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ASPECTS OF GROWTH EMPIRICS IN SOUTH AFRICA

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SUMMARY

ASPECTS OF GROWTH EMPIRICS IN SOUTH AFRICA

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Economic growth is the single most important factor in the economic success of nations. Growth can be robust in trying circumstances over the short term, but usually requires the basic tenets of peace, safety and security, the rule of law, price and exchange rate stability and a market friendly ambience to be sustainable over decades.

Achieving this is a formidable task, but does not guarantee success, because other factors, such as pessimism or uncertainty in the business community, rumours and corruption, can impede progress.

Government policy plays a vital role in economic growth, but measures of it are scarce and problematic. Similarly, economic data focus on outcomes, rather than on causes, for example, numbers employed rather than labour market policies.

Growth analysts generally use indirect measures to analyse growth causes and effects. There are more of these, but many are also volatile over the long term.

Economists devised empirical tools to compensate for these obstacles, and such tools were used in this study to investigate South Africa's growth record, in order to determine what worked and what did not.

This study shows that measures of openness of the economy to trade are indicative of growth. A robust and export-oriented manufacturing sector

contributes to growth and perpetuates itself. This implies that barriers to trade, such as tariffs and quotas must be minimised and manufactured exports promoted, rather than primary products such as iron ore and coal.

Nonproductive government spending reduces the growth rate and should be minimised, and the largest expenditures should be on safety and security (because crime incidence reduces growth), housing for the poor, and education, while most other services such as electricity, transport and communication should be privatised.

While investment is important, its link to growth is bi-directional. However, productivity is a significant contributor to growth. Unused capacity of human resources and machines is productivity's main detractor. Policies to enhance rival competition in the private sector, with full utilisation of capacity, increase productivity growth and can have sizeable spin-offs for economic growth and living standards.

TABLE OF CONTENTS

LIST OF TABLES	v
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS	xi
1. INTRODUCTION	1
1.1 Introduction and background	1
1.2 Definitions of economic growth	1
1.3 Growth theory	6
1.4 Conclusion	9
1.5 Outline of the study	9
2. SOME SEMINAL CONTRIBUTIONS TO ECONOMIC GROWTH	11
2.1 Introduction	11
2.2 Classical foundations of economic growth	11
2.3 The classical school: the optimists	12
2.3.1 The law of variable returns	14
2.4 The classical school: the pessimists	15
2.5 The conclusion of the classical school	17
2.5.1 John Stuart Mill (1806-1873)	17
2.6 The untestables	19
2.6.1 Karl Marx (1818-1883)	19
2.7 Neoclassical hiatus	22
2.7.1 The Neoclassical School	22
2.7.2 Alfred Marshall (1842-1924)	23
2.8 The exceptions	26
2.8.1 Joseph Alois Schumpeter (1883-1950)	26
2.8.2 Simon Kuznets (1901-1985): Growth empiricist <i>par excellence</i>	32
2.8.2.1 The inverted u-shaped curve	33
2.8.2.2 The causes of growth	35
2.8.2.3 The negative effects of growth	36

2.8.2.4	Less-developed countries and growth effects	37
2.9	Conclusion	39
3.	EXOGENOUS AND ENDOGENOUS GROWTH	41
3.1	Introduction	41
3.2	Kaldor's stylised facts	42
3.3	Stylised facts used by other researchers	44
3.4	Conclusions regarding stylised facts	46
3.5	Exogenous growth	46
3.6	Growth accounting	49
3.6.1	Growth accounting in South Africa	53
3.7	Endogenous growth theory	53
3.7.1	Endogenous growth through technological innovation	53
3.7.2	Endogenous growth with human capital	55
3.8	Conclusions	64
4.	SOUTH AFRICA'S GROWTH PERFORMANCE 1960 – 2001	66
4.1	Introduction	66
4.2	The growth concept, population growth and welfare	69
4.3	Income distribution in South Africa compared with other countries	70
4.4	South Africa's growth record over the decades	74
4.5	The institutional environment	75
4.6	The outward orientation of the South African economy	79
4.7	Investment and economic growth	82
4.8	Prognosis	91
4.9	Policy options for sustained high economic growth	92
4.10	Conclusion	93
5.	FACTORS INFLUENCING GROWTH: AN INTERNATIONAL PERSPECTIVE	94
5.1	Introduction	94
5.2	Literature review	96
5.2.1	Levels of state variables	97
5.2.2	Control or environmental variables	97

