Erratum on:
Fiscal Stimulus in a Monetary Union: Evidence from U.S. Regions
by Emi Nakamura and Jón Steinsson
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1 Error in Table 9

There were errors in lines 303, 337, and 338 of Matlab file runHetCapitalGHH.m, which produces some of the results in Table 9 of our paper. Correcting these errors slightly changes the open economy relative multiplier on output and inflation for the firm specific capital model. When prices are sticky, the output multiplier rises slightly from 1.47 to 1.74. The interpretation of these robustness results in the paper is unaffected by this small change. We have reproduced an updated version of Table 9 below with the published version also included for reference.

We would like to thank Bopjun Gwak and Paul Reimers, Ph.D. students at Goethe University in Frankfurt for finding these errors.

Table 9: Open Economy Relative Multiplier in Models with Variable Capital

	Output	CPI Inflation
Revised Version:		
Baseline Model (Fixed Capital)	1.42	0.17
Firm-Specific Capital Model	1.74	0.15
Regional Capital Market Model	0.98	0.09
Firm-Specific Capital Model, Flexible Prices	0.22	0.29
Published Version:		
Baseline Model (Fixed Capital)	1.42	0.17
Firm-Specific Capital Model	1.47	0.15
Regional Capital Market Model	0.98	0.09
Firm-Specific Capital Model, Flexible Prices	0.25	0.36

Notes: The table reports the open economy relative government spending multiplier for output and CPI inflation for our baseline model with GHH preferences and the two models with variable capital also with GHH preferences. Output is deflated by the regional CPI.

2 Error in Table 8

There was an error in line 139 of the code runBondsOnly.m, which slightly affects the value of the multipliers in the incomplete market model with sticky prices, reported in the Table 8 of the published paper. Only results in the Panel A (Sticky Prices) are affected. We have reproduced an updated version of Panel A of Table 8 below with the published version also included for reference. The differences are small.

We would like to thank Gabriel Chodorow-Reich of Harvard University for finding this error.

Table 8: Government Spending Multipliers in Incomplete Markets Model

	Closed economy aggregate multiplier	Open economy relative multiplier
Panel A. Sticky prices (Revised Version)		
Baseline model (complete markets)	0.20	0.83
Incomplete markets, locally financed	0.19	0.81
Incomplete markets, federally financed	0.19	0.90
Panel A. Sticky prices (Published Version)		
Baseline model (complete markets)	0.20	0.83
Incomplete markets, locally financed	0.18	0.84
Incomplete markets, federally financed	0.18	0.90

Notes: The table reports the government spending multiplier for output deflated by the regional CPI for a version of the model presented in the text with separable utility in which the only financial asset traded across regions is a noncontingent bond.

3 Net Foreign Asset Derivation

This section is to clarify the derivation of the net foreign asset position in the incomplete market model. In the locally financed case, combining the households and the government budget constraints yields:

$$nP_tC_t + nP_t^bB_{t+1}^f = nB_t^f + P_{H_t}Y_{H_t} - nP_{H_t}G_{H_t} \tag{1}$$

When linearizing around a steady state with $B_t^f = 0$, we obtain that:

$$z_{t+1} = \frac{1}{\beta}z_t + \frac{1}{n}\hat{y}_{H_t} - \frac{1}{n}\frac{C}{Y}\hat{c}_t - \frac{1}{n}\hat{g}_{H_t} + \left(\frac{1}{n} - \frac{G}{nY}\right)\hat{p}_{H_t} \tag{2}$$

Where $z_t = \beta\frac{B_t^f}{P_{H_t}Y_{H_t}}$ is the net foreign asset position.

In the federally financed case, we assume that government spending responds to a shock proportionally to the region size. Assuming also that there is no shock to foreign government spending we obtain:

$$z_{t+1} = \frac{1}{\beta}z_t + \frac{1}{n}\hat{y}_{H_t} - \frac{1}{n}\frac{C}{Y}\hat{c}_t - \hat{g}_{H_t} + \left(\frac{1}{n} - \frac{G}{Y}\right)\hat{p}_{H_t} \tag{3}$$