

NOTAS ECONÓMICAS

32

HELENA RÊGO / CELESTE AMORIM VARUM / ANABELA CARNEIRO

EMPRESAS ESTRANGEIRAS E CAPITAL HUMANO NOS SERVIÇOS INTENSIVOS EM CONHECIMENTO

JOÃO GABRIEL FIDALGO / MARTA SIMÕES / ADELAIDE DUARTE

MIND THE GAP: EDUCATION INEQUALITY AT THE REGIONAL LEVEL IN PORTUGAL, 1986-2005

MARCO M. SORGE

ON THE EMPIRICAL SEPARABILITY OF NEWS SHOCKS AND SUNSPOTS

REVISTA DA FACULDADE DE ECONOMIA DA UNIVERSIDADE DE COIMBRA



On the Empirical Separability of News Shocks and Sunspots*

Marco M. Sorge BGSE, University of Bonn

abstract

In this note we discuss the possibility of empirically evaluating the relative importance of different drivers of forecast errors in linear rational expectations frameworks, using the predictions generated by the theory. By means of a few simple examples, we show that, when accounting for indeterminate equilibria, empirical difficulties are likely to arise in distinguishing between determinate models driven by news shocks or rather by indeterminate ones under non-fundamental – or arbitrarily related to fundamentals – sunspot noise.

JEL Classification: C1; E3

* I wish to thank Marcello D'Amato, Michael P. Evers and Martin Hellwig for insightful discussions. I have also benefited from constructive comments and suggestions by an anonymous referee, which helped to substantially improve this paper. Any remaining errors are my own.