STELLENBOSCH UNIVERSITY

## ECONOMICS 348: Course outline 2022

## Economic development: Poverty and distribution

Lecturer: Prof. Servaas van der Berg

Economic development encompasses more than just economic growth. It is **a process of fundamental structural change that enables a sustained rise in the living standards of the population as a whole**; growth, distribution and structural change thus all play a role, and social processes may be as important as economic processes. Whilst macro-economic issues are usually analysed from a short and medium term perspective, in this course the emphasis falls on economic development, which implies a longer term perspective. The focus is on poverty and distribution and their interaction with growth and structural change, and the implications for society and the composition of the consumer market. Such an analysis is useful for policy analysis and projections in both the public and the private sector. In addition, poverty and income distribution are central issues in SA debates. This sub-module of the Economics 348 course ends with an analysis of prospects for growth, poverty and distribution in the current post-Covid economic context.

The readings for the different sessions should be read before the sessions in which they are indicated. The two recommended readings need not be read, but can improve your understanding of the subject matter for this course. The World Bank (2018) reading is quite long, but relevant for a large part of this course. **Prescribed readings are shown on the last page** of the course outline.

**COURSE OUTLINE 2022**

This sub-module covers 11 lectures, and is divided into 8 sessions. Some extend across more than one lecture.

**Session 1. Economic development**

*1.1 Distinguish development from growth*

*1.2 Why is structural change so important for development?*

*1.3South Africa’s economic development status in international context*

**Session 2: Poverty and distributional concepts**

*2.1 Distinguish primary from secondary income distribution to analyse distributional outcomes*

*2.2 Some measures of poverty and distribution*

**Session 3: Current South African poverty and distribution patterns [Read Yu & Van der Berg 2018**]

*3.1 ‘Poverty’ in a money-metric or a broader basic needs sense*

*3.2 The broad contours of poverty and inequality and their correlates (e.g. location, race)*

*3.3 Inequality within black population, evident in both poverty and rise of a black middle class*

Session 4: Implications of structural changes for distribution: The 1970s and the post-transition period

*4.1 How structural changes of the 1970s influenced distribution in the next two decades*

*4.2 Factors that influenced income distribution and poverty since the political transition*

#### **Session 5: Employment and wage trends of the 1970s and beyond** **[Read: Yu & Adams 2021]**

*5.1 Factors affecting employment scarcity  
5.2 Patterns and trends in wages and wage gaps  
5.3 Impact of opposing employment and wage trends on primary income distribution*

#### **Session 6: Secondary income distribution and the role of the budget**

*6.1 Trends in social spending (fiscal incidence)*

*6.2 How fiscal constraints limit potential budgetary redistribution*

*6.3 Why fiscal resource shifts do not automatically convert to improved services*

##### Session 7: Policy options for the post-transition government: A look at education[ Read Van der Berg & Hofmeyr 2018; also recommended Van der Berg 2007]

*7.1 Features and performance of SA education system  
7.2 Limitations of a resource-based approach to improving education*

**Session 8: The Covid-19 pandemic and beyond: Economic and distributional prospects**

*8.1 Initial effects of the pandemic, the lockdown and the economic recession  
8.2 Economic prospects, po0licy responses and policy constraints in a constrained environment*

##### PRESCRIBED READING

Read the prescribed readings in the order listed below, preferably before the work is covered in class. For some readings it is indicated what you should pay attention to.

**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.

**This unpublished document can be downloaded from SunLearn.**

**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.

**This article can be downloaded through the electronic library from**

<https://web-s-ebscohost-com.ez.sun.ac.za/ehost/pdfviewer/pdfviewer?vid=3&sid=22cecb36-cd78-4b41-b57c-a1700649ef68%40redis>

**Yu, Derek & Adams, Charles.** 2021. South Africa’s labour market trends from 2009 to 2019: a lost decade? *The Conversation*, 15 September 2021.

<https://theconversation.com/south-africas-labour-market-trends-from-2009-to-2019-a-lost-decade-167645>

**Van der Berg, Servaas & Hofmeyr, Heleen**. 2018. *Education in South Africa.* Background paper to the World Bank’s South Africa Systematic Country Diagnostic. Stellenbosch. <https://openknowledge.worldbank.org/handle/10986/30017>

**Spaull, Nic et al. 2021.** NIDS-CRAM Wave 5 Synthesis Report. Stellenbosch.

<https://cramsurvey.org/wp-content/uploads/2021/07/1.-Spaull-N.-Daniels-R.-C-et-al.-2021-NIDS-CRAM-Wave-5-Synthesis-Report.pdf>

**RECOMMENDED READINGS**

**Van der Berg, Servaas.** 2007**.**Apartheid’s enduring legacy: Inequalities in education. *Journal for African Economies* 16(5), November 2007: 849-880

**This article can be downloaded through the electronic library from**

<https://academic-oup-com.ez.sun.ac.za/jae/article/16/5/849/805590>

**World Bank. 2018**. *South Africa - Systematic country diagnostic: an incomplete transition - overcoming the legacy of exclusion in South Africa*. Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/815401525706928690/South-Africa-Systematic-country-diagnostic-an-incomplete-transition-overcoming-the-legacy-of-exclusion-in-South-Africa>

