

Issues in African Economic Development Challenges
2022
FAU

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Seminar	Topic	Date
1	Features of Developing Economies	08-06-2022
2	Features of Developing Nations Continued	08-06-2022
3	Developing Nations and Growth Theories: Before and after the 1980s	09-06-2022
4	State, Institutions and Development: Why are some nations poor and some rich?	10-06-2022
5	Urbanization and Economic Development	10-06-2022
6	Industrial Development	14-06-2022
7	4IR, Innovation, Economic Development	15-06-2022
8	Development Finance	16-06-2022
9	Place-based Economic Development	17-06-2022
	Submission of Main Essay	TBC

Course Objective

This course aims to expose students to key debates in development economics, and to critically discuss the key economic development policy issues currently facing developing countries, especially African countries. These include: poverty alleviation, equity and income distribution, trade and industrial policy, state institutions, labour market policies, urbanization and the fourth industrial revolution. The course covers both the theoretical arguments and the empirical literature related to these policy issues, and tackles in depth the key economic policy issues confronting developing countries in the modern era. The module also scans and critically explores the historical trajectory of development economics as a sphere of study within economics and highlights the important contemporary debates about the role of development economics. The module critiques neo-classical development economics and develops a more comprehensive model for assessing policy choices for developing countries, especially countries in Africa.

There are, *inter alia*, three thematic issues that are woven into the module that we will discuss in all of the meetings. First, issues at a variety of levels. The module explores the linkages and relationships between economic development issues at the global level, discuss the options for shaping economic policy at the national and macroeconomic levels, and also assess the impact of policy at the household or firm level, i.e. the microeconomic level. These global-macro-micro linkages are critical for understanding both the impacts of policy changes, and the options available for developing countries. Second, a significant criticism of neo-classical economics is that it concentrates exclusively on the market, and thereby neglects the reproductive dimensions of economic life. Thirdly, the module focuses on the policy research issues and evaluates the empirical evidence to support particular policy prescriptions. In each case, special emphasis is placed on these issues in the context of Africa's economic development challenges.

Teaching

Teaching will be done through reading in advance of class, lectures, structured discussions and group work. Learning will balance (a) factual content, (b) analytical/theoretical considerations in interpreting patterns evident in data. Given the contested nature of much of the economic development literature, the emphasis is to provide students will sufficient theoretical knowledge and empirical evidence to enable them to evaluate, for themselves, the contested nature of the key policy challenges facing developing countries. Extensive use is made of case studies. The course assumes either that students have done some undergraduate courses in economics.

Expected Learning Outcomes

Students will be expected to have grasped how developing countries are linked into the international economic system and the challenges that this poses for economic policy choices and reforms in the developing world. Students will also be expected to have a critical understanding of the nature of economic reforms that have been implemented and the effects of these reforms in key aspects of the economy: the labour market, the industrial sector, the state sector, and the international sector.

- Grasp how developing countries are linked into the international economic system and the challenges that this poses for economic policy choices and reforms in the developing world.
- A critical understanding of the nature of economic reforms that have been implemented and the effects of these reforms in key aspects of the economy: the labour market, the industrial sector, the state sector, and the international sector.
- Grasp the various models of economic growth and development used by nations to develop/catch-up to leading economies.
- Ability to evaluate nuances in economic policy paradigms.
- Ability to understand and evaluate research evidence and methods used, and understanding of developing countries.
- Ability to delineate policy options, assess reliability of research evidence on the particular policy issue, understand the theoretical positions informing the policy choice, and to reach a carefully considered conclusion on the balance of the evidence.

Seminar 1: Introduction to Economics of Development and Features of Developing Economies

Economic development is an interdisciplinary branch emerging from the combination of economics and political economy. Economic development/development economics studies the growth and, political science, development of nations and the policies they implement to deal with issues of unemployment, inequalities, access to services and the role played by social, political and economic institutions in the efficient allocation of resources. As such, this seminar will therefore introduce students to the economics of development in developing countries/less-developed countries.

