

# Errata, Addenda, and Typos: The Search Continues

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This list of errata are relevant also for the “reprinted with minor corrections” version of the book.

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

- pages 9 and 12 (Figures 1.5 and 1.6): strictly speaking the demand and supply curves cannot be parallel. The supply curves must have common intercepts on the horizontal axis. The same for the demand curves.
- page 12, Figure 1.6: it should be  $W = P_0g(N^S)$  because Modigliani assumes PFH (so  $P^e = P$  always)
- page 48, Figure 2.6: the IS curve through  $E_1$  should be labelled  $IS(K_1, G_1)$
- page 52, eqn. (2.59): in the second line  $C_{l+B-T}$  should be  $C_{Y+B-T}$ .
- page 56, Figure 2.9: in the lowest panel, the lowest line should be labelled  $G_1 + B_0 - T(Y + B_0)$
- page 173, directly below (7.26): ...and  $-\varepsilon_{SI} \equiv -(1 - N^S)$  is the income elasticity... [the income elasticity in labour supply is negative]
- page 174, Table 7.5: the entry for  $\tilde{t}_C$  in the column  $\tilde{w}$  (flexible wage) should be  $\frac{\varepsilon_{SW}}{\varepsilon_{SW} + \varepsilon_D}$  [delete minus sign]
- pages 189 and 191: the horizontal line for which  $w = B$  should be labeled BC (for benefit curve). Text to be adjusted also.
- page 202, directly above eqn. (g): ...we obtain from (f):...
- page 209, eqn. (8.60): after the second equal sign insert  $\frac{1}{2b}$

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\*Please send any errata and typos you may find to: [b.j.heijdra@eco.rug.nl](mailto:b.j.heijdra@eco.rug.nl). My gratitude will be profound and eternal.

- page 225, footnote 6: in the first line the right-hand side should be  $(1 - U) ds$  instead of 0
- page 235, directly above (A9.11):  $\tilde{t}_E \equiv dt_E / (1 + t_E)$
- page 235, equation (A9.12) should read:

$$dw = - \left( \frac{\beta\theta\gamma_0 \left[ (1 - \eta)w + \frac{\eta F_L}{1 + t_E} \right]}{\eta [F_L - w(1 + t_E)] + \beta\theta\gamma_0} \right) \tilde{t}_E < 0$$

[add  $\eta$  to  $F_L$  term in numerator]

- page 248, derivation leading to eqn. (10.40): in the first line we should have:

$$\frac{d\Omega_M}{d\beta} = \frac{1}{2} \left[ 2\beta_M \left( \frac{\alpha}{\beta} \right) \left( \frac{-\alpha}{\beta^2} \right) \right] (\bar{y} - y^*)^2$$

- page 363, equation (i). The first term on the right-hand side should be  $N^{-\eta}$ .
- page 407, second expression in (14.9) should be either one of:

$$\begin{aligned} f''(k(t)) &\equiv F_{KK} [k(t), 1] \\ &\equiv L(t) F_{KK} [K(t), L(t)] \end{aligned}$$

[ $F_{KK}$  is homogeneous of degree minus one in  $K(t)$  and  $L(t)$ ]

- page 420, equation (14.44): first equality should read:

$$\frac{dc(\infty)}{dg} = (1 - s) \left[ \frac{dy(\infty)}{dg} - 1 \right]$$

- page 427, footnote 15:  $\lim_{t \rightarrow \infty} K(t) e^{-R(t)} = 0$
- page 429, equation (14.81): delete “= 0” in first expression.
- page 537, equation (A15.42) should be:

$$\pi_{ck} = \frac{-(\delta_{11} - \delta_{22}) - \sqrt{(\delta_{11} - \delta_{22})^2 + 4\delta_{12}\delta_{21}}}{2\delta_{12}} > 0.$$

[a minus term in front of the square root]

- page 539, equation (A15.53) should be:

$$\text{Var}(\tilde{C}_t) = \pi_{ck}^2 \text{Var}(\tilde{K}_t) + \pi_{cz}^2 \text{Var}(\tilde{Z}_t) + 2\pi_{ck}\pi_{cz} \text{Cov}(\tilde{K}_t, \tilde{Z}_t),$$

[ $\pi_{cz}^2$  should appear on the right-hand side]

- page 610, first line below (17.70): “According to (17.69)...”