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Cointegration, error correction representation and the import demand function with implications in International Finance and Accounting Research

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Abstract

This paper uses the relatively new procedures of cointegration and error-correction modeling to examine the import demand function of three developing economies. The empirical results suggest that the error-correction model performs well and that the poor results of previous studies are attributable to the inappropriate use of the Cochrane-Orcutt procedure and the complete absence of diagnostic testing, especially with respect to parameters stability, autocorrelation, and variable omission.

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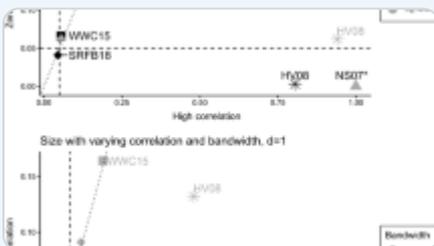
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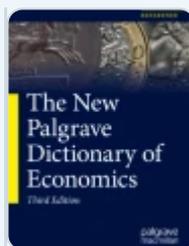
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