5.2.3	Government expenditure as a percentage of GDP	99
5.2.4	Government spending (less defence and education)	101
5.2.5	The investment to GDP ratio	102
5.2.6	Machinery and equipment investment	104
5.2.7	Investment in transport and communication	106
5.2.8	The ratio of value added in agriculture to total GDP	107
5.2.9	Crime	108
5.2.10	The ratio of value added in mining to total GDP	108
5.2.11	The ratio of value added in manufacturing to total GDP	108
5.2.12	Growth in the manufacturing sector as a source of growth	110
5.2.13	Public expenditure on education as a percentage of GDP	111
5.2.14	Primary school attainment	111
5.2.15	Secondary school attainment	113
5.2.16	Higher education	114
5.2.17	Openness to international trade and investment	114
5.2.18	Exogenous increases in the savings rate	119
5.2.19	Average share of exports in GDP	119
5.2.20	Income distribution	120
5.2.21	Productivity growth and quality improvements	120
5.2.22	Institutional factors	122
5.3	Synopsis of factors to consider when designing policies for faster growth	123
5.4	Conclusion	124
6.	GROWTH DETERMINANTS IN SOUTH AFRICA	126
6.1	Introduction	126
6.2	The data	128
6.2.1	Sources of data and calculations	128
6.3	Empirical methodology	131
6.3.1	Order of integration	132
6.4	Empirical results	134
6.4.1	Openness to international trade and investment	134

6.4.2	Investment and selected constituent parts as stimuli to economic growth	142
6.4.3	Government spending	149
6.4.4	The ratios of gross value added in agriculture, mining, manufacturing and the remaining residual (construction, electricity, retail, wholesale etc.) to GDP and its respective relationships to economic growth	155
6.4.5	Crime	166
6.4.6	Capital Stock	169
6.4.7	Productivity	176
6.4.7.1	Labour productivity growth in the manufacturing sector	185
6.4.7.2	Multifactor productivity growth in the manufacturing sector	188
6.4.7.3	Capital productivity growth in the mining sector	190
6.4.7.4	Multifactor productivity growth in the mining sector	194
6.4.7.5	Unit labour cost in the manufacturing sector	197
6.5	Summary and conclusions	200
7.	SUMMARY AND CONCLUSION	205
7.1	Introduction	205
7.2	Findings of the study and policy recommendations	205
7.3	Prognosis	219
	REFERENCES	221
	APPENDIX	

LIST OF TABLES

Table 3.1	Sources of growth for nine newly industrialised Asian economies and non-Asian G-5 countries, 1960-95	52
Table 4.1	Human development index (HDI) and income shares (%) for selected groupings	70
Table 4.2	Population census results and growth rates, 1904 to 1996	72
Table 4.3	Growth rate in GDP per decade, using upper turning points in the business cycle closest to decade endings and beginnings	74
Table 4.4	Employment growth percentages in the non-agriculture sectors for selected upper turning points: exponential growth trends	76
Table 4.5	Growth rate in the average capital labour ratio, using upper turning points in the business cycle closest to decade endings and beginnings	83
Table 4.6	Growth limiting factors in South Africa highlighted by the World Competitiveness Yearbook (2002)	90
Table 6.1	List of variables	129
Table 6.2	Correlation matrix for GROWTH, OPEN_SUM_XZ, OPEN_AVE_XZ and X_GDP	136
Table 6.3	Test results the lag order of openness variables	136
Table 6.4	Pairwise Granger causality tests for openness and economic growth, 1946 to 2000	137
Table 6.5	Vector autoregression model estimating the effect of openness, measured by the sum of exports and imports, on economic growth	138
Table 6.6	Variance decomposition of growth due to innovations in openness	139
Table 6.7	Vector autoregression model estimating the effect of the ratio of manufacturing exports to GDP on economic growth	141
Table 6.8	Correlation matrix for GROWTH, I_GDP, I_GROWTH, I_TRCO_RAT and I_MAEQ_RAT	144

