



INSTITUT FÜR HÖHERE STUDIEN  
INSTITUTE FOR ADVANCED STUDIES  
Vienna

Department of Economics and Finance

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## **ECONOMETRICS RESEARCH SEMINAR**

- 20th November 2008, 9am
- SZVI  
Institut für Höhere Studien  
Stumpergasse 56, 1060 Wien

**Mauro Costantini,**  
University of Vienna:

### ***“A Panel-CADF Test for Unit Roots, With an Application to PPP”***

In this paper we propose the extension of the covariate-augmented Dickey Fuller (CADF) test for unit roots developed by Hansen (1995) to the panel case (pCADF). We show that the extension is viable and gives power gains with respect to the time series approach. Particular attention is paid to cross-unit dependence. A procedure to compute the asymptotic p-values of Hansen's CADF test is also a contribution of this paper. An empirical application is carried out on international data to test for the PPP hypothesis.

with Claudio Lupi (University of Molise) and Stephan Popp (University of Duisburg Essen).