



SDI Review Form 1.6

Journal Name:	<u>British Journal of Economics, Management & Trade</u>
Manuscript Number:	Ms_BJEMT_19110
Title of the Manuscript:	Estimating the Money Demand Function and a Demystification of the Endogeneity-Exogeneity Nexus of Money Supply using Static and Dynamic Models: The Case of Zimbabwe (1991-2008)
Type of the Article	Original Research Article

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This journal's peer review policy states that **NO** manuscript should be rejected only on the basis of '**lack of Novelty**', provided the manuscript is scientifically robust and technically sound.

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PART 1: Review Comments

	Reviewer's comment	Author's comment <i>(if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)</i>
Compulsory REVISION comments	First of all, the method of Engle & Granger (1987) is not preferred due to the fact that when there are more than two variables, the system might result in more than a single co-integration. When there are many variables, integration order for the investigated variables must be the same to be able to use the Johansen (1988) and Johansen-Juselius (1990) co-integration methods. Especially all of these methods concentrate on cases in which the underlying variables are integrated of order one. This inevitably involves a certain degree of pre-testing, thus introducing a further degree of uncertainty into the analysis of levels relationships (bakınız Pesaran, Shin & Smith, 2001, s. 289-290). Meanwhile, when working with lots of variables, we mostly come across that the investigated series are not integrated with the same order ($I(0)$ or $I(1)$), besides they perform different integration order. This is why those tests are not used in researching co-integration. There is an approach called ARDL method used for series that have different integration order to model cointegration when some of the series are $I(0)$ and some of them are $I(1)$. However since the calculated F statistics are not valid for series with second order integration as stated in Pesaran (2001), even ARDL	



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	method is inapplicable. So it is not possible to model the long run relationship with such variables having that high degree of integration. I suggest you check the variables having second or third degree of integration whether there exists either seasonality or structural change. I also suggest you either increase or decrease the worked period for modelling. If you're not interested in fitting proper model or if you want to determine the inter relations among the variables then I suggest you may follow Granger Causality or Toda and Yamamoto (1995) procedure. The abstract is too long so it should be shortened. In the Keyword part, in place of "Granger" change it to be "Granger causality" Change "Theoretical Literature Review" to be "Chapter 2" and change "Background of the study" to be "Chapter 3". In row 65, you cannot use "she" to refer the country "Zimbabwe", instead use the word "it" and in place of the word "her" in the same row change it to be "its" In row 360, what does ECM stand for? Is it error correction model? In row 432, one of the author surname should start with capital letter (Winter)	
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	In 488, use the symbol of alpha instead In row 462 and 493, you're using the same variable M_t with two different description. Make sure you use a unique description In row 505, start a new paragraph from "The Chow..." I am wondering why the data period is ending in 2008. If there is any constraint then It should be specified. Otherwise you're using the very past period. Also you should mention about ESAP for clarification. In 553, you're mistyping the "Engle and Granger" In 557 , can you cite a reference to justify the Ng-Perron priority? For cross check, could you also perform the KPSS test? It would be also nice to see both the graphical representations and the descriptive statistics of the series in the study. In overall the study is well presented. The authors perform an interesting study with fluent English. However serious technical errors must be fixed Engle, R. F. and Granger, C. W. J. (1987). "Co-integration and Error Correction: Representation, Estimation and Testing", <i>Econometrica</i>, Vol. 55, pp. 251 -76.	
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	Johansen, S., 1988, "Statistical Analysis of Cointegration Vectors," Journal of Economic Dynamics and Control, Vol. 12, No. 2–3, pp. 231–254. Søren Johansen and Katarina Juselius 1990, "Maximum Likelihood Estimation And Inference On Cointegration- With Applications To The Demand For Money" OXFORD BULLETIN OF ECONOMICS AND STATISTICS, 52,2 169-210. M. HASHEM PESARAN, YONGCHEOL SHIN AND RICHARD J. SMITH (2001), "BOUNDS TESTING APPROACHES TO THE ANALYSIS OF LEVEL RELATIONSHIPS" J. Appl. Econ. 16: 289–326 P. Narayan, S. Narayan 2005, Estimating income and price elasticities of imports for Fiji in a cointegration framework Economic Modelling, 22, pp. 423–438 Pesaran, M. H. Shin, Y. and Smith, R. J. (2001) Bounds testing approaches to the analysis of level relationships, Journal of Applied Econometrics, 16, 289–326. H.Y. Toda, T. Yamamoto 1995, Statistical inference in vector autoregression with possibly integrated processes Journal of Econometrics, 66, pp. 225–250 http://web.up.ac.za Makochekwanwa, A., 2007, Zimbabwe's hyperinflation Money Demand Model,	
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	University of Pretoria, Working Paper: 2007-12 (85-123; 137-140; 320-352; 358-363; 456-468)	
<u>Minor</u> REVISION comments		
<u>Optional/General</u> comments		

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