Table 6.9	Testing for the lag order of investment variables	144
Table 6.10	Pairwise Granger causality tests for investment and economic growth, 1946 to 2000	145
Table 6.11	Vector autoregression model estimating the effect of investment growth on economic growth and visa versa	146
Table 6.12	Correlation matrix for growth, G_GDP G_GDP_GR, G_ED_GDP and G_ED_GDP_GR	150
Table 6.13	Testing for the lag order of government spending variables	150
Table 6.14	Testing for Granger causality of government spending variables	151
Table 6.15	Vector autoregression model estimating the effect of government spending as ratio of GDP on economic growth and visa versa	152
Table 6.16	Vector autoregression model estimating the effect of government spending, less defence and education spending, as ratio of GDP on economic growth and visa versa	153
Table 6.17	Average growth rates and spread of growth for agriculture, mining, manufacturing and residual sectors, 1960 to 2000	157
Table 6.18	Simple correlation coefficients for the contributions to GDP and growth rates of agriculture, mining, manufacturing and the residual sector and economic growth, 1946 to 2000	159
Table 6.19	Testing for the lag order of gross value added variables	161
Table 6.20	Pairwise Granger causality tests for gross value added growth rates in different sectors of the economy and economic growth, 1960 to 2000	161
Table 6.21	Vector autoregression model estimating the effect of growth in the manufacturing sector on real economic growth	163
Table 6.22	Variance decomposition of growth due to innovations in growth in the manufacturing sector	164

Table 6.23	Correlation matrix for growth, crime incidents and growth in crime incidents	166
Table 6.24	Pairwise Granger causality tests for crime, 1960 to 1999	167
Table 6.25	Variance decomposition of growth due to innovations in crime	168
Table 6.26	Correlation matrix for GROWTH, CAP_GR, ED_ST10_POP_GR, G_ED and G_ED_PERC	172
Table 6.27	Testing for the lag order of physical and human capital stock variables	172
Table 6.28	Pairwise Granger causality tests for human and physical capital stock and economic growth, 1960 to 2000	173
Table 6.29	Pairwise Granger causality tests for human and physical capital stock and economic growth, 1960 to 2000	174
Table 6.30	Simple correlation coefficients between productivity variables and economic growth, 1960 to 2000	180
Table 6.31	The lag order of productivity growth variables	181
Table 6.32	Pairwise Granger causality tests for productivity growth variables and economic growth, 1960 to 2000	182
Table 6.33	Summary of Granger causality tests for relationships between productivity and economic growth	184
Table 6.34	Vector autoregression model estimating the effect of growth in labour productivity in manufacturing on economic growth	185
Table 6.35	Variance decomposition of growth due to innovations in labour productivity growth in the manufacturing sector	186
Table 6.36	Vector autoregression model estimating the effect of growth in multifactor productivity in manufacturing on economic growth	188
Table 6.37	Variance decomposition of growth due to innovations in growth in the multifactor productivity in the manufacturing sector	189

Table 6.38	Vector autoregression model estimating the effect of growth in capital productivity in mining on economic growth	191
Table 6.39	Variance decomposition of growth due to innovations in capital productivity growth in the mining sector	192
Table 6.40	Vector autoregression model estimating the effect of growth in multifactor productivity in mining on economic growth	194
Table 6.41	Variance decomposition of growth due to innovations in growth in multifactor productivity in the mining sector	195
Table 6.42	Vector autoregression model estimating the effect growth in unit labour cost in the manufacturing sector has on economic growth	197
Table 6.43	Variance decomposition of growth due to innovations in growth in unit labour cost in the manufacturing sector and <i>vice versa</i>	199
APPENDIX A	Table A.1: Augmented Dickey-Fuller tests for non-stationarity, levels and first differenced, (data series in natural logarithmic form)	A1

