

Report on “Exchange Rate Volatility and Growth Dynamics Evidence from Selected Sub-Saharan African Countries”

This is a competent paper. Nevertheless, the authors might want to address the following points to improve the paper,

1. Using panel data is decidedly a better approach than using time series data since incorporating cross sectional variation is likely to lead to more powerful unit root, cointegration, and causality tests. Pooling data for similar countries will allow the authors to capture these cross sectional variations. The authors have several choices for panel unit root and panel cointegration tests, including residual-based Dickey-Fuller (DF) and Augmented DF unit root tests, residual based Lagrange Multiplier unit root test (McCokey and Kao (1998, 1999), Pedroni tests for cointegration (Pedroni (2000, 2004)) and likelihood-based tests for cointegration Larsson et al (2001). The Engle-Granger approach will need to be modified accordingly.
2. Omission of relevant variables can severely bias causality testing and result in spurious causality. The co-integrating regressions will have to be carefully formulated to include as many relevant variables as possible.

References

Larsson A. C. and J. Lyhagen and M. Lothagren (2001) Econometrics Journal, pp. 109-142
McCokey and Kao (1999) Oxford bulletin of economics and statistics, 671-690
McCokey and Kao (1998) Econometric Reviews, pp. 57-84
Pedroni 1999 Oxford bulletin of economics and statistics, pp. 653-678
Pedroni (2000) Advances in Econometrics 2000, pp. 93-130

Author Feedback:-

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