc service (<http://ideas.repec.org/i/p.html>). South African Working Papers are available on websites such as the following:

- ReSEP (Research on Socio-Economic Policy), Department of Economics, University of Stellenbosch: <http://resep.sun.ac.za/>
- Department of Economics, Stellenbosch University <http://resep.sun.ac.za/index.php/research-outputs/stellenbosch-working-papers/>
- NIDS-CRAM survey and research <https://cramsurvey.org/reports/>
- Development Policy Research Unit (DPRU), University of Cape Town: <http://www.dpru.uct.ac.za/>
- South African Labour and Development Research Unit (Saldru), University of Cape Town: <http://www.saldru.uct.ac.za/home/>
- Human Sciences Research Council: <http://www.hsrcpress.ac.za/home.php> (they provide free electronic books for download, in particular Bhorat and Kanbur, *Poverty and Policy in post-apartheid South Africa*, at <http://www.hsrcpress.ac.za/product.php?productid=2178&cat=7&page=1&featured>)

PRESCRIBED READING

(Note that *this reading list may undergo changes in the course of the semester.*)

1. INTRODUCTION: DEVELOPING COUNTRIES IN PERSPECTIVE**2. SA POVERTY AND INEQUALITY IN PERSPECTIVE**

Yu, Derek & Van der Berg, Servaas. 2018. *Poverty in South Africa 1993-2016: A profile and trends based on recent household censuses and surveys*. Unpublished paper. Dept. of Economics, University of Stellenbosch.

Bromberger, Norman. 1982. Government policies affecting the distribution of income, 1940-1980. In: Schrire, Robert (ed.). 1982. *South Africa: Public policy perspectives*. Juta: Cape Town: 165-203

3. ECONOMIC GROWTH AND THE REDUCTION OF POVERTY AND INCOME INEQUALITY

Ravallion, M. 2001. Growth, inequality and poverty: looking beyond averages. *World Development* 29(11): 1803-1815.

Fields, G.S. 2007. How much should we care about changing income inequality in the course of economic growth? *Journal of Policy Modelling* 29: 577-585.

Ranieri, R and R.A. Ramos. 2013. *Inclusive growth: building up a concept*. IPC-IG Working Paper No. 104. Brasilia: International Policy Centre for Inclusive Growth.

4. EXPLAINING AFRICAN GROWTH PERFORMANCE

Collier, Paul & Gunning, Jan. 1999. Explaining African economic performance. *Journal of Economic Literature* 37: 64-111

(Note in particular how the authors link macro-economic trends to problems at the micro or institutional level)

Burger, Ronelle. 2003. *Explanations for Africa's economic stagnation*. Mimeo. Department of Economics, University of Stellenbosch: Stellenbosch. 13pp.

5. SOCIAL GRANTS (presented by Dr Krige Siebrits)

World Bank. 2020. *South Africa: Social assistance programs and systems review*. Washington, D.C.: The World Bank (pp. 12-72 only).

* Hanna, R. and Olken, B. 2018. Universal Basic Incomes versus targeted transfers: Anti-poverty programs in developing countries. *Journal of Economic Perspectives* 32(4): 201 – 226

6. MIGRATION AND LOOKING INSIDE THE HOUSEHOLD (presented by Dr Eldridge Moses)

Posel, D., Fairburn, J.A. & Lund, F. 2006. Labour migration and households: A reconsideration of the effects of the social pension on labour supply in South Africa. *Economic Modelling* 23(5): 836-853.

Von Fintel, D. & Moses, E. 2017. Migration and gender in South Africa: Following bright lights and the fortunes of others? *Regional Science Policy and Practice* 9(4): 251 – 268.

* Duflo, Esther. 2003. Grandmothers and granddaughters: Old-Age pensions and Intrahousehold allocation in South Africa. *World Bank Economic Review* 17(1): 1-25.

7. POVERTY: QUANTITATIVE PERSPECTIVES

Notes. 2020. *Poverty definition, poverty lines, poverty measurement and poverty profile*. Mimeo. Stellenbosch: University of Stellenbosch. (Partly based on a presentation by Erick Thorbecke to AERC Poverty Training Workshop, Cape Town.)

(Notes that give a brief overview of some major issues in the measurement of poverty in developing countries.)