The second part of this seminar will introduce students to the notion of ‘common features of developing nations’. A one-size fits all approach is often applied to developing economies based on their shared characteristics, such as low per capita real income, high unemployment rate and the dependency on primary commodities. What are the main characteristics of developing economies? Are they common? Can we really generalize about features of developing economies?

Key issues: low per capita, high population growth, high unemployment, dependency on primary commodities as main exports, dependency on primary sector.

Readings:

United Nations. (2019). World Economic Situation and Prospects 2019. New York: UN.

Todaro, M, P. (2015). Economic Development. 12th Edition. London: Pearson, pp. 1-10.

Htetaung, Y. (n.y). Major Characteristics of Developing Countries. – Lecturer 2. https://www.academia.edu/32374360/Lecture_2_Major_Characteristics_of_Developing_Countries

ILO. (2013). Employment and economic class in the developing world. ILO Research Paper No. 6. Geneva: ILO.

Supplementary Readings:

United Nations Conference on Trade and Development. (2019). The Least Developed Countries Report 2019. New York: UNCTAD.

United Nations. (2019). World Countries Situations and Prospects. Geneva: UN.

Kwat, N. (n.y). Characteristics of an Underdeveloped Countries: Top 14 Characteristics. <http://www.economicdiscussion.net/underdeveloped-countries/characteristics-of-an-underdeveloped-countries-top-14-characteristics/18971>

Additional Readings

ILO. (2011). Growth, Employment and Decent Work in the Least Developed Countries. Report of the ILO for the Fourth UN Conference on the Least Developed Countries 9-13 May 2011 – Turkey.

Seminar 2: Features of Developing Economies Continued

This seminar is a continuation of features of developing economies.

Key Reading

United Nations. (2019). *World Countries Situations and Prospects*. Geneva: UN.

Seminar 3: Developing Nations and Growth Theories: Before and after the 1980s

Beginning around 1980, many developing countries in South America and Africa saw per capita growth stagnate or become negative. This led to the adoption of a set of liberal (free market) policies to rejuvenate growth through a coalition of the International Monetary Fund (IMF) and the World Bank, which promoted neoliberal economic policies through structural adjustment programmes (SAPs), particularly aimed at deregulation and privatisation. Subsequent policies were to come under the umbrella of the Washington Consensus policies. This led to the substitution of state involvement with the market system, as it was seen as the most useful tool for stimulating economic development and resource allocation. What has been the overall impact of these policies in Africa and other developing countries? A particular focus of this seminar is on economic growth in Africa from the 1960s to the introduction of the prescriptive Washington Consensus policies in the 1980s.

Readings:

Rostow, W. W. (1959). The Stages of Economic Growth. *The Economic History Review, New Series*, 12(1): (1959) 1-16.

Kahn, B. (2004). *Africa and the Washington Consensus; from Diversity in Development- Reconsidering the Washington Consensus*. FONDAD, The Hague.

Williamson, J. (2004). The Washington Consensus as Policy Prescription for Development. A lecture in the series "Practitioners of Development" delivered at the World Bank on January 13, 2004.

Supplementary Readings:

Sharipov, I. (2018). Contemporary Economic Growth Models and Theories: A Literature Review. *CES Working Papers – Volume VII, Issue 3: 759-773*.

Acemoglu, D. (2009). *Introduction to Modern Economic Growth*. Massachusetts: MIT.

Piętak, L. (2014). Review of Theories and Models of Economic Growth. *Comparative Economic Research*, 17 (1): 45-60.

Seminar 4: State, Institutions and Development

The relationship between the state, institutions and development is regarded by Acemoglu and Robinson (2013) in *Why Nations Fail* as the founding source of rapid development and underdevelopment for some nations. This seminar specifically studies the relationship between the state, institutions and development in developed and underdeveloped nations to study as to

why some nations are poor while others are rich. Theories that have been used to explain the underdevelopment and development of some countries and regions are also interrogated to explain the nature of development.

