

I've used the method described in the paper several years ago, for two papers, mentioned in the Appendix. That time, I've done a thorough investigation of the method, since it had not been frequently used in that time literature. Based on my experience, the VC method works well especially in situations when several software implementations of the Kalman filter have failed to deliver reasonable estimates of time-varying parameters due to the so-called pile-up problem (A tendency of the ML estimator of a time-varying parameter model to select too low variance of time-varying parameters). In particular, I like transparency of the VC method over the Kalman filter. The VC method clearly states how the model is initialized, that it starts with OLS estimates of coefficients. While the same practise is quite frequent in the applications of Kalman filter, it is an additional assumption, frequently behind the scenes. Then, it explicitly tackles the problem of identification of the signal to noise variance ratio. I've also compared the results of the VC method with the well-specified Kalman filter, and then the VC-estimated time-varying coefficients were almost identical to the Kalman-filter estimates. Hence, I can confirm the conclusions derived in the paper.

Given the clarity of the method, I'm happy the author went into the process of publishing it.