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Erratum

Input and output inventories: erratum☆

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The Euler equations in our paper "Input and output inventories" (*Journal of Monetary Economics* 47(2) (2001) 347–375) contain several typographical errors. There are two types of errors: (1) The first difference operator, Δ, was omitted inadvertently from the Z variables associated with the adjustment cost parameter φ; and (2) The Z variable, which denotes quasi-differences (see p. 362 of the article), was used incorrectly with some of the error terms involving ε_{mt} and ε_{nt}. The corrected Euler equations are shown below. All notation and equation numbering are the same as in our original article.

Gross production model: The Euler equation for input inventories is

$$E_t\{\gamma_2\phi Z_{\Delta M1} + \gamma_2 Z_{V1} - \gamma_3\phi Z_{Y1} + \tau(\gamma_2+\phi)[M_t - \theta Y_t] + (\gamma_2+\phi)\varepsilon_{mt}\} = 0. \quad (17)$$

The Euler equation for output inventories is

$$\begin{aligned} E_t\{&(\gamma_1 - \zeta\gamma_3)Z_{Y1} + \varphi\Delta Z_{Y2} + \delta[N_t - \alpha X_t] + \gamma_4 Z_{W1} - \zeta Z_{V1} \\ &- \tau\theta[M_t - \theta Y_t - \beta(M_{t+1} - \theta Y_{t+1})] - \phi\zeta Z_{\Delta M1} + Z_{\varepsilon_y 1} + \varepsilon_{nt}\} = 0, \end{aligned} \quad (18)$$

where $\zeta = \gamma_3/(\gamma_2+\phi)$.

Value added model: The Euler equation for input inventories is

$$\begin{aligned} E_t\{&\gamma\phi Z_{\Delta M1} + \varphi\phi\Delta Z_{\Delta M2} + \gamma Z_{V1} + \varphi\Delta Z_{V2} + \phi\gamma_4 Z_{W1} + \phi\gamma Z_{Y1} + \phi\varphi\Delta Z_{Y2} \\ &+ \tau(\gamma+\phi)(M_t - \theta Y_t) + \varphi\tau[\Delta M_t - \theta\Delta Y_t - \beta(\Delta M_{t+1} - \theta\Delta Y_{t+1})] \\ &- \phi Z_{\varepsilon_y 1} + (\gamma+\phi)\varepsilon_{mt} + \varphi\Delta Z_{\varepsilon_m 1} + \tau_0\} = 0. \end{aligned} \quad (19)$$

The Euler equation for output inventories is

$$\begin{aligned} E_t\{&\delta(\gamma+\phi)(N_t - \alpha X_t) + \delta\varphi(\Delta N_t - \alpha\Delta X_t) \\ &- \tau(\gamma+\phi)[(1+\theta)(M_t - \theta Y_t) - \theta\beta(M_{t+1} - \theta Y_{t+1})] \\ &- \tau\varphi[(1+\theta)(\Delta M_t - \theta\Delta Y_t) - \theta\beta(\Delta M_{t+1} - \theta\Delta Y_{t+1})] \\ &+ (\gamma+\phi)\varepsilon_{nt} + \varphi\Delta Z_{\varepsilon_n 1} - (\gamma+\phi)\varepsilon_{mt} - \varphi\Delta Z_{\varepsilon_m 1} + \delta_0\} = 0. \end{aligned} \quad (20)$$

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