

# REFEREE REPORT: EULER EQUATION WITH HABITS AND MEASUREMENT ERRORS: ESTIMATES ON RUSSIAN MICRO DATA

## Summary

An interesting exercise with micro-level panel data for the estimation of the consumption Euler equation. The paper presents an empirical contribution using GMM with Russia data, following the analysis proposed by Gayle and Khorunzhina (2012). As main results, author(s) discover how the effects of habit formation are not significant. The discussion is well motivated, even if some changes can improve the quality of the results.

## Comments

1) Before the estimation of the model, author(s) can compare the theoretical moments and the observed moments in the data. This exercise can help to understand how the model can mimic the data. Moreover, a counterfactual exercise with the estimate parameters can help the reader to understand the add value of the contribution.

2) Author(s) should motivate why they introduce dummy with crisis periods instead of splitting the sample into different samples. Moreover, author(s) should discuss the impact of those crisis dummies on the estimation.

3) Author(s) did not which kind of macroeconomic shocks they consider in their model. A deep discussion about the shocks and how they can influence the measurement errors should be improve the readability of the paper.

**Recommendation:** Revise and resubmit