

ECONOMICS 778/878
DEVELOPMENT ECONOMICS
COURSE OUTLINE: FIRST SEMESTER 2018

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

"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 in 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 small part of the literature, students should also read more widely. For essays you should consult at least five additional sources in addition to the prescribed readings. Essay topics will be announced later.

The examination will test the readings, with the emphasis on understanding rather than memorisation of information. The final examination will include at least one compulsory question on measurement issues (Poverty Lines; FGT Poverty Measures; Lorenz curve and Gini-coefficient; Cumulative Density Curves; Benefit Incidence Analysis; Concentration Curves).

The sessions are held in the Jan Sadie lecture hall, except for computer sessions. Sessions last from 8:30 to 10:30. The provisionally scheduled dates are as follows:

Session 1	9 Feb 2018	SvdB
Session 2	16 Feb 2018	SvdB
Session 3	23 Feb 2018	SvdB
Session 4	2 March 2018	Dr Krige Siebrits
Session 5	9 March 2018	SvdB
Session 6	16 March 2018	SvdB
Session 7	23 March 2018	SvdB
University recess		
Session 8	13 April 2018	Dr Anja Smith
Session 9	20 April 2018	Dr Krige Siebrits
Recess		
Session 10	4 May 20118	SvdB
Session 11	11 May 2018	SvdB
Session 12	18 May 2018	Dr Nic Spaul
Session 13	25 May 2018	SvdB

Essays:

Due dates for essays:

Essay 1: 19 March 2018

Essay 2: 7 May 2018

Essay topics and requirements will be discussed in class.

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, University of Stellenbosch: <http://resep.sun.ac.za/index.php/research-outputs/stellenbosch-working-papers/>
- 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. EXPLAINING POOR 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.

4. ECONOMIC GROWTH AND THE REDUCTION OF POVERTY AND INCOME INEQUALITY (presented by Dr Krige Siebrits)

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.

5. POVERTY: QUANTITATIVE PERSPECTIVES

Notes. 2014. *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: Bhorat, 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

6. POVERTY AND DISTRIBUTION

Leibbrandt, Murray, Ingrid Woolard & Christopher Woolard. 2009. A long-run perspective on contemporary poverty and inequality dynamics. Chapter 10 in: Janine Aron, Brian Kahn & Geeta Kingdon (eds). 2009. *South African Economic Policy under Democracy*. Oxford University Press: Oxford: 270-299.

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.

7. 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 and Jafta, Rachel. 2010. *Affirmative action in South Africa: an empirical assessment of the impact on labour market outcomes*. Working Paper 76, Centre for Research on Inequality, Human Security and Ethnicity. 2010. (Online: <http://r4d.dfid.gov.uk/PDF/Outputs/Inequality/workingpaper76.pdf>)

8. HEALTH SERVICES AND THE POOR: SPENDING FOR IMPROVED HEALTH (presented by Dr Anja Smith)

Burger, R., Bredenkamp, C., Grobler, C. & Van der Berg, S. 2012. Have public health spending and access in South Africa become more equitable since the end of apartheid? *Development Southern Africa*. 29(5): 681–703. December.

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.

9. SOCIAL POLICY: SOCIAL SECURITY (presented by Dr Krige Siebrits)

Subbarao, K, A. Bonnerjee, J. Breathwaite, S. Carvalho, K. Ezemenari, C. Graham & A. Thompson. 1997. *Safety net programs and poverty reduction*. Chapter 2: Conceptual issues in the analysis of social transfers and poverty-targeted programs. Washington, D.C.: World Bank: 15-23.

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.

Woolard, I. & M. Leibbrandt. 2010. *The evolution and impact of unconditional cash transfers in South Africa*. SALDRU Working Paper No 51. Cape Town: Southern Africa Labour and Development Research Unit.

10. PUBLIC SPENDING AND THE POOR: INCIDENCE AND TARGETING

Van der Berg, Servaas. 2006. Public spending and the poor since the transition to democracy. Ch.5 in: Haroon Bhorat & Ravi Kanbur (eds.). 2006. *Poverty and policy in South Africa*. Pretoria: HSRC Press: 201-231.

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. INSIDE THE HOUSEHOLD

- Klasen, Stephan & Woolard, Ingrid. 2009 Surviving unemployment without state support: unemployment and household formation in South Africa. *Journal of African Economies* 18(1): 1-51.
- Duflo, Esther. 2003. Grandmothers and granddaughters: Old-Age pensions and Intrahousehold allocation in South Africa. *World Bank Economic Review* 17(1): 1-25.

12. SOCIAL POLICY: EDUCATION (presented by Dr Nic Spaull)

- Spaull, N. 2013. Poverty & Privilege: Primary School Inequality in South Africa. *International Journal of Educational Development*. 33: 436-447
- Fiske, E., & Ladd, H. 2004. Ch. 1: Introduction, in "*Elusive Equity: Education Reform in Post-apartheid South Africa*." Washington: Brookings Institution Press / HSRC Press.

13. CONCLUDING SESSION