Referee Report for:
A Note on Human Capital and the Feldstein-Horioka Puzzle
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This paper demonstrates that adding in investment into human capital (in addition to standard investment in physical capital) does not change the regressions in the well-known Feldstein Horiaka style. The coefficient and R-squared are roughly the same as without this addition. This suggests whatever constraints on capital flows are operating with regards to physical capital funding, the same story applies to human capital.

In general, I think the paper does a nice job of making a discreet and concise contribution to the literature. I have a few suggestions:

- The paper never gives me a sense for what I might expect the addition of human capital investment to do to the regression.
    - In particular, how big is it ? If Ih is tiny compared to investment on capital goods, then regardless of what the features of the Ih data are, we will see no change in the results. Thus, it seems to me, in the motivation section, the authors should give a sense for how big Ih is.
    - In addition, how much does Ih and the private spending on education (which is added into savings by deducting it from consumption) vary ? If you have two series that are correlated at .25, and add constants to both series, it won't do anything to the correlation. If S and I are a lot more variable than the human capital series, it is not clear to me that I should expect adding the human capital information to do much at all.
    - So, again, you need to give me a bit of sense for what I should expect this all to look like. Does adding human capital not matter because
- Another question is why the government spending on education is not considered "savings" if the private spending is ? (or have I misinterpreted the adjustments made to savings).
- From an expositional perspective, I would prefer to see less discussion of the WLS technique. Properly dealing with heteroskedasticity seems like less of a contribution in this paper. The key thing is that in the latest sample (the one you use for your human capital regressions) you can't reject homoskedasticity at any reasonable number. Alternatively, the way you are writing up the other samples suggests you don't think heteroskedasticity is a problem because you can't reject it at 5%, that's a pretty low threshold. To say your data is fine because you cannot reject something with 99% confidence is too low a threshold. But, you really don't need to worry because your key results are on the sample where this is not a problem.

    - My suggestion here would be to simply report the WLS results with a footnote regarding whether they are necessary. This lets us see the impact of the change in methodology and lets us know how important it is. In particular, emphasize that the results most relevant to your contribution (the recent era) do not seem to need the WLS technique.

- I have a small complaint with a comment on page 3. You say "Subsequent studies have to a large extent confirmed the FH paradox". I think you cite or refer to a lot of papers that would disagree with that contention. Also, you (among many others) are showing that it gets a lot weaker over time.

- Overall, though, the paper is making a nice contribution. I think it would be helpful to let us know WHY the result appears (lack of size of this series, lack of volatility, etc.)