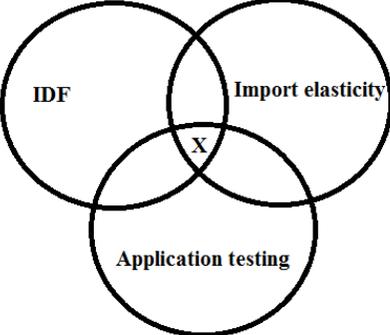


Internet Appendix A108: Import Demand
A108.1 Illustrative Reverse Engineered Pitch Template Example

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| Pitcher's Name | Leelyn Cruddas | FoR category | 1402 | Date Completed | 17/02/2007 |
| (A) Working Title | Harb, N. (2005). Import demand in heterogeneous panel setting. <i>Applied Economics</i> , 37(20), 2407-2415. [reverse engineered] | | | | |
| (B) Basic Research Question | How should the import demand function be estimated? | | | | |
| (C) Key paper(s) | <p>Pedroni, P. (2001). Purchasing power parity tests in cointegrated panels. <i>Review of Economics and Statistics</i>, 83(4), 727-731.</p> <p>Pedroni, P. (2004). Panel cointegration: asymptotic and finite sample properties of pooled time series tests with an application to the PPP hypothesis. <i>Econometric Theory</i>, 20(1), 597-627.</p> <p>Reinhart, C. M. (1995). Devaluation, relative prices, and international trade: evidence from developing countries. <i>Staff Papers-International Monetary Fund</i>, 290-312.</p> | | | | |
| (D) Motivation/Puzzle | Import demand functions (IDF) form a basis of foreign trade policy. The value of the import elasticity (a portion of the IDF equation) in conjunction with other macroeconomic factors determines the level of devaluation the economy would face if there was an external market disturbance. There is a large body of literature on IDF however there is confusion amongst the literature. | | | | |
| THREE | Three core aspects of any empirical research project | | | | |
| (E) Idea? | <p>This paper puts into application previous primarily theoretical (and small sample size tested) IDF concepts and comparatively tests them. In doing so it hypothesises (even though hypotheses are not directly stated it implies that):</p> <p>H1: Should GDP minus exports be used instead of GDP?</p> <p>H2: Is there a difference between developing and developed countries income elasticities?</p> <p>H3: Is there a difference between developing and developed countries price elasticities?</p> <p>The model was primarily based off Pedroni (2000,2001) and Reinhart (1995).</p> | | | | |
| (F) Data? | Annual, time-series, panel data at country level from 40 countries at varying periods between 1960 and 1999 was used in this paper. Testing periods for each country were continuous so missing data just shortened the testing period for that country. Data collection methods were not specified however it is assumed that secondary was used based on the comparative studies mentioned. | | | | |
| (G) Tools? | IPS (1997) unit root tests were used for analysis. In addition, to overcome an endogeneity of regressors problem FMOLS and DOLS (Pedroni, 2000) were used. OLS regression could not be used due to "the effect of superconsistency may not dominate the endogeneity effect of the regressors" (Harb, 2007). No software was stated. Both IPS and FMOLS/DOLS were justified by comparing with alternatives. | | | | |

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| TWO | Two key questions |
| (H) What's New? | <p>This paper decreases the confusion in the literature by application testing and comparison testing.</p>  |
| (I) So What? | IDF forms the basis for economic policy decisions and firm strategy. IDF factors determine the devaluation an economy would face if there was an external market disturbance. For governments IDF is a factor in deciding on foreign trade policy; including, tariffs, quotas and free trade agreements. For firms government decisions and the security in market influence most international strategic decisions; primarily, FDI, exports and value chains. |
| ONE | One bottom line |
| (J) Contribution? | The paper contributes to the literature by application testing theoretical IDF concepts. |
| (K) 3 Key Findings | <p>The key findings from the paper were:</p> <ul style="list-style-type: none"> • In terms of IDF components GDP performed better than GDP minus exports. • Developing countries have higher income and price elasticities (in abs values) than developed countries. • FMOLS and DOLS adopted from Pedroni (2000, 2001) when individual estimates were used; however, FMOLS and DOLS give conflicting results when between dimension estimators were used. <p>These findings help frame part of the model used in my research.</p> |