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Kuikeu, Oscar

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Lessons from the covid-19 crisis about living standard determinants: a dynamic panel data perspective. Case of economies of central African economic and Monetary community (CEMAC)

Oscar Valéry KUIKEU

Advanced School of Economics and Commerce, University of Douala (Udo, Cameroon), Po Box 1931 Douala (Cameroon), Port. + 237 698 60 41 40, émail: kuikeuoscar@gmail.com

Abstract. *The covid-19 crisis is much characterized by the fact that he have conduct to situation of necessary adjustment to the side of Supply or Demand. This necessity of adjustment have thus engaged his economies concerned by the crisis in an unpreceeding contraction in living standard. In the same time governments of the world have take several measures to break with the declining trend in the living standard as the Paris Summit of 18th May concerning the African economic relance. Thus the aim of this study what can we learned from the covd-19 crisis concerning living standard determinants? We know well that the Paris Summit have give some emphasis to the financing economies through mechanisms as the DTS from the IMF. Thus this have give thanks to the actual monetary conditions as necessary determinant of the country living standard. At this aim we will thus assert on country living standard determinants on the basis of the actual monetary conditions as lessons learned from the covid-19 crisis.*

Keywords: *adjustment, living standard, monetary conditions*

Jel classification Codes: *C33 O47*

1. Introduction

The actual covid-19 crisis is well know to have at first effect at the sectoral level who the aggregation of effect is perceive at the national or country one. In fact, the obligation of satisfactory to the Barriers measures in general and in particular to reorganize the place of work with for example the measures concerning the closure of non essential activities or the social distanciation have thus make several observance in the insuffisance of Supply or the demand. At the external level one kind of thisd broad measure have concerned the inability to have external reserv sufficient to satisfy in time on the operations of external trade as exportations or importations.

As we have learned from the manual textbook this situation of insuffisance in supply or demand create into economy a crisis caracterizd mainly by the decreasing living standard or in the microeconomic term of the revenue perceive. To understand this at a microeconomic level for an macroeconomic conception reminder that this situation of insuffisance in supply or demand make necessary adjustment in the labor availability characterized mainly by the non employability because of the non availability of occasion in business affairs make by these insuffisance in the Supply and the demand. The non employability of labor thus make the non availability of capital

for the process of production in the sense that the two go together and finally the decreasing in the sectoral output, the perceived revenue by the labor factor and at the macroeconomic level who aggregate the different sectoral outcomes the necessary decreasing in the standard of living of the population in the sense that there is decreasing in the nominal production and thus of the revenue perceived by the firms at the sectoral level and the agents who are the labor factor of these firms at the macroeconomic aggregation of these sectoral outcomes.

Thus the lessons learned from the current COVID-19 crisis about living standard determinants must be sectoral one in the sense that the initiatives taken by governments have respect this logical issue for coming out of the crisis. At the first we can cite the different initiatives toward the pharmaceutical sector engaged in the search of a vaccine who have taken the form of massive investment in the sector. These initiatives have given some interesting results with the upcoming vaccine from some pharmaceutical firms as Pfizer, Biontech, Johnson and Johnson, Moderna, Sinopharm, AstraZeneca, Sputnik to cite a few of them. Today to encourage African countries to appropriate this technology and to engage his population toward vaccine with the northern countries his economies have adhered to the COVAX initiative and today actualities speak on the broken license on this vaccine production process in the same goal to help the pharmaceutical sector in Africa to appropriate and adopt this kind of technology.

At the second level, we can cite this initiative toward the sustainability of current price. In fact, by distorting the relative supply compared to the demand the current crisis has necessarily an impact on inflation price. We can cite as an illustration the different initiatives toward the digitalization of the economy. With at the heart a restaurant at New York where during the period of applicability of barriers measures in order to realize business affairs in accordance to these barriers measures propose to his guests to have access to the menu directly from its phone the digitalization of the economy is an effort to sustain current price due the necessary adjustment of supply and demand occasioned by the crisis in a manner who is conform to the barrier measure.

Another piece of evidence coming from the Paris Summit of 18th May about the African economies reliance is that living standard lies also on the program of financing economies. At this end the Summit is in favor in the increasing part of DTS from the IMF toward the African countries. Another strength of the debate concerning the financing of African countries have

been the sustainability of his external position in general assert as the external debt. Some of the participants on the debate are in favor of the annulation of the debt of African countries in the sense that there are just non sustainable while others despite the debate on the sustainability of the African external debt maintain the idea that the African countries may pay this in the sense that there where able to give to his program a meaning of sustainability. Another strand of debate is about the financing economy for those knowing civil war as Cameroon and central African republic. An considerable amount of consideration of this strand seems that financing economy during civil war is an suitable mean to overcome with this in the sense that the region knowing reconstruction we have firms recovering his revenues and budgets, local governments his fiscal revenues and expenses due to this recovery, his local agents an occasion to be employ and to receive a better revenue and condition than those give by the embroilment into civil war, and finally ant the national level some prospect to end with the civil war.

