

I have no problems with the application of the model of Garrat et al. (2000) to German data, but an introductory discussion regarding applicability would be in place. The study appears, with some exceptions, to be carried out correctly, but the paper is not of sufficient quality.

The theoretical setup of the paper offers no new ideas or insights; the section presenting the model is basically cut and paste of selected sentences in Garrat et al. (2000). The results are not carefully analyzed and not related to previous findings in the literature. For example, I find it somewhat counterintuitive that Germany and the rest of OECD would react asymmetrically to an oil price shock. Another concern is the direct use of the bootstrapped critical values given in Garrat et al. (2000) when testing for overidentifying restrictions. The bootstrap values are model and data dependent as I understand it and must be recalculated from case to case. Furthermore, it is not easy to relate the impulse response analysis to Figure 1. Labelling of the axes and a more direct relation between the titles of each sub-figure and the notation used in the text would help. The impulse response curves should be accompanied by confidence bands. These can be obtained from the bootstrap exercise. A final major comment is that the text contains several typos and is not clearly and concisely written.

The results are worth presenting though and I suggest that the paper is condensed to an empirical note, where most of the outline of the theoretical model is referenced.

#### Additional comments

- p. 3; row 30 macroeconomertic should be macroeconometric
- 6; 24 hight-powered should be high-powered
- 7 Garrat et al. (2000) are allowing for time trends in equation (8) and (11). Why are time-trends not allowed for in your specification?
- 7 The disturbance of equation (10) appears to be missing a term.
- 8 Use bold symbols for the coefficient matrices in equation (15) and (16).
- 9 Include a – between Dickey and Fuller.
- 9 Where does  $\tilde{p}$  come from?
- 9; 33 Criterion in the sentence “...as the model selection criterion...” should be criteria.
- 10 I miss a motivation for the chosen restrictions in equation (17).
- 10 I miss standard errors for the constants in models (18) to (22).
- 12; 15 is is spelled ist.
- 18 Put the Eviews output in Table 4 in a proper table.
- 19 How large is a one SD oil price shock? Is the shock positive or negative?