

ECONOMICS 771/872
DEVELOPMENT ECONOMICS
COURSE OUTLINE: FIRST SEMESTER 2020

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Internal moderator: Dr Kholekile Malindi

"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, which will not take place every week and will be announced beforehand. Sessions last from 11:00 to 13:00. The scheduled dates are as follows:

Session 1	07-Feb-20		Introduction: Developing economies in context
Session 2	14-Feb-20		SA poverty and inequality in perspective
Session 3	21-Feb-20	Dr Krige Siebrits	Economic growth and the reduction of poverty and income inequality
Session 4	28-Feb-20		Explaining poor African growth performance
Session 5	06-Mar-20		Poverty: quantitative perspectives
Session 6	13-Mar-20		Poverty and distribution
Session 7	20-Mar-20		The labour market and inequality
	27-Mar-20	Recess	☐
Session 8	03-Apr-20		Health services and the poor: Spending for improved health
	10-Apr-20	Public holiday	
Session 9	17-Apr-20		Public spending and the poor: Incidence and targeting
Session 10	24-Apr-20		Inside the household
	01-May-20	Graduate recess	
Session 11	08-May-20		Social policy: Education
	15-May-20		Postgraduate lectures end on Friday 15 May

Due dates for essays:

- Essay 1: 2 March 2020
- Essay 2: 23 April 2020

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 Economic Development 878.

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.hsrbpress.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.hsrbpress.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 (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.

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. POVERTY: QUANTITATIVE PERSPECTIVES

Notes. 2018. *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>

6. 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.

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, 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>

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. 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>)

10. 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.

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

11. SOCIAL POLICY: EDUCATION

- Spaull, N. 2013. Poverty & Privilege: Primary School Inequality in South Africa. *International Journal of Educational Development*. 33: 436-447
- * Hanushek, Eric A. 2018. *Testing and Accountability*. Forthcoming in: Annals of the American Academy of Political and Social Science. Available: http://hanushek.stanford.edu/sites/default/files/publications/Hanushek%20testing%20and%20accountability.final_v2.pdf

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.

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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*").