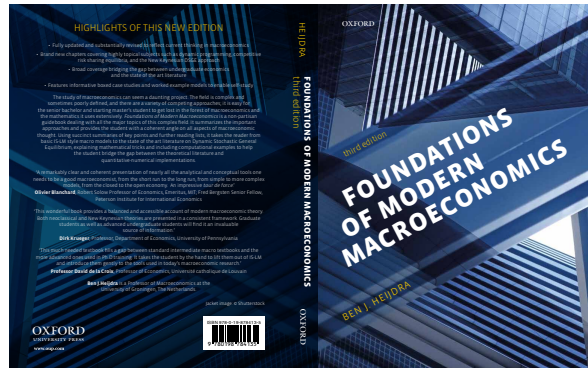


Errata, addenda, and typos

Ben J. Heijdra*
University of Groningen

March 18, 2021

Note: in square brackets I occasionally comment on the particular correction.



- page 11, equation (i): change ε to β
- page 15, line 2: change “attenuates” to “reinforces” [the induced employment effect increases the effect on output]
- page 81, second paragraph. “. . . $\Psi_{Y^*} = \alpha/(\phi + \alpha) > 0$, and $\Psi_{P^e} = -\alpha\phi/(\phi + \alpha) < 0$.” [signs were switched]
- page 91, final line in equation (3.38): denominator should be $-\Omega_K$
- page 92, first line: (with $-\Omega_K > 0$)
- page 163, equation (5.41) misses some terms. It should read:

$$p_t = [\mu_{u1} - \rho_u]u_{t-1} + \mu_{u2}u_{t-2} + [\mu_{v1} + \rho_v]v_{t-1} + \mu_{v2}v_{t-2} + \frac{1}{2}[\eta_t - \varepsilon_t]$$

This can be seen by substituting (5.35) and (5.40) into (5.30) and solving for p_t . The trial solution in footnote 5 should include u_{t-2} and v_{t-2} also.

*Please send any errata and typos you may find to: b.j.heijdra@rug.nl. My gratitude will be genuine, profound, and eternal.

- page 213, just oabove (6.72): "can be determined by..." [add 'be']
- page 390, in (T3.5) it should be σ instead of $\text{o}\epsilon$
- page 420, just above eq. (12.36): "is obtained by using"
- page 442, just above eq. (13.30): "current-value"
- page 451, equation (13.60): element (1,2) should feature $(1 - s_I)$ instead of $(1 - s_I)^2$
- page 458, two lines above (13.92): "is the labour supply function."
- Page 460, "It follows (from (T4.6)) that consumption is a linear function of labour supply." [the ratio between C and $1 - L$ is constant]
- page 487, just above the figures: "for example capital"
- page 506, eq. (14.4) should feature $F(K(t), L(t))$
- page 520 two lines below (i): "and $(t_Y - g) Z_0(\kappa^*)^\alpha = \gamma^* + \delta_g$ to simplify" [missing α power]
- pages 526-7, the transitional dynamics expressed in (14.75) and (14.76) is actually based on the alternative definition, $\theta(t) \equiv C(t)/H(t)$. To obtain the dynamics for the standard definition, $\theta(t) \equiv C(t)/K(t)$, row 3 must be deducted from row 2 in (14.76) to obtain:

$$\Delta \equiv \begin{bmatrix} -\frac{(1-\alpha)(r^*+\delta_K)}{\alpha} & 0 & 0 \\ \frac{[-\alpha\sigma+(1-g)](1-\alpha)(r^*+\delta_K)}{\alpha^2} & \theta^* & 0 \\ -\frac{(1-\alpha)(1-g)(r^*+\delta_K)+\alpha Z_E(1-l_E^*)}{\alpha^2} & -\theta^* & Z_E(1-l_E^*) \end{bmatrix}. \quad (14.76)$$

For this system the characteristic roots are the diagonal elements of Δ : $\delta_{11} < 0$, $\delta_{22} > 0$, and $\delta_{33} > 0$. Nothing else is affected.

- page 571: "human capital" should be "human wealth" (twice on this page).
- page 606, below (16.3): "the agents wants" should be "the agent wants" [singular]
- page 606 [fn. 1]: the reference list fails to list Allais, M. (1947). *Économie et Intérêt*. Imprimerie Nationale, paris. Second edition with a new intrdoduction, 1998. Paris: Clement Juglar.
- page 609, above (16.25): "Specifically, we assume that technology is Cobb-Douglas ($Y_t = Z_0 K_t^\alpha L_t^{1-\alpha}$)," [both K_t and L_t appear in the production function.]
- page 619, just above eq. (16.54): $\partial \Lambda^Y / \partial C^O = (\partial \Lambda^Y / \partial C^Y) / (1 + r)$
- page 781, 7 lines from the bottom: "to lower the price"

- page 795, first paragraph of **Further reading**: one reference to Galí (2015) suffices.
[not really a typo, but who cares?]
- page 864, the page numbers for Heijdra, Kindermann, and Reijnders (2017) are 37-57.
[not really a typo, but who cares?]