

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

Evidence	Parameter Estimates			Statistics of Interest ^a		
	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 ^b						
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 The first statistic is the variance of output due to the technology shock, reported as a percent. 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 VAR procedure.

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

Table 2. Parameter Estimates and Statistics of Interest for the Model with Taxes on Investment

Evidence	Parameter Estimates			Statistics of Interest ^a		
	ρ_x	σ_z	σ_x	$\%var(y)$	Impact Error	
					QDSVAR	LSVAR
Galí VAR response	.950	.0114	.0143	46	-221 (-368,-67)	188 (-120,327)
Hours volatility	.950	.0114	.0175	36	-296 (-471,-108)	276 (-88,431)
Maximum likelihood ^b						
Hours specification	.995 (.0071)	.0116 (.0006)	.0096 (.0010)	76	-73 (-158,7)	57 (-145,137)
Investment specification	.995 (.0078)	.0088 (.0004)	.0071 (.0007)	77	-69 (-152,8)	53 (-144,130)

^a The first statistic is the variance of output due to the technology shock, reported as a percent. 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 VAR procedure.

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

**Table 3. 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 ^b		
	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
Maximum	.995	.0121	.0119	.992	.0117	.0128
Minimum	.838	.0083	.0074	.986	.0084	.0070
% Standard deviation	1.83	.053	.084	.076	.053	.083

^a The hours specification uses observations on output and labor.

^b The investment specification uses observations on output and investment.