Comments on the manuscript "Testing the New Keynesian Model on US and Euro Area Data" by Mikael Juselius.

General comments

The transition from equations (1)-(2) to (3)-(4)/(5)-(6) seems strange. It consists of using y_t instead of \tilde{y}_t . On the other hand $\tilde{y}_t = y_t - y_t^f$, so what it amounts to is that $y_t^f = 0$. Then it is not surprising that "no measure of $y_t^f = 0$ is necessary", but it seems somewhat exaggerated to call it an "advantage". Why not start directly with (3)-(4)/(5)-(6), which is actually analyzed, and using relevant parts of the preceding discussion where appropriate.

The fact that what is tested for in the paper is the particular form of 'exact rational expectations", should be stated more clearly and other approaches discussed.

Section 4 seems a bit lengthy. Stating the general form of the hypotheses that can be tested and the particular forms that are used in the paper, should suffice.

Minor remarks

- 1. p. 2 l. 14 : "IS" not spelled out as NKP, NK, ML, GMM, VAR etc.
- 2. p. 6 l. 11-: What happens to the constants when you do the linearization?
- 3. p. 9 l. Figure 1 : Same legend for "DPeu" and "DPus"?
- 4. p. 15 l. 3? : By which test?
- 5. p. 24 l. 2+: "roots" should read "eigenvalues".
- 6. p. 24 l. 4+: "different gap"?
- 7. p. 27 l. 15+: The transformation $1/(1 + \exp(x))$ seems more natural.
- 8. p. 27 l. 16+: Were the estimates located at the borders?