

The Liquidity Premium of Near-Money Assets

Erratum

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This note corrects errors in Table I and Table II reported in my article “The Liquidity Premium of Near-Money Assets” (*Quarterly Journal of Economics* 131(4): 1927-1971, November 2016).

- The means and standard deviations for the 1976 - 2011 sample reported in Panel A of Table I were computed over an incorrect time window: The published numbers are means and standard deviations estimated over a longer sample starting in 1970, not 1976. Prior to 1976, and especially 1973, many daily observations for CD rates are missing, which is why the tests in the paper are done with data starting in 1976. But the published summary statistics were calculated erroneously using the sample starting in 1970. None of the other results reported in the paper are affected by this error.
- The monthly CD rate series was merged incorrectly with the daily data for the other series, resulting in the loss of a few observations that were incorrectly replaced by lagged values.

The corrected means and standard deviations from the 1976 - 2011 sample are shown in Table I below. For comparison, I also show the published (incorrect) numbers. The CD/T-bill spread regressions in the article are also affected by the incorrect merge error. Estimates based on the corrected series are shown in Table II below. None of these corrections has any impact on any substantive conclusions in the article.

TABLE I
SUMMARY STATISTICS: LIQUIDITY PREMIA AND BID-ASK SPREADS

	Repo/T-Bill (1)	BAcc/T-Bill (2)	CD/T-Bill (3)	2y Off/OnRun (4)	T-Note/T-Bill (5)
Panel A: Mean and standard deviation of yield spreads (basis points)					
<i>Corrected:</i>					
1991 - 2011			44.49		
(s.d.)			(43.05)		
1976 - 2011			61.35	1.97	9.63
(s.d.)			(53.51)	(5.08)	(14.49)
 <i>Published:</i>					
1991 - 2011			48.12		
(s.d.)			(51.24)		
1976 - 2011			69.43	1.68	8.26
(s.d.)			(104.49)	(4.76)	(13.83)

TABLE II
LIQUIDITY PREMIA AND THE OPPORTUNITY COST OF MONEY: BASELINE
SPECIFICATION, CD/T-BILL SPREAD

	Corrected	Published
Panel A: May 1991 - December 2011		
Fed funds rate	7.13 (1.46)	7.56 (1.75)
VIX	3.17 (1.03)	4.16 (1.35)
Intercept	-44.65 (17.22)	-62.80 (24.16)
Adj. R^2 (%)	34.13	39.92
#Obs.	248	248
 Panel B: January 1976 - December 2011		
Fed funds rate	9.10 (0.93)	9.85 (1.65)
VIX	3.34 (0.80)	4.20 (1.12)
Intercept	-57.80 (12.92)	-74.07 (20.71)
Adj. R^2 (%)	52.38	34.79
#Obs.	432	432