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11 July 2016

PhD commerce research at UCT focuses on developing economies

- In June 2016, the University of Cape Town graduated six PhD candidates whose ground-breaking research contributes to a better understanding of developing economies, with a particular emphasis on the African context. A summary of each thesis is presented below.

(To schedule an interview: please call Jessica on (021) 650 5671)

Name	Thesis Title	Details
Bertha Chipo Bangara	Macroeconomic dynamics in low-income economies	Bertha Bangara's thesis examines the dynamic effects of commodity concentration and foreign-exchange constraints on key macroeconomic variables in low-income economies. Using tobacco in Malawi as a case study, she finds that a positive price shock increases gross domestic product, reduces consumer prices and strengthens the real exchange rate. She then examines the effects of foreign exchange shortages on an import-dependent economy, finding that, while imports influence domestic output and consumption, increasing imports in an effort to increase productivity can be counter-productive and weaken the real exchange rate. Lastly, she examines the dynamic effects of government financing behaviour in a foreign-exchange constrained economy when agents are Ricardian. Unusually, she finds that consumption, wages and labour supply increase when government consumption increases, because government expenditure in most low-income economies is financed by aid and debt. A positive aid shock improves the macroeconomic environment of the economy and eases the foreign-exchange constraints pressures.
Vera Ogeh Fiador	Monetary policy and economic performance – evidence from selected African countries	Vera Fiador's thesis examines the effects of central bank monetary policy on macroeconomic prices, the behaviour of economic agents in the financial sector and their impact on economic performance. The key analysis used panel data covering the emerging economies in Sub-Saharan Africa (SSA). The findings of the study reveal that monetary policies do affect macroeconomic prices, the behaviour of economic agents and also the growth of countries in Sub-Saharan Africa. The study also reveals that the effectiveness of monetary policy is influenced by prevailing macro and micro factors and that these must be recognized in the cost-benefit analyses that precede monetary policy actions. The findings further imply the need to design monetary policies specifically for Sub-Saharan African countries as some of the effects of monetary policy do not conform to the established and more popular positions in the dialogue on growth and development.

Christine Selina Makanza	Current account dynamics and macroeconomic policy	Christine Makanza's thesis focuses on the growing current account imbalances of emerging market economies, and the influence of macroeconomic policy on these imbalances. She establishes the usefulness of both fiscal policy and monetary policy in the stabilisation of the external balance by providing an understanding of the monetary and fiscal determinants of the current account at both domestic and global levels, and the usefulness of macroeconomic policy in managing these imbalances. She further considers the structure of most emerging and low income economies in terms of the share of traded goods vis-à-vis non-traded goods in production and consumption, and develops a Dynamic Stochastic General Equilibrium model that analyses the role of non-traded goods in the determination of the current account. Her model not only analyses the relevance of non-traded goods in the determination of the current account, but provides a framework for understanding the external balance in small open economies.
Mahawiya Sulemana	Foreign banking inflows, financial sector development and economic growth in ECOWAS and SADC	Mahawiya Sulemana's thesis examines the impacts of financial development, foreign banking inflows, inflation, trade and financial openness in ECOWAS and SADC. He constructs a composite measure of financial development and demonstrates that while financial system development is important for economic growth in both regions, its effect is greater in SADC, although, democratic development helps financial development induce growth more in ECOWAS. An examination of underlying reasons of the underdevelopment of financial systems shows that inflation negatively affects financial sector development especially in ECOWAS. Increased access to communication infrastructure benefits financial development, especially in SADC countries, which also benefit more from simultaneous opening of trade and the financial sector. Finally, he examines the relationship between foreign banking inflows and the likelihood of banking crises and financial system instability, finding that, in both regions, increases in foreign banking reduce the probability of financial instability, while financial openness and increases in credit raise it.
Abdul Latif Alhassan	Efficiency, competition and risk-taking behaviour in the short-term insurance market in South Africa	Abdul Latif Alhassan has a BSc and MPhil from the University of Ghana Business School. His research focuses on development finance and the industrial organisation of financial institutions in emerging economies. In his thesis, Abdul Latif Alhassan seeks to enhance regulatory understanding of firm behaviour in the South African short-term insurance market. The work uses annual firm level data from 2007 to 2012 to examine the interrelationships between efficiency, competition and risk-taking behaviour among short-term insurance companies. The empirical analysis finds that firms in this market exercise high pricing power (less competition), with most firms operating below their optimal capacity. In addition, the results show that while increasing competition improves the ability of insurers to maximize their earning potential in the short-term market, it also leads to excessive risk-taking behaviour by firms; increasing instability risk in the market. Policy recommendations for the management and regulation of the short-term insurance market are discussed.
Godfrey Charles Cadogan	Essays on statistical economics with applications to financial market instability, limit distribution of loss aversion, and harmonic probability weighting	Godfrey Charles-Cadogan holds a BSc in Actuarial Mathematics, BSc in Mathematical Statistics, and MSc in Mathematical Statistics. His innovative PhD thesis contains four essays. These introduce new statistical models of economics and financial decision-making under risk, as follows: the first proves that the loss aversion index in behavioural economics is not constant, but is a random variable that admits any positive number. This was tested empirically in several different contexts and upheld. It generates the first known economic time-series for loss aversion compared to extant survey-based measures, providing new insights into the stochastic discount factor in asset pricing models. The second introduces a probabilistic model and a new empirical process that

	functions	characterizes financial market instability caused by irrational exuberance in financial markets. It provides robust early warning systems for financial market bubbles and crashes across different credit risk sources. The third explains why decision makers' preference orderings change, proving that decision makers' broken probability cycles resolve preference reversal, and the conjunction fallacy in behavioural economics. This essay was recently extended to exploit human brain wave patterns, mimic the mental states of decision makers and establish a nexus with quantum probability models of decision-making. It was awarded a competitive Royal Economic Society grant for presentment at the biennial world congress on Foundations of Utility and Risk (FUR) held at the University of Warwick, June 27-30 2016. The fourth essay disproves behavioural economists' perception that Bernoulli's utility function is unable to generate a loss-aversion index, and solves the open problem of a global loss-aversion index and introduces a statistical test for it. A mathematically sophisticated version of that paper was recently published in the Journal of Mathematical Economics.

ENDS

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