**Dynamic Risk Sharinginthe Central African Economicand Monetary Community**

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**Abstract**

In contrast to the first Optimum Currency Area (OCA) theory which was mostly about preventing currency areas’ exposure to asymmetric shocks, the second model introduced by Robert A. Mundell (1973) focuses on risk sharing across member states when facing adverse macroeconomic shocks. This paper explores how risk is shared across the six member states of the Central African Economic and Monetary Community (CEMAC). Using dynamic panel VAR, we measure disposable income and consumption smoothing of negative output shocks. We find that more than 72 percent of GDP idiosyncratic shocks remain unsmoothed in the case of the Central African currency area from 1986 to 2018.

**Keywords:** Optimal Currency Area, International Risk-Sharing, Dynamic Panel VAR, Fiscal Consolidation, Currency devaluation, Shock Smoothing.

**JEL Class.:** C32,E41, E21, F32, F45 [↑](#endnote-ref-3)