

The Supply-Side Effects of Monetary Policy: Correction

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Our paper “The Supply-Side Effects of Monetary Policy” contained a typo in the TFP Equation in Proposition 5. This note gives the correct equation. All the quantitative results in the paper were computed using the correct equation and hence are not affected. We are grateful to Lauri Hannikainen for bringing this typo to our attention.

The endogenous TFP equation in Proposition 5 was written incorrectly as:

$$d \log A_t = \frac{1}{\kappa_A} d \log A_{t-1} + \frac{\beta}{\kappa_A} d \log A_{t+1} + \frac{\varphi}{\kappa_A} \frac{1 + \gamma \zeta}{\zeta} \bar{\mu} \frac{\text{Cov}_\lambda[\rho_\theta, \sigma_\theta]}{\mathbb{E}_\lambda[\rho_\theta]} d \log Y_t. \quad (\text{TFP})$$

The denominator in the last term should read $\mathbb{E}_\lambda[\sigma_\theta]$, not $\mathbb{E}_\lambda[\rho_\theta]$. The correct version is:

$$d \log A_t = \frac{1}{\kappa_A} d \log A_{t-1} + \frac{\beta}{\kappa_A} d \log A_{t+1} + \frac{\varphi}{\kappa_A} \frac{1 + \gamma \zeta}{\zeta} \bar{\mu} \frac{\text{Cov}_\lambda[\rho_\theta, \sigma_\theta]}{\mathbb{E}_\lambda[\sigma_\theta]} d \log Y_t. \quad (\text{TFP})$$

This typo was only present in Proposition 5 and did not affect the proofs in Appendix A or the quantitative results presented later in the paper.