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# Memo

**Date:** August 18, 2000  
**To:** Uliana Gabara  
**From:** Bob Schmidt  
**RE:** Report on Faculty Seminar to South Africa

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The faculty seminar to South Africa was the second seminar in which I have participated; the first was to India two years ago. As I wrote then, this was another of the great experiences I have had at the University of Richmond. The preparation and interdisciplinary interaction of colleagues, combined with the depth, breadth, and intensity of the visit, make these seminars unique in my experience. The juxtaposition of a wide scope of activities, areas, and subcultures over a relatively brief period distinguish the seminar trips from other forms of international travel, or even from living abroad. The university seminars and individual meetings were less formal and of higher quality than in India -- they were very productive. And, like India, the caliber of experts to whom we were given access is quite astonishing. Ian Player, Wilhelm Verwoerd, and Anton Pauw stand out in my mind.

Below I touch upon some ways in which I expect this seminar to affect my future activities. I have categorized these outcomes of the seminar into Scholarly Activity, Teaching, and Interdisciplinary.

## Scholarly Activity

As I noted in my India report, I have long had an academic interest in population and developing economies. I enjoyed a fellowship in Population Studies during my graduate study at Duke. I was a research assistant for a project modeling third-world urbanization at Duke, at the International Institute for Applied Systems Analysis (Laxenburg, Austria), and at the World Bank. I wrote my dissertation on incorporating demography into computerized general equilibrium modeling of economic development. I have written on immigration policy in postwar Australia and fertility in rural Egypt. I worked with Jonathan Wight and another colleague on medical care in El Salvador. And for the last seven years, I have worked with a colleague at Duke on the interrelationships of economic and demographic change among the international community.

Most recently we have modeled economic growth for a sample of 86 countries (including India and South Africa) over the period 1960-1995. This is a macro study wherein each country is but one observation with a number of variables. Inherently, the rich tapestry within individual countries is generalized to those characteristics that can be measured and are collected by international agencies. The on-the-ground experience of the seminar provides a richness and depth to phenomena that had been only numbers and reading. An obvious example is AIDS. Population growth rates, fertility



rates, life expectancy at birth, and growth of the working-age (15-64) population are all variables which we track and include in our model. The impact of AIDS is already showing up in their values. But being there and talking with experts *in situ* provides a different level of understanding. Another aspect important to the relationship of demographic change and economic growth is the distinction between working-age population and the labor force. How reliable are international measures of labor force size? How reliable can they be when much of the activity performed in the "informal sector" and in "informal settlements" do not pass through measured market activity? These are not new issues; they are touched upon early in any undergraduate development course. However, spending several hours, as we did, walking through the streets of an informal settlement brings life to this reading.

This seminar has piqued my interest in a number of other possible areas of study. One relates to the power and challenges of economic globalization. South Africa is an interesting case study for which I have no ready answers. The accepted model for rapid development in a global economy is that followed by Japan, South Korea, Taiwan, and others. Low wages were paid to a largely uneducated and unskilled workforce under working conditions that were well below those of first-world workers. The resulting products were desired in world markets because of their low price. Today, wages in these countries are no longer low but the workforce is better educated and more productive. Consequently, their products remain competitive even as living conditions have risen.

By contrast, one of the legacies of Apartheid in South Africa is parallel economies. One is a first-world economy operating among the higher levels of economic development with high levels of education, productivity, and technology. The second, however, is a third-world economy rivaling the poorer countries of the world. One of the more interesting economic stories I heard in South Africa was that blacks were beginning to gain economically under Apartheid. A similar history was offered independently by two different economists. It was offered with obvious embarrassment, noting that progress was achieved in spite of Apartheid. Because of strong economic growth in the 1960s and early 1970s, income inequality between whites and the historically disadvantaged was declining slowly; a black middle class was emerging; and disadvantaged groups were beginning to move into management. The simple explanation is that there was a shortage of whites for the necessary jobs. Consequently, business began to hire the disadvantaged to fill those vacancies. Apartheid possibly would have collapsed under its own weight and inherent contradictions. Ironically, the global boycott (and declining price of gold) thwarted that progress. Declining prosperity resulted in threats to the economic well-being of whites. Apartheid had a renaissance before its ultimate demise.

That is an interesting historical review and one that is plausible to an economist. I am interested in further study in that area. I have not broached the idea to Erik Craft, but as an economic historian I am sure he would be interested in collaboration. Of more interest to me, however, are the economic challenges that face South Africa today. Politically, can it follow the development model described in a previous paragraph? Labor unions are an important partner in the ANC. The country is committed not only to equity, but also to equality. The skill and education levels of the broader

workforce are inadequate to compete with first-world products and services. Will the political system tolerate the low wages and working conditions by which China competes globally? In short, South Africa provides an interesting and useful case study of all the challenging realities of the "new" global economy.

### **Teaching**

I primarily teach quantitative courses. I already incorporate aspects of my empirical research into two economics courses -- Symbolic Reasoning for Economists (Econ 274) and Econometrics (Econ 383). I use aspects of my economic growth research as examples and computer projects in Econometrics. Additionally, one of the student projects in Econometrics studies the impact of political instability on the economy. Students choose a country; build a model explaining investment; and then estimate the econometric model. South Africa is one of the countries of choice. My experience provides a better understanding of this case study.

I have made guest appearances in Jonathan Wight's Third-World Studies course. At those times, I talked about the roles of population in economic development. South Africa adds more first-hand expertise to these presentations.

Within the community, I belong to the Richmond Torch Club. Torch is an organization of about 90 professionals who meet for dinner on the first Tuesday of month in October through June. Following dinner one of the members presents a paper on a topic in which she/he has an interest and has gained expertise. I am scheduled to present a paper on South Africa at the April 2001 meeting.

### **Interdisciplinary**

One of the goals of the faculty seminars abroad is the development of relationships among colleagues in different areas. We built new friendships and deepened old friendships. Of course, one could not travel in South Africa without lively discussions of race, equity, and equality. We certainly had those. I hope we will have more. We also had serious debates about legal and economic workings. We built friendships and we will not be strangers when our paths cross on campus.

Let me make three brief notes regarding colleagues from the trip. First, I described above a possible collaboration with Erik Craft. Second, Erik and I discovered a mutual interest with Mary Churchill on the trip -- bowling. A group in the Business School meets every other Friday for bowling. Mary has joined us once so far and I think she will join us in the future as her schedule permits. She loves bowling which is the highest form of interdisciplinary interaction. Third, Vincent Wang and I continued discussions of common interest that we began on the India trip. I believe our mutual respect deepened and we will continue our interaction.