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October 2, 2013

Professor Francis DiTraglia
Department of Economics
University of Pennsylvania
Philadelphia, PA

Dear Dr DiTraglia,

This is a report on your paper

“USING INVALID INSTRUMENTS ON PURPOSE: FOCUSED MOMENT SELEC-
TION AND AVERAGING FOR GMM”

that you recently submitted to Econometrica.

To evaluate this research, I sent the paper to two experts in the area, and I have just heard from both of them. Unfortunately, both the reviewers recommend that I reject the paper from Econometrica. I will not try and summarize their complaints here, but both provided a set of detailed comments that are attached.

I have read the paper myself. I do agree with the reviewers, that you assume (in most of the paper), that you have enough strong instruments to identify the parameters. So, why not just use those? of course, your point is that the locally misspecified moment conditions contain information that might lower MSE. Es- sentially again, you have a model where consistent estimation is possible, and given the computational complexities involved, it is not clear that the theoretical gains that you might garner by exploiting the locally misspecified moments will be as useful empirically. Essentially, given all this, I am not as convinced that we can do better than just using the “correct” moment conditions. So, I am sympathetic to the views of the reviewers, and have decided to not pursue the paper here at Econometrica.

I am sure you are disappointed with this news, but I want to relay to you my personal feeling about the paper. I think it is well done, careful, and interesting. So, the quality of the work is not in question, it is just that the reviewers and myself did not think that it is suitable for publication here. I hope you find the reports useful to you.

I want to thank you for giving us the opportunity to review your work. I hope the negative decision does not dissuade you from sending future work here.

Sincerely,

A handwritten signature in black ink, appearing to read 'Elie Tamer', written in a cursive style.

Elie Tamer
Co-Editor, *Econometrica*