Erratum for

"Production Function Regressions, Returns to Scale, and Externalities"
Journal of Monetary Economics, 37 (1996) pp. 177–201

The aggregate input measures used in the external effects regressions and defined at the bottom of page 182 are incorrect. The text in the paper incorrectly states the definitions as

$$\Delta x_t^F = \sum_i \Delta x_{it}^F \qquad \Delta x_t^G = \sum_i \Delta x_{it}^G \qquad \Delta x_t^H = \sum_i \Delta x_{it}^H$$

when in fact the correct definitions are

$$\Delta x_t^F = \sum_i \theta_{it}^F \Delta x_{it}^F \qquad \Delta x_t^G = \sum_i \theta_{it}^G \Delta x_{it}^G \qquad \Delta x_t^H = \sum_i \theta_{it}^H \Delta x_{it}^H$$

where

$$\theta_{it}^Z = \frac{1}{2}\left(\frac{C_{it}^Z}{\sum_i C_{it}^Z} + \frac{C_{it-1}^Z}{\sum_i C_{it-1}^Z}\right).$$

In other words each industry's input growth is weighted by the industry's share in total costs (depending on how these are defined).

The cost shares in the rest of the paper are defined similarly. For example

$$c_{Lit}^F = \frac{1}{2}\left(\frac{C_{Lit}^F}{C_{Lit}^F + C_{Kit}^F} + \frac{C_{Lit-1}^F}{C_{Lit-1}^F + C_{Kit-1}^F}\right)$$