This paper will be Organize as follows, because the Paris summit designate on the actual monetary conditions for the economic growth with consideration lies on the financing economies, in the next section (section 2) we assess on the real perspective that means without consideration of actual monetary consideration other than the financing economies, finally section 3 gives some concluding remarks.

2. A real perspective

Considering the preceding prospects we can think from lessons learned from the covid-19 crisis that the living standard determinants are the three following: investment, inflation and the external position. Therefore our main here is to know the empirical assessment of these three determinants on the living standard of the selected African countries in the CEMAC community. From an theoretical point view it's well attempted that investment must have a positive effect on the standard living because they engage much more employ capital and labor factor and thus make much more nominal output while living standard is the nominal output relatively to the total population (or factor). Concerning inflation it's expected this will occur in decreasing living standard because he distorted the international competitiveness of the countryas well explained by the purchasing power parity concept. In fact in his conception of a suitable macroeconomic framework Fisher (1993) asserts that from the conception issue from the consensus of Washington there are the believe of a non risky environment for investment and inflation. And finally

concerning the financing economy it's well attempted that the accumulation of liabilities and engagement toward foreign partner will reduce living standard because of the non sustainability of this process. In fact, inn the assertion of the equilibrium real exchange rate it's expected a sustainable external position is who don't change toward foreign partner (Hinkle et Montiel 1999).

The Data

The data are coming from the online database on World Development Indicators (WDI) for the per capita gdp as measure of the living standard, for gross fixed capital formation (gfcf) as measured of investment, for inflation calculating on the basis of the consumer price index and consideration of actual monetary consideration other than the financing economies we use current account balance (ca) as measured of country external position in fact it's generally said that he ca balance help to know the total external liabilities and engagement of country's toward foreign partner.

It's generally said that the initial level of output affects his subsequent rate if this in the theoretical level have seen the advent of phenomenom that we call Convergence in an empirical strand this have give relief for estimation of growth equation in dynamic term including the initial level of output with several techniques among then the Arellano Bond (1991) procedure that we call the DPD with Ly_t as the dependent variable, where L is the natural logarithm and y the per capita real gdp. The Results are contained in the following Table 1:

Table 1: growth rate determinants

	OLS	Fixed Effects	Random Effects	Dynamic Panel Data (DPD)
Constant	0.23 (0.02)**	0.23 (0.02)**	0.23 (0.00)**	0.26 (0.00)**
Ly_{t-1}	-0.08 (0.00)*	-0.08 (0.00)*	-0.08 (0.00)*	0.90 (0.00)*
LInvestment	0.14 (0.00)*	0.14 (0.00)*	0.14 (0.00)*	0.15 (0.00)*
Inflation	-0.10 (0.59)	-0.04 (0.85)	-0.09 (0.60)	-0.06 (0.51)
Current Account	0.00 (0.09)***	0.00 (0.06)***	0.00 (0.07)***	0.00 (0.00)*
<i>Adjusted square R</i>	0.14	Within 0.17 Intra 0.16		

<i>Overall</i>	168.34	180	673	1689.14
<i>Significance test</i>	(0.00)*	(0.00)*	(0.00)*	(0.00)
<i>Nobs</i>	133	133	133	133

Source: * (**, ***) null hypothesis is rejected at the 1% (5%, 10%) level of significance. (.) significance level. L the natural logarithm. y the per capita real gdp. *Nobs* available observations.

It seems that the inflation rate no account among the standard living determinant from lessons learned from the current covid-19 crisis just when we speak in term of Joint significance of parameters where for each model is in favor of parameter significance. Another strand of results suggest that financing economies at outcome at the Paris Summit is beneficial for African countries but not account for more than 0.1% raising the non sustainability problem of this financing.

3. Conclusion

It seems that by organizing the Paris Summit on financing the African economies the opportunity have been give to speak on the actual monetary conditions optimality in this prospect of African economies reliance. In fact by addressing the issue of more DTS toward the region the Summit aims at examining the monetary conditions of this reliance. In other words, are the traditional variables lies to the monetary conditions to known investment and inflation play the traditional role in explaining living standard for a selected African countries where the consideration on money have a valuable consideration in policy setting to know the countries in CEMAC community. With these broad results he seems that the consideration into the community of lower permanently inflation is credible considering that inflation rate a a joint significance level have a negative effect on the standard living. Nevertheless growth can we achieve by reducing real interest rat in the aim of raising the level of investment who clearly stimulate economic growth into the community. Considering the prospect of financing economies there are valuable attempt for the community because measured as current account balance that means the evolution in the liabilities and engagement of the countries toward the foreign there are valuable prospect for his States with the constraint that the debate on the sustainability of this financing constraint his effect to no more be great than 0.1%.

4. References

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