Readings:

Acemoglu, D and Robinson, A, J. (2013). *So Close and Yet So Different*, in Why Nations Fail, pp. 7-44. London: Leonard Henderson.

Acemoglu, D and Robinson, A, J. (2013). *Theories that don't work*, in Why Nations Fail, pp. 45-69. London: Leonard Henderson.

Supplementary Readings:

United Nations Conference on Trade and Development. (2019). The Least Developed Countries Report 2019. New York: UNCTAD.

Seminar 5: Urbanization and Economic Growth and Development

To this day, cities remain engines of economic growth and development for developing countries due to the necessary infrastructure to drive economic activities. This has led to the migration of citizens from rural areas to urban settings being a key feature of many developing countries, with the majority of citizens moving to cities in search of better opportunities. In Africa, trends show an increase in urban population due to the migration, with Sub-Saharan Africa regarded as the world's fastest urbanizing region, while also lacking the required infrastructure for to sustain the population growth. This seminar therefore focuses on migration, urbanization and development – with an emphasis on the impact of migration and urbanization on economic development and service delivery.

Readings:

Turok, I and McGtananahan, G. (2013). Urbanization and economic growth: the arguments and evidence for Africa and Asia. *Environment & Urbanization*, 465 Vol 25(2): 465–482. DOI: 10.1177/0956247813490908

Papaelias, T. (2013). A Theory on the Rural Urban Migration. *International Journal of Economics & Business Administration*, 1(4): 17-30.

Kimuea, F and Chang, M, S. (2017). Industrialization and poverty reduction in East Asia: Internal labor movements matter. *Journal of Asian Economics*, 46: 23-37.

Supplementary Readings:

Monkam, N. (2015). Local municipality productive efficiency and its determinants in South Africa. *Development Southern Africa*, 31(2): 275-298.

Saghir, J and Santoro, J. (2018). Urbanization in Sub-Saharan Africa. Centre for Strategic and International Studies. Washington: CSIS.

Seminar 6: Industrialization and Development

Industrialization is recognized as the main economic development and growth driver for nations that seek to catch-up to most developed countries, as evident in the rise of the East Asian Tigers. Industrialization entails the rapid development of wide-scale transformation of the economy from agrarian or primary commodities to industrial economies driven by manufacturing and processing of goods and services. This seminar interrogates the rapid industrialization experienced by East Asian states and compares to the industrialization of African countries. What are they key lessons for Africa? What is the route to rapid industrialization for Africa?

Readings:

Chang, H and Zack, K. (2018). Industrial development in Asia: Trends in industrialization and industrial policy experiences of developing Asia. WIDER Working Paper 2018/120.

Kimuraa, F and Chang, M, S. (2017). Industrialization and poverty reduction in East Asia: Internal labor movements matter. Journal of Asian Economics, 48: 23–37

Felipe, J. (2018). Asia’s Industrial Transformation: The Role of Manufacturing and Global Value Chain. ADB Economics Working Papers. Mandaluyong City: ADB.

Supplementary Readings:

Ovadia J, S. (2015). Thinking About Developmental States Beyond East Asia. Available at: <https://www.e-ir.info/2015/03/09/thinking-about-developmental-states-beyond-east-asia/>

Sael, M. (1996). Growth In Asia: What We Can and What We Cannot Infer? Washington, DC: International Monetary Fund.

Seminar 7: 4IR, Innovation and Economic Development

Building on the seminar on industrialization and industrial development, this seminar focuses on the relationship between innovation, the fourth industrial revolution and economic development. For developing nations, the advent of digital technologies has the potential to widen curb or widen digital divides, in part because more developed nations are better positioned to take advantage of the new opportunities. A particular focus of this seminar is on the expected and ongoing impact of the fourth industrial revolution on developing economies, particularly in Africa’s manufacturing industry and the rapid financial technology. Students will learn about the fintech sector and whether it can be used as a panacea for development. Ongoing debates on these two sectors will be covered in class.

