

Table 1. Parameter Estimates and Statistics of Interest for the Model with Taxes on Labor

Evidence	Parameter Estimates			Statistics of Interest ^b		
	ρ_l	σ_z	σ_l	$\%var(y)$	Impact Error	
					QDSVAR	LSVAR
Galí VAR response	.950	.0114	.0073	50	-220 (-344,-79)	76 (-230,245)
Hours volatility	.950	.0114	.0088	40	-300 (-448,-132)	118 (-252,322)
Maximum likelihood ^a						
Hours specification	.995 (.0093)	.0114 (.0006)	.0050 (.0005)	76	-86 (-171,-5)	3 (-219,123)
Investment specification	.942 (.0076)	.0178 (.0016)	.0173 (.0013)	30	-438 (-616,-226)	190 (-270,442)

^a For the maximum likelihood parameter estimates, the values in parentheses are standard errors. The hours specification uses observations on output and labor; the investment specification, observations on output and investment.

^b The first statistic is the variance of output due to the technology shock, reported as a percentage. The last two are the mean impact errors for the QDSVAR and LSVAR specifications. The values in parentheses are means of the upper and lower means of 95% confidence bands across 1,000 applications of the SVAR procedures.

**Table 2. Monte Carlo Analysis of Maximum Likelihood Estimation
for Two Sets of Observables in the Model with Taxes on Labor**

Estimates	Hours Specification ^a			Investment Specification ^a		
	ρ_l	σ_z	σ_l	ρ_l	σ_z	σ_l
True estimates	.990	.0100	.0100	.990	.0100	.0100
Monte Carlo estimates						
Mean	.980	.0101	.0096	.990	.0100	.0100
% Standard deviation	1.83	.053	.084	.076	.053	.083

^a The hours specification uses observations on output and labor; the investment specification, observations on output and investment.