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Subject: Submission of manuscript to the Journal of Monetary Economics – Local Projections vs. VARs for structural parameter estimation.

Dear Prof. Boragan Aruouba and Prof. Eric T. Swanson,

Please consider my manuscript *"Local Projections vs. VAR for structural parameter estimation"* for publication at the *Journal of Monetary Economics (JME)*.

The paper studies the small sample properties of minimum distance estimators that target estimated impulse responses. To that end, I carry out a Monte Carlo analysis to investigate the consequences of targeting Local Projections versus VAR estimated responses for the structural parameters of a DSGE model. In doing so I distinguish between impulse response function matching and indirect inference, consider various identification strategies for the aggregate shocks, as well as several variants of the LP and VAR estimators. Overall, the findings suggest that indirect inference outperforms IRF matching as the former is robust to potential misspecification coming from invalid identification assumptions, small sample issues or incorrect lag selection.

I believe this manuscript aligns well with the *JME* scope and offers practical insights to researchers that use these methods when estimating their quantitative macroeconomic models.

Thank you for considering my submission and looking forward to hearing from you.

Sincerely,

Dr. Juan Castellanos
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