LIST OF FIGURES

Figure 4.1	Government expenditure and tax income as a percentage of GDP (1973-2001)	78
Figure 4.2	South Africa's volume of exports and share in world trade (1946 – 2001)	80
Figure 6.1	Real economic growth in GDP at market prices, 1946 to 2000	127
Figure 6.2	Openness to international trade variables and economic growth	135
Figure 6.3	Simple scatter graphs of growth versus openness variables	135
Figure 6.4	Impulse response functions of economic growth due to innovations in openness	140
Figure 6.5	Impulse response functions of economic growth due to innovations in investment growth	147
Figure 6.6	Simple scatter graphs of growth versus government spending variables	149
Figure 6.7	Impulse response functions of economic growth due to innovations in government spending as ratio of GDP (G_GDP) and innovations in government spending, excluding spending on defence and education as ratio of GDP (G_DE_GDP)	154
Figure 6.8	Main sector contributions to GDP and main sectoral growth rates and its respective relationships to economic growth	158
Figure 6.9	Simple scatter graphs of growth in different sectors and real economic growth rate	160
Figure 6.10	Impulse response functions of economic growth due to innovations in manufacturing growth	165
Figure 6.11	Economic growth, crime index and the growth rate in crime incidents	166
Figure 6.12	Simple scatter graphs of growth verses crime variables	167

Figure 6.13	Impulse response functions of economic growth due to innovations in crime incidents	169
Figure 6.14	Simple scatter graphs of growth versus capital stock variables	171
Figure 6.15	Impulse response functions of economic growth due to innovations in growth in physical capital stock	175
Figure 6.16	Graphical presentation of economic growth against growth rates of productivity and unit labour costs, 1960-2000	177
Figure 6.17	Simple scatter graphs of growth versus a selection of productivity growth variables	179
Figure 6.18	Impulse response functions of economic growth due to innovations in labour productivity growth in manufacturing	187
Figure 6.19	Impulse response functions of economic growth due to innovations in multifactor productivity growth in manufacturing	190
Figure 6.20	Impulse response functions of economic growth due to innovations in capital productivity growth in mining	193
Figure 6.21	Impulse response functions of economic growth due to innovations in multifactor productivity growth in the mining sector	196
Figure 6.22	Impulse response functions of economic growth due to innovations in unit labour costs in the manufacturing sector	198

LIST OF ABBREVIATIONS

ADF	Augmented Dickey Fuller
AGOA	African growth and opportunity act
AIC	Akaike information criterion
DF	Dickey Fuller
EDP	Economic development programme
EG	Engle-Granger
FDI	Foreign direct investment
GDE	Gross domestic expenditure
GDP	Gross domestic product
GEAR	Growth, employment and redistribution – A macro economic strategy
GNP	Gross national product
HDI	Human development index
HPAE's	High performance Asian economies: Japan, Hong Kong, Korea, Singapore, Taiwan, Indonesia, Malaysia and Thailand
HSRC	Human Sciences Research Council
IBM	International Business Machines
IMD	International Institute for Management Development
NEM	Normative Economic Model
OECD	Organisation for Economic Cooperation and Development
R&D	Research and development
SARB	South African Reserve Bank
s.d.	standard deviation
SDIs	Spatial development initiatives
s.e.	standard error
STATS SA	Statistics South Africa
TBVC	Transkei, Bophuthatswana, Venda & Ciskei
TIMMS	Trends in International Mathematics and Science Study
VAR model	Vector autoregressive model
WCY	World Competitiveness Yearbook

Refer to table 6.1 on page 131 for the list of acronyms used for variables in chapter 6.