

# **Inference on Treatment Effects and Difference-in-Differences in Cointegration Analysis**

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## **Abstract :**

We investigate “treatment effects” resulting not in a sudden shock, but a continuous change in trend of the treated subject. Consequently, the “parallel trend” assumption is not valid. We show that - as an alternative - techniques from the theory of cointegration may be used to identify the effect. Based on estimators, we construct a test statistic and determine its asymptotic distribution. We give some Monte-Carlo Simulations and an empirical illustration