**UNIVERSITEIT STELLENBOSCH**

**EKONOMIE 348: Werkprogram 2022**

**Ekonomiese ontwikkeling: Armoede en verdeling**

Dosent: Prof. Servaas van der Berg

Ekonomiese ontwikkeling is meer as net ekonomiese groei. Dit is **’n proses van diepgaande struktuurverandering wat volgehoue styging in die breë bevolking se lewenstandaard moontlik maak**; groei, verdeling en struktuurverandering speel dus almal ’n rol. Terwyl makro-ekonomiese vraagstukke gewoonlik vanuit kort- en medium-termyn ontleed word, val die klem in hierdie kursus op ekonomiese ontwikkeling, wat ’n langer termyn perspektief behels. Die fokus is op armoede en verdeling en hulle wisselwerking met groei en struktuurverandering, sowel as implikasies vir die samelewing en die samestelling van die verbruikersmark. So ’n analise is nuttig vir beleidsanalise en projeksies vir beide die openbare en die privaatsektor. Daarby is armoede en inkomsteverdeling ’n sentrale kwessie in die SA debat. Hierdie deel van die Ekonomie 348 module eindig met ŉ analise van vooruitsigte vir groei, armoede en verdeling in die post-COVID-19 ekonomiese konteks.

Leeswerk vir die verskillende sessies moet voor die sessie gelees word. Die twee aanbevole bronne hoef nie gelees te word nie, maar sal u begrip van die inhoud van hierdie kursus verdiep. Die World Bank (2018) publikasie is nogal lank, maar baie relevant vir groot dele van hierdie kursus. **Voorgeskrewe leeswerk** word op die laaste bladsy van hierdie werkprogram aangedui.

**KURSUSRAAMWERK 2022**

Hierdie sub-module behels 11 lesings en is in 8 sessies verdeel. Sommige strek oor meer as een lesing.

**Sessie 1: Ekonomiese ontwikkeling**

* 1. *Onderskei groei van ontwikkeling*
  2. *Hoekom is struktuurverandering so belangrike vir ontwikkeling?*
  3. *Suid-Afrika se ekonomiese ontwikkelingstatus in internasionale konteks*

**Sessie 2: Armoede- en verdelingsbegrippe**

* 1. *Onderskei primêre van sekondêre inkomsteverdeling om verdelingsuitkomste te ontleed*
  2. *Enkele maatstawwe van armoede en verdeling*

Sessie 3: Huidige Suid-Afrikaanse armoede- en verdelingspatrone [Lees Yu & Van der Berg 2018]

*3.1 ‘Armoede’ in ŉ finansiële of ŉ breë basiese behoefte sin*

*3.2 Breë kontoere van armoede en ongelykheid en hulle korrelate (bv. ligging, geslag, onderwys)*

*3.3 Ongelykheid binne die swart bevolking, sigbaar in beide armoede en die opkoms van ŉ swart middelklas*

Sessie 4: Implikasies van struktuurveranderings vir verdeling: Die 1970s en die post-transisie periode

*4.1 Hoe struktuurveranderinge van die 1970s verdelingsuitkomste in die volgende twee dekades beïnvloed het*

*4.2 Faktore wat inkomsteverdeling en armoede sedert die politieke oorgang beïnvloed het*

# **Sessie 5: Tendense in indiensneming en lone in die 1970s en** daarna [Lees: Yu & Adams 2021]

*5.1 Faktore wat werkskaarste beïnvloed*

*5.2 Patrone en tendense van lone en loongapings*

*5.3 Invloed van opponerende indiensneming en loontendense op primêre inkomsteverdeling*

Sessie 6: Sekondêre inkomsteverdeling en die rol van die begroting [Lees Van der Berg & Moses 2012]

*6.1 Tendense in sosiale besteding (fiskale insidens)*

*6.2 Hoe fiskale beperkings moontlike begrotingsherverdeling beperk*

*6.3 Waarom fiskale verskuiwing nie outomaties beter sosiale dienste beteken nie*

**Sessie 7: Beleidsopsies vir die post-transisie regering**

*7.1 Eienskappe en vertoning van die Suid-Afrikaanse onderwysstelsel*

*7.2 Beperking van benaderings wat onderwys probeer verbeter deur groter hulpbronne*

**Sessie 8: Die Covid-19 pandemie: Ekonomiese impak en beleidsopsies [Lees Spaull et al, 2020]**

*8.1 Aanvanklike uitwerking van die pandemie, die grendeltyd en die ekonomiese resessie*

*8.2 Ekonomiese vooruitsigte, beleidsingrypings en beleidsbeperkings in ŉ beperkende omgewing*

##### *VOORGESKREWE LEESWERK*

Lees die voorgeskrewe bronne in die aangegewe orde, liefs voordat dit in die klas behandel word.

Note: You may find some Stellenbosch Economic Working Papers of interest as background reading for this course

**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.

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**Yu, Derek & Adams, Charles.** 2021. South Africa’s labour market trends from 2009 to 2019: a lost decade? *The Conversation*, 15 September 2021.

<https://theconversation.com/south-africas-labour-market-trends-from-2009-to-2019-a-lost-decade-167645>.

**Van der Berg, Servaas & Hofmeyr, Heleen**. 2018. *Education in South Africa.* Background paper to the World Bank’s South Africa Systematic Country Diagnostic. Stellenbosch. <https://openknowledge.worldbank.org/handle/10986/30017>

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<https://cramsurvey.org/wp-content/uploads/2021/07/1.-Spaull-N.-Daniels-R.-C-et-al.-2021-NIDS-CRAM-Wave-5-Synthesis-Report.pdf>

***AANBEVOLE LEESWERK***

**Van der Berg, Servaas.** 2007**.**Apartheid’s enduring legacy: Inequalities in education. *Journal for African Economies* 16(5), November 2007: 849-880

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