

ERRATUM TO “STICKY INFORMATION IN GENERAL EQUILIBRIUM”

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The paper “Sticky Information in General Equilibrium”, published in the Journal of the European Economic Association, 5 (2-3), pages 603-613, 2007, has an unfortunate typo in one of the expressions. The matrix in Proposition 2, page 609, is incorrect. The full proposition should be:

PROPOSITION 2. *Given a sample of data of length T , let X be the $5T \times 1$ vector that vertically stacks the x_t and let Ω be the $5T \times 5N$ matrix:*

$$\begin{pmatrix} \Phi_0 & \Phi_1 & \Phi_2 & \dots & \dots & \dots & \Phi_{N-3} & \Phi_{N-2} & \Phi_{N-1} \\ 0 & \Phi_0 & \Phi_1 & \dots & \dots & \dots & \Phi_{N-4} & \Phi_{N-3} & \Phi_{N-2} \\ 0 & 0 & \Phi_0 & \dots & \dots & \dots & \Phi_{N-5} & \Phi_{N-4} & \Phi_{N-3} \\ \vdots & \vdots & \vdots & \vdots & \vdots & \vdots & \vdots & \vdots & \vdots \\ 0 & 0 & \dots & 0 & \Phi_0 & \Phi_1 & \dots & \Phi_{N-T-1} & \Phi_{N-T} \end{pmatrix}$$

Finally, let Σ be a diagonal matrix with $(\sigma_\varepsilon^2, \sigma_{\Delta a}^2, \sigma_g^2, \sigma_\nu^2, \sigma_\gamma^2)$ in the diagonal and I_N be an identity matrix of size N . The log-likelihood function is

$$(7) \quad \mathcal{L} = -2.5T \ln(2\pi) - 0.5 \ln |\Omega(I_N \otimes \Sigma)\Omega'| - 0.5 X'(\Omega(I_N \otimes \Sigma)\Omega')^{-1} X.$$