Fiscal Theory of the Price Level Typos

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This is a list of known typos in *The Fiscal Theory of the Price Level*.

p. 63. "The parameter ρ is a constant of linearization, $\rho = e^{r-g}$" should read "$\rho = e^{-(r-g)}$."

p. 76. (3.41) the final dt should be $d\tau$. The equation should read

$$\frac{V_t}{V} = \int_{\tau=0}^{\infty} e^{-r\tau}\frac{s_{t+\tau}}{V}d\tau - \int_{\tau=0}^{\infty} e^{-r\tau}(dR_{t+\tau} - rd\tau).$$

p.77. Below (3.45), dt is missing on the right hand side. The equation should read

$$ds_t = -\eta s_t dt + \sigma d\varepsilon_t,$$

p. 78. Two equations above (3.48) should read

$$(dR_t^n - rdt) = dq_t - (r+\omega)(q_t - 1)dt,$$

(Sign error.)

p. 122. Strike this:

> "As inflation becomes infinitely sticky, as $\kappa \to 0$, this model approaches an inflation jump at time 1. That response is not just "Fisherian"—inflation starts at time 2, one period after the interest rate rise—but "super-Fisherian"—inflation starts immediately at time 1, and rises exactly by the amount of the nominal interest rate. With very sticky prices, a nominal interest rate permanently above inflation has a large discount rate effect.

Algebra mistake. Though first period inflation does keep rising for a while as κ declines, it eventually turns around and for $\beta < 1$, the $\kappa = 0$ limit is $\pi_t = 0$.

p. 167-168. Both in the preview and (5.98) $\beta_s d\epsilon_{s,t}$ belongs out of the parentheses. Both should read

$$dv_t^* = (rv_t^* - \tilde{s}_t)\,dt + \beta_s d\varepsilon_{s,t}.$$

p. 168. Equation (5.99) needs a - sign in front of η, and should read

$$du_{s,t} = -\eta u_{s,t}dt + d\varepsilon_{s,t}.$$

p. 169. All instances of u_t on this page should be $u_{s,t}$. (5.102)-(5.103) should read

$$\tilde{s}_t = \alpha v_t^* + u_{s,t}$$
$$u_{s,t} = \frac{1}{\eta + D} D\varepsilon_{s,t}$$

The expressions below "First eliminate" should read

$$Dv_t^* = -(\alpha - r)v_t^* + \beta_s D\varepsilon_{s,t} - u_{s,t}$$
$$v_t^* = -\frac{1}{D + (\alpha - r)} \left(-\beta_s D\varepsilon_{s,t} + u_{s,t}\right).$$

after "substituting back" should read

$$\tilde{s}_t = \left[1 - \frac{\alpha}{D + (\alpha - r)}\right] u_{s,t} + \frac{\alpha}{D + (\alpha - r)} \beta_s D\varepsilon_{s,t}.$$

p. 170. Strike $(r + \omega)$ in equation (5.109). The equation should read

$$dv_t^* = \left(rv_t^* + i_t - \pi_t^* - \tilde{s}_t\right) dt + d\delta_{q,t}$$

not

$$dv_t^* = \left(rv_t^* + i_t - \pi_t^* - \tilde{s}_t\right) dt + (r + \omega) d\delta_{q,t}.$$

p. 170 Equations (5.112) and (5.113) should read

$$du_{i,t} = -\eta_i u_{i,t}dt + d\varepsilon_{i,t} \tag{1}$$
$$du_{s,t} = -\eta_s u_{s,t}dt + d\varepsilon_{s,t}. \tag{2}$$

The dt on the right hand side is missing.

p. 170. (5.114) is missing dt on the right hand side. It should read

$$d\delta_{q,t} \equiv dR_t^n - i_t dt.$$

p. 205. In the last equation, $\delta(1-\gamma)$ should be $\delta+(1-\gamma)$. The equation should read

$$e^{-\delta+(1-\gamma)g+(1-\gamma)^2\sigma^2/2} < 1 < e^{-\delta+(1-\gamma)g+\gamma^2\sigma^2/2},$$