Woolard, Ingrid & Leibbrandt, Murray. 2001. Measuring poverty in South Africa. Ch.2 in: Borat, Haroon, Murray Leibbrandt, Muzi Maziya, Servaas van der Berg; & Ingrid Woolard. 2001. *Fighting poverty: Labour markets and inequality in South Africa*. UCT Press: Cape Town: 41-73

* Alvaredo, Facundo & Gasparini, Leonardo. 2013. *Recent Trends in Inequality and Poverty in Developing Countries*. Documento de Trabajo, No. 151, Universidad Nacional de La Plata, Centro de Estudios Distributivos, Laborales y Sociales (CEDLAS), La Plata. Available: <http://hdl.handle.net/10419/127675>

8. POVERTY AND DISTRIBUTION

Leibbrandt, Murray, Ingrid Woolard, Arden Finn & Jonathan Argent. 2010. *Trends in South African income distribution and poverty since the fall of apartheid*. OECD Social, Employment and Migration Working Paper 101. OECD Publishing: Paris.

* Schotte, Simone, Rocco Zizzamia & Murray Leibbrandt. 2018. A poverty dynamics approach to social stratification: The South African case. *World Development* 110(C): 88-103.

9. THE LABOUR MARKET AND INEQUALITY

- Kingdon, Geeta & Knight, John. 2004. Unemployment in South Africa: The nature of the beast. *World Development* 32(3): 391-408.
- Burger, Rulof, Rachel Jafta & Dieter von Fintel. 2016. *Affirmative action policies and the evolution of post-apartheid South Africa's racial wage gap*. WIDER Working Paper Series 066, World Institute for Development Economic Research (UNU-WIDER), Helsinki.
- * Castles, Stephen. 2004. Why migration policies fail. *Ethnic and Racial Studies* 27(2):205-227. <https://doi.org/10.1080/0141987042000177306>

10. PUBLIC SPENDING AND THE POOR: INCIDENCE AND TARGETING

- Van der Berg, Servaas & Moses, Eldridge. 2012. How better targeting of social spending affects social delivery in South Africa. *Development Southern Africa*. 29(1): 127-139.
- World Bank. 2014. *South Africa Economic Update: Fiscal policy and redistribution in an unequal society*. World Bank: Washington, D.C. (Online: <https://openknowledge.worldbank.org/bitstream/handle/10986/20661/921670WPOP131400SAEU60for0web01029b.pdf?sequence=1>)

11. HEALTH SERVICES AND THE POOR: SPENDING FOR IMPROVED HEALTH (presented by Prof Ronelle Burger)

- Filmer, D., Hammer, S. & Pritchett, L.H. 2000. Weak links in the chain: A diagnosis of health policy in poor countries. *World Bank Research Observer* 15(2): 199–224.
- Burger, Ronelle & Ngwenya, Mosima. The Economics of Health in South Africa. 2021. In Oqubay, A., Tregenna, F. & Valodia, I. (eds). 2021. *The Oxford Handbook of the South African Economy*. Oxford: Oxford University Press.
- Paolo Belli, Thulani Matsebula, Melusi Ndhlalambi & Maria Ngarachu. A Brief Profile of the Status of Health and the Health System in South Africa. Background note to World Bank. 2021. *An Incomplete Transition: Overcoming the Legacy of Exclusion in South Africa*. World Bank: Washington, DC.

12. EDUCATION AND DEVELOPMENT

- Spaull, N. 2013. Poverty & Privilege: Primary School Inequality in South Africa. *International Journal of Educational Development* 33: 436-447
- Bashir, Sajitha, Marlaine Lockheed, Elizabeth Ninan, and Jee-Peng Tan. 2018. *Facing Forward: Schooling for learning in Africa*. Washington, DC: World Bank: **Chapter 2 only**
-

Notes on:
Doing a reading reflection (based on notes by Nic Spaul):

The aim of a reading reflection is to force students to engage with a reading in an intellectually-rigorous way and to show that they have done so. Please use the exact six headings below. Do not write more than one and a half page, font size 12. Include your name, the date, student number and email address. If you have not done a writing course before, read McCloskey's "*Economical Writing*".

1. **Overview:**

- What is the gist of the argument put forward here? In one paragraph summarize the main point of the text. You can include things like the main research question, the dataset analyzed, the sample size, the methodology, etc. The aim of this paragraph is *not* to critique the article, but to show you understand the main thrust and to summarize key features of the article.

2. **Why should we care about this?**

- In one paragraph explain why you think we should (or should not!) care about this particular reading.. Is this important or not? Why? This is a high-level zoomed-out question.

3. **What's new?**

- What does this paper have to say about the topic that is new or novel to you? Is this just a rehash of something old or is it genuinely ground-breaking or important?

4. **Critique:**

- Find something critical to say about the reading. What are the underlying assumptions, biases or ideologies? Critique the data, the method, the sample size, etc. The aim is to turn on your critical thinking lens.

5. **Take-home point:**

- What have you learned from this reading that you didn't know before?

6. **Questions:**

- What questions do you now have that you did not have before?

(Many of the questions above come from Columbia University's "*What makes for a successful paper and seminar?*" and Corcoran (2014) "*Key questions for discussion papers*").
