The living standard determinants from lessons of covid-19 crisis — New Insights: case of Cameroonian economy

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29 May 2021
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Abstract. It's now well asserted the coronavirus crisis have putting meaningful interest in stimulating economies on the Old believe in the Manual Textbook of economics where an economic crisis create in general demand shock to place interest to the Keynesian theses on increasing public expenditures. The other side of these is on stimulating economies with open market policies granted by cutting the interest rate in order to emulate employability by a sustained level of investment. If the first strand have take consideration with empirical analysis the second one is in search for verifiability. Thus the aim of the current study. How public expenditures enter as determinant of standard living? In other words, is traditional change in prices because this kind of consideration lies with the first perspective on stimulating investment by cutting interest rate in general take in real term. Globally Speaking he appears that this consideration is need considering the interest of taking into account the sustainability of other stimulus policy as realize by the Real Exchange Rate Misalignment.

Keywords: sustainability, misalignment, shock

Jel Classification Codes: C32 O47

1. Introduction

It's generally said that as fundamental for the Rex its not able to enhance on exchange rate policy with implementation on the public expenditures. This is the main limitation on Baffes, Elbadawi and O’Connel (1999) work on equilibrium Rex in fact following the Keynesian thesis the public expenditures playground as stimulation policy while he tends to appreciate the Rex. Its this contrary effect who give inside on the limitation of public expenditures as fundamental for the Rex. Confronting to other stimulus policy the main task is on the sustainability of these consider that the central government is sovereign to have public expenditures in the ground of controlling the main consequences of this policy on prices.

Considering that during the covid-19 crisis the financing economy is come from the abroad the lack with the investment policy is that because the central bank have a private information its now difficult to exactly know his preference in the sense that the Monetary Authority should place interest in decreasing real interest rate. In fact, one characteristic of economies like Cameroon and Gabon is the sharp inequalities among the population considering the distribution of earning. Much of his citizen is not range in any class of the socio professional category with people involve in activities where the Esperance of earning is very low, those activities consider as vulnerable while the crisis continues to ground and the statement is in the sense of sustaining standard of living by contracting interest rate
principally the real interest rate for stimulating the level of investment and the employability with a preserving purchasing power.

To address on this issue we consider that in front of other stimulating policies the main task in accounting of these is the sustainability level of these. We know well the address that the State is sovereign and he just know solvability. While we cannot address on the solvability of the sovereign risk we can think of existence of plausible sustainable trend for the other stimulus policies.

Based on lessons learned from the covid-19 crisis the main stimulus policies are the level of investment for consideration lies on employability of production factors, the inflation rate as stimulus for consumption and production, the current account balance as the main channel of financing economy. If the Stochastic Optimal Control (SOC) analysis range in the category of counterfactual for the sustain value of current account balance and the inflation rate by the lines into the Monetary Agreement who assess that the inflation rate should converge toward those of the anchor economy with a level of 3% entering in consideration for achieving this those value can be use as counterfactual for the inflation rate. Concerning investment level the main lack is on the fact that following the lucas paradox its difficult to infer on the inadequacy of investment in low revenue country while the lack of dotation in capital must to give inside to much more investment level. Considering this in general we assess on the sustainable values for this broad aggregate with statistical methods or append as using a moving average (Kuikeu 2021) or the Hodrick Prescott filter for extracting the deep movement as the time (series) trend.

The Rest of the paper is Organized as follows, in the next section (section 2) we address the issue on considering Misalignment as measure of sustain path for the (other) stimulus policies, in section 3 the empirical assessment on standard of living determinants, finally in section 4 a summarize of the main Obtained Results as concluding Remarks to the paper.

2. Misalignment as measure of sustain path for the stimulus policies

We address this issue for the financing economy as express with the current account balance. If ca is for the current account balance, S for the saving and I as investment level, we know well that ca = S – I. Secondly the SOC lies on the disentangle of the economy as net creditor (ca > 0) or net debtor (ca < 0). Thus the need to place constraint on nfa because ca = nfa. In fact, with this formulae ca follows a random process while controlling for the process gives inside on the sustain path for the
Aggregate in the sense that following the lines include on the Monetary Agreement with the anchor economy just a proportion of this asset evolves as financing local economy. For this fact the calculus on the basis of this proportion corrects for some misleading concerning the randomness of the values and thus gives inside on the sustain path of this Broad aggregate and consequently on the disentangle of the economy as net creditor \((ca > 0)\) or net debtor \((ca < 0)\). We have set the proportion of the asset evolves in the financing local economy at 33.33% following the Monetary agreement who evolves with the anchor economy.

3. Empirical assessment

The model considered for standard of living determinants is build to disentangle between the sustainability of stimulus policy consider other than public expenditures where the coverage is doing by the way that the sovereign risk of insolvability is null. One of the piece of governance place into this kind of model is the consideration toward Convergence hypothesis (Barro 1991) who give some emphasis to the initial level of Output as representative of the initial conditions who should exhibit correlations pattern with the other part of the Model. Thus the need in using the traditional instrumental method of moments who gives emphasis on controlling for a Robust covariance matrix and for a Robust test on orthogonality of these instruments, the immediate \(J\) statistics.

The Data come from the World Development Indicator (WDI) the online DataBase at the World Bank. Concerning Misalignment this serie come from Kuikeu (2021). The data span the period between 1981 and 2018.

About results concerning these prospects the following Table 1 contains this:

<table>
<thead>
<tr>
<th></th>
<th>(\Delta LI_{j}^{j})</th>
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<tbody>
<tr>
<td>(L_{y,t-1})</td>
<td>-0.26</td>
</tr>
<tr>
<td></td>
<td>(0.00) *</td>
</tr>
<tr>
<td>(LG)</td>
<td>0.06</td>
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<tr>
<td></td>
<td>(0.00) *</td>
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<tr>
<td>Misalignment</td>
<td>-0.03</td>
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<tr>
<td></td>
<td>(0.71)</td>
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<tr>
<td>(J)</td>
<td>4.74</td>
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<td></td>
<td>(0.57)</td>
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Statistiques de l’équation

Source: *(*, ***) null hypothesis is rejected at the 1% (5% 10%) level of significance. (.) significance level.

4. Conclusion
Thus the Obtained Result suggest well that when considering emulating Cameroonian economy with the Keynesian school the inadequate stimulus do not enter the relation on standard of living determinant in Cameroon.

5. References


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