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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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[Augustine C. Arize Ph.D.¹](#) & [Gordian Ndubizu Ph.D.²](#)

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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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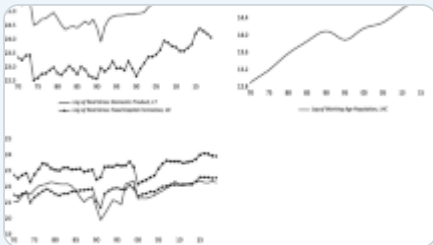
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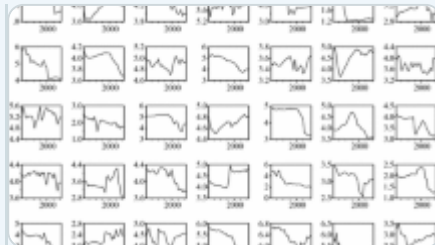
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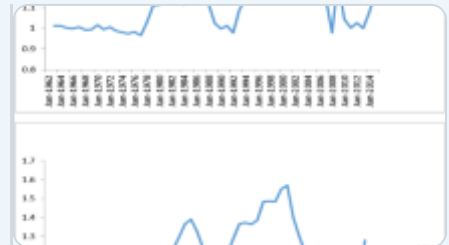
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Author information

Authors and Affiliations

Department of General Business, College of Business and Technology, East Texas State University, ET Station, 75429, Commerce, TX

Augustine C. Arize Ph.D.

Department of Accounting, College of Business Administration, Drexel University, 19104, Philadelphia, PA

Gordian Ndubizu Ph.D.

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