Readings:

Schwab, K. (2016). The Fourth Industrial Revolution: what it means, how to respond. World Economic Forum. <https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-andhow-to-respond>

Global Partnership for Financial Inclusion. (2017). 2017 Financial Inclusion Action Plan. New York: GPFII.

Bateman, M., Duvendack, M and Loubere, N. (2019). Is fintech the new panacea for poverty alleviation and local development? Contesting Suri and Jack's M-Pesa findings published in Science, Review of African Political Economy, DOI: 10.1080/03056244.2019.1614552

Supplementary Readings:

Bångens, L and Laage-Hellman, J. (2002). Development of Technological Capability in South African Industry: An Industrial Network Approach. Paper submitted to the 18th Annual IMP Conference in Dijon, 5th-7th September 2002.

Seminar 8: Development Finance

The highly complex and multi-layered relations between development and finance is an important area of modern development. East Asian-led industrialization focused on strategic industrial planning agencies and capabilities played a huge role in the success of these Asian nations. This seminar discusses issues around development finance and the role played by development finance support agencies in global development. As commercial and investment banks continue to reduce lending globally, development finance institutions, governments and other development finance support agencies are expected to fill the gap left by these traditional lending institutions. The role of the various development finance institutions in South Africa and across the developing nations will be assessed in relation to the current needs of developing nations.

Readings:

Naqvi, N. (2018). Finance and Industrial Policy in Unsuccessful Developmental States: The Case of Pakistan. *Development and Change* 49(4): 1064–1092. DOI: 10.1111/dech.12424

Massa, I. (2013). A brief review of the role of development finance institutions in promoting jobs and productivity change. London: Overseas Development Institute

Gumede, W., Govender, Motshidi, K. (2011). The role of South Africa's state-owned development finance institutions in building a democratic developmental state. *Development Planning Division Working Paper Series No. 29*. Pretoria: DBSA.

Supplementary Readings:

Palley, T, I. (2007). Financialization: What it is and Why it Matters. Working Paper Series Number 153. Political Economy Research Institute. Amherst: PERI.

Faudzi, M, H, H. 2018. *Globalization and its Discontents Revisited: Anti-Globalization in the Era of Trump*. *International Journal of Economics, Management and Accounting*, 26(1), 247-251.

Seminar 9: Place-based Economic Development

Policy-makers and politicians are increasingly paying attention to the role of place-based development as a key feature to building a balanced economic development and growth. Leading regions are more likely to host stronger infrastructure, entrepreneurial and business

networks and business ecosystems, putting them in a better position to benefit from some place based policies. In this context, it is important to probe measures to means to foster more balanced and inclusive regional growth, while also helping lagging regions catch-up.

Readings:

Barca, F., McCann, P and Rodriguez-Pose, A. (2012). The Case for Regional Development Intervention: Place-Based Versus Place-Neutral Approaches. *Journal of Regional Science*, 51(1): 134-152.

Todes, A and Turok, I. (2018). Spatial inequalities and policies in South Africa: Place-based or people-centred? *Progress in Planning*, 123: 1-31.

Supplementary Readings:

Rodríguez-Pose, A and Wilkie, C. (2017). Revamping Local and Regional Development Through Place-Based Strategies. Double Issue: Home Equity Conversion Mortgages: Transforming Communities (2017), pp. 151-170.

Hidreth, P and Bailey, D. (2014). Place-based economic development strategy in England: Filling the missing space. *Local Economy*, 29(4-5) 363-377.

Men, Tanny (2014). Place-based and Place-bound Realities: A Chinese Firm's Embeddedness in Tanzania, in: *Journal of Current Chinese Affairs*, 43(1): 103-138.