

General remarks

October 4, 2014

We appreciate the comments we received on the paper, they go deeper than anything we've heard to date from others and led us to change several things in the paper. What follows is a list of what we understood the reports to say and how we addressed the concerns they raise.

One issue deserves more attention than we gave it in the paper. The paper is an attempt to characterize what we regard as a central issue in macroeconomics: identification. We wrote it as simply as we could so that it would appeal to the large audience of applied macroeconomists as well as the smaller audience of econometricians.

Identification is a central issue throughout economics, and macroeconomics and macro-finance. Following influential work by Cochrane and by Singleton and coauthors, we've heard repeatedly that models like those we describe are not identified. We think we've done a lot to clarify the issue. We'd say, instead, that identification requires one or more restrictions of a specific sort. Our application to bond pricing models is...

Importance

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- Big issue.
- Clean result.
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