

Report on the IGC/EAZ Public Lecture of 25th November 2015

On

The Challenges of Economic Reforms in Complex Democracies

Held at

Taj Pamodzi Hotel in Lusaka

Zambia

1. Introduction

The IGC-Zambia, in collaboration with the Economics Association of Zambia (EAZ) held a joint Public Lecture on the Challenges of Economic Reforms in Complex Democracies at the Taj Pamodzi Hotel, Lusaka. The primary objective of this public lecture was to discuss the Political Economy of Development by showcasing the challenges of economic reforms in democracies, using South Africa as a case study. The public lecture also brought to the IGC-Zambia platform, Prof. Thandika Mkandawire who made a presentation on democracy and development. Furthermore, the public lecture was also an opportunity for the IGC outgoing Country Director, Professor Alan Hirsch to give his farewell remarks and share his 5 years' experience of development research in Zambia as well as introduce the new IGC-Zambia Country Director, Dr. Anand Rajaram.

As part of IGC-Zambia's outreach activities, this public lecture was aimed at, and achieved a contribution to the on-going debate in Zambia on options for sustainable development through evidence based economic policy reform. Together with the Economics Association of Zambia whose role, among others is to enhance public debate on economic matters that affect Zambia, this public discussion achieved this objective, and was well attended by various sections of the Zambian economy from academia, civil society, government to the media houses.

2. Focus of the Economic Lecture

The discussion was officially opened and chaired by Dr. Chrispin Mphuka, the President of the Association of Zambia, EAZ, and Head of the Department of Economics at the University of Zambia. He welcomed the members of the public and media that had come for the lecture and briefly outlined the strategic relationship that the EAZ has with the IGC.

Dr. Dennis Chiwele, Country Manager for IGC-Zambia introduced Prof. Alan Hirsch, the outgoing IGC-Zambia and also took the time to introduce the in-coming Country Director, Dr. Anand Rajaram. Dr. Chiwele thanked Alan for his five year dedication to the IGC Zambia programme, having seen it grow from infancy to its current form.

Presentation 1: The Consequences of Peace: Understanding South Africa's Stagnation – Prof. Alan Hirsch

Alan Hirsch presented a paper analyzing the economic performance of South Africa since independence in 1994. The paper argues that the South Africa economy has not grown significantly since independence, and thus, could stagnation be the price of the peace that South Africa attained?

Stylised facts of the South African economy show a gloomy economic turn since independence. Among others, twenty years after independence, South Africa is faced with subdued economic growth with high unemployment and higher levels of inequality when compared with countries with the same growth path. Economic reforms immediately after independence were largely hindered by the existence of 'intimacy' with established business elites who were mired in an oligopolistic model which tended towards stagnation. Arguably, the immediate settlements of independence of 1994 inhibited social and economic transformation that was needed to address economic inequality and enhance growth. Consequently, growth in South Africa has remained below its peers, yet, inequality has persisted.

Among other factors, the lack of trust between industry - mostly still in the hands of those from the apartheid era- and the Labour force led to a failure of social partnerships and consequently could not provide an environment for innovative policy. This, in part, has led to high unemployment which has further exacerbated social and economic inequality.

On the policy reforms, *lasses faire* reforms in agriculture, poor designs for basic education and poorly designed partial privatisations and liberalisations have hindered economic growth. A culmination of these mistakes over the years leading to the current circumstances has made reform challenging in the near term for the South Africa economy.

However, while the post -independence challenges for economic reforms have been many, there are feasible gains that should be enhanced. Consequently, the emphasis for future reform, Alan argued, should be from the accumulation and demonstration of effects of the smaller positive gains. The notable gains that ought to be enhanced range from successful implementation of labor-intensive public works programmes to curb unemployment; renewable electricity generation contracts; notable gains in high-school performance in provinces such as the in Free State and importantly the use of the Constitution as a spear and a shield by civic movements to drive reforms.

Presentation 2: Democratic Consolidation, Prof. Thandika Mkandawire

Prof. Thandika Mkandawire's presentation was on theories of modernization in democracies encompassing the emergence of democracy and its growth effects when compared to other forms of political leadership. His presentation argues that there exists very strong evidence between democracy and positive economic growth, and that that this 'democratic advantage' is more pronounced for those African countries that have remained democratic for longer periods of time

The presentation argued that while democracy has been positively related to growth, it is superior to autocracy only when structural factors, such as external threats or natural resource intensity, are not favourable to growth. Conversely, where structural factors are conducive to growth, autocracies are likely to perform better or equally well as democracies.

Open Discussion:

Key issues rose during the open discussion. Notable among them were on the current economic situation in South Africa and whether or not there is a pending revolution to address, among others, the high poverty and wealth inequality that characterise the economy. Prof Alan Hirsch argued that it is unlikely that there is a revolution in sight. It could be said, however, that the current pocketed uprising especially among students on the hiking of student fees is a realization of the need for South Africans to acquire more education, which, arguably will help reduce the wealth inequalities facing the nation.

On the ideal mode of governance, the example of Rwanda was raised as to whether or not it is a model that should be adopted to enhance growth and development in African economies. Prof. Thandika argued that Rwanda was not necessarily the ideal model for growth, as there are democratic nations in Africa that have recorded sustainable levels of growth and have been politically democratic – such as Botswana. That Botswana has consistently grown yet remained democratic is an example of the superiority of democracy over autocracy.

3. Lecture Agenda

The proceedings of the Public Lecture were as follows:

1. 17:40 – 18:00hrs Registration at EAZ/IGC Desk
2. 18:00 – 18:05hrs Introductory Remarks by the IGC/EAZ:
 - I. **Dr. Chrispin Mphuka**, EAZ President and Head of Economics Department, University of Zambia.
 - II. **Dr. Dennis Chiwele**, IGC Country Manager.

3. 18:05 – 18:35hrs The Consequences of Peace? Understanding South Africa’s Stagflation, **Prof. Alan Hirsch**
4. 18:35 – 19:05hrs Democratic Consolidation, **Prof. Thandika Mkandawire**
5. 19:05 – 19:50hrs **Open Discussion:** Question and Answer Session
6. 19:50 – 20:00hrs Concluding Remarks by IGC/EAZ

4. Lecture Attendance List

The public lecture was well attended with 62 participants from different sectors of the economy and the media. Below is a comprehensive list with contacts details of attendees.

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5. Miscellaneous

A video recording of the public lecture will be uploaded on the IGC web-site as well as the Economics Association of Zambia's website. A blog-post is being developed by Prof. Alan Hirsch on the Economic Consequences of Peace and this will be made available on the IGC website. The presentations made by Prof. Hirsch and Prof. Mkandawire will also be uploaded in the IGC and EAZ website.