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July 18, 2011

Professor Che-Lin Su  
Department of Economics  
Bunche Hall 8385  
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Dear Professor Su:

I am writing to you concerning the revision of your paper, "Constrained Optimization Approaches to Estimation of Structural Models," MS 7925-2, that was submitted to *Econometrica*. I have attached copies of three referee reports. The fourth referee provided a letter. My apologies for the delay.

The referees are divided in their views. One is against publication, one has important questions about how widely applicable MPEC is but is in favor of eventual publication, and two are positive.

The idea of applying MPEC in place of NFXP and other methods for structural models seems a good one for certain kinds or problems. The dynamic programming example in this paper is fine. The BLP example in the paper by Dube, Fox, and Su is better. However, I and two of the referees remain unconvinced that this approach will work in the kind of dynamic game applications currently of interest. It appears that those applications generate too many constraints for current software. For instance, an obvious thing to do would have been to apply MPEC in the Monte Carlo design of Aguirregibiria and Mira (2007). I suspect that problem is too big. Like one referee, I have had students who have tried to apply the method to similar-sized problems without success.

What would have been best in my view is to have a paper that suggested MPEC for structural models and provided an important example. Instead, what we now have is one that suggests the approach (this one) and another (Dube, Fox, and Su) with an important example. Given that we only have the MPEC suggestion here, I have decided to request that it be revised to be suitable for the Notes and Comments section of *Econometrica*.

Professor Che-Lin Su

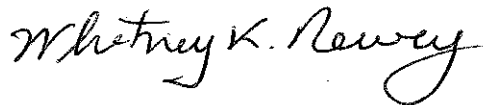
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Please delete Sections Two and Five. Please also delete the discussion of inference, and focus just on MPEC as a way to compute a particular estimator. Please do include a discussion of potential limitation in terms of the size of the problem. The revised version should be no more than 20 pages including references in the current font and spacing. You could put other things in supplementary material to be published on the website, though not Section Five or the material on inference in this version. Please also take account of the comments of the referees. Please include with the revision responses to the referees.

I plan to consider such a revision quickly without sending it out to be refereed.

Sincerely,



Whitney K. Newey  
Econometric Co-editor.

Attachments