Referee report on "New Evidence on News-Driven Business Cycles" (MS#89-1)

This revised version has statistically addressed my previous concerns. The authors indeed showed that the identified shock ε_2 (or $\tilde{\varepsilon}_1$) cause business cycle using future evidence from Germany. Below are several specific comments regarding this version of the paper.

1. In the model, the authors specified that the stock price $SP_t = E_t \sum_{\tau=1}^{\infty} \beta^{\tau} \Pi_{t+\tau}$. While in the standard literature stock price is discounted by household marginal utility ratio and in this case it should be $SP_t = E_t \sum_{\tau=1}^{\infty} \beta^{\tau} \frac{C_t}{C_{t+\tau}} \Pi_{t+\tau}$. Then it follows that $SP_t = E_t \sum_{\tau=1}^{\infty} \beta^{\tau} \frac{C_t}{C_{t+\tau}} \Pi_{t+\tau} = \frac{\beta(1-b-\gamma)}{1-\beta} Y_t$. It seems to me that in the model economy, the stock price doesn't response to future (delayed) t.f.p shock. Since the model economy only play an illustrative role in showing the usefulness of their econometric approach, a footnote that points out this is enough.

2. It is useful to compute the correlation between the identified shock ε_2 (or $\tilde{\varepsilon}_1$) and the granted patents in section 5.

3. The appendix should be limited to two or three pages. Most of the appendix are about the estimated SVAR coefficients, and therefore can be cut out. But it is useful for the authors to create a web page that contains the data and computer codes for the interested readers.