This file contains known typos from the third edition of Monetary Theory and Policy as of August 31, 2010.

I would like to thank Chris Linmios, Ren Wang, Mizobatahi Rokazu, Davaajargal Luvsannayam, Sebastian Katz, Xingyun Peng, and Ron van Maurik for alerting me to typos. Corrections involving problems have been incorporated into version 1.1 of the solutions manual.

All of these typos except the labels in figure 1.5 have been corrected in the second printing of the book.

Chapter 1:

1. In figure 1.5, the labels on the 3month Treasury bill and the Baa bond rates are reversed.

Chapter 2:

1. page 34, fn3: reference should be to Chapter 5 of Patinkin (1965).

2. pages 38-39 – the terms of the form $f(k)/(1 + n)$ should generally be $f(k/1 + n)$. Specifically,

(a) (page 38) The first terms to the right of the equals sign in the unnumbered equation immediately below equation (2.5) should be

$$f\left(\frac{k_1}{1 + n}\right).$$

(b) (page 38) In the next equation, the term

$$\frac{f(\omega_t - c_t - m_t - b_t)}{1 + n}$$

should be

$$f\left(\frac{\omega_t - c_t - m_t - b_t}{1 + n}\right).$$

(c) (page 38) equations (2.6) - (2.8) should replace $f(k_t)$ with $f(k_t')$, where $k_t' \equiv k_t/(1 + n)$.

(d) (page 38): last line – replace $f_k(k_t)$ with $f_k(k_t')$.

(e) (page 39): line below equation (2.12), replace $f_k(k_t)$ with $f_k(k_t')$.

(f) (page 39): equation (2.13), replace $f_k(k_t)$ with $f_k(k_t')$. 

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3. (page 47) In equation (2.29), the exponent is incorrect. Since
\[ u_c = (1 - \gamma) c^{-\eta(1-\gamma)} - \gamma m^{\gamma(1-\eta)}, \]
(2.29) should read
\[ \left( \frac{m_{t+1}}{m_t} \right) = \left( \frac{1}{\beta f_k(k^*) + 1 - \delta} \right) \frac{1}{\eta^{(1-\eta)}}. \]
This correction also needs to be made to the second (unnumbered) equation appearing on page 48.


5. (page 60): equation for steady state consumption should read
\[ c^{ss} = f(k^{ss}, 1 - l^{ss}) - \delta k^{ss} \]

6. (page 69): equation (2.76) – 0 ≤ ρ_u < 1.

7. (page 78): I term is missing in going from \( H \) at the bottom of page 77 to the expression at the top of page 78. The correct definition of \( H \) is
\[ H = a(1 - \alpha) \left( \frac{\frac{1}{\beta} - 1 + \delta}{\alpha} \right) \frac{\Phi a}{\beta} \left[ a + (1 - a) \left( \frac{a}{1 - a} \left( \frac{1 + \theta^{ss} - \beta}{1 + \theta^{ss}} \right) \right) \right] \]
\[ \times \left[ \frac{\frac{1}{\beta} - 1 + (1 - a)\delta}{\alpha} \right] \Phi. \]
The missing terms was the \( a/(1 - a) \) multiplying \((1 + \theta^{ss} - \beta)/(1 + \theta^{ss})\).

Chapter 3:

1. (page 95): Equation (3.10): The expression to the left of the equal sign should be
\[ v_c(c_t, l_t), \] not \( u_c(c_t, l_t) \).

2. (page 121): The two equations following (3.58) are missing an exponent on the \([-c(q) + \phi_t d]\) term. The correct expressions should be
\[ -\theta \phi_t [u(q) - \phi_t d]^{-1} + (1 - \theta) \phi_t [-c(q) + \phi_t d]^{-1} = 0 \]
and
\[ \theta u'(q) [u(q) - \phi_t d]^{-1} - (1 - \theta)c'(q) [-c(q) + \phi_t d]^{-1} = 0 \]
That is, the terms \([-c(q) + \phi_t d]\) should have an exponent of \(-1\).

Chapter 5:
1. (page 205): Equation (5.10) should read

\[ p_t - p_{t-1} = \lambda z_t + \lambda \sum_{i=1}^{\infty} (1-\lambda)^{i-1} E_{t-i} \Delta z_t - \lambda^2 \sum_{i=0}^{\infty} (1-\lambda)^{i} E_{t-i-1} z_t \]

where the exponent on \( (1-\lambda) \) in the term involving \( \Delta z_t \) is \( i-1 \). This affects (5.11) also.

2. (page 212): Budget constraint in real terms should include \( [Y(N_t^d) - \omega_t N_t^d - R_t t] \) - i.e., \( \omega_t N_t^d \) rather than \( w_t N_t^d \) where \( \omega \) is the real wage.

3. (page 213): Last line should read “Adding (5.16) to (5.19) yields”

4. (page 223): Problem 5.5 was incorrect. In the second printing, it is replaced by the following: Using the limited-participation model of section 5.3.1, and ignoring uncertainty, show that when the household makes its portfolio decision, it anticipates that the marginal rate of substitution between leisure and consumption will equal the marginal product of labor divided by \( (1 + R_t)^2 \). Explain the intuition for this result.

Chapter 6:

1. (page 239): line below equation (6.31) should read “where \( a = (1 - \sqrt{q})/(1+\sqrt{q}) \) is the root…” – / sign is missing.

2. (page 239): ft 20 should refer to problem 5 at the end of the chapter.

3. (page 242): some of the superscripts and subscripts shown as \( i \) should be \( j \). Specifically,

(a) unnumber equation at top of page: \( \omega^j \beta^i \) should be \( \omega^i \beta^j \), and the text following this equation should change the \( i \) to \( j \) so that it reads “since \( \omega^j \) is the probability that the firm has not adjusted after \( j \) periods so that the price set at \( t \) still holds in \( t+j \).”

(b) equation (6.34): \( V_{t+i} \) and \( Y_{t+i} \) on right side should be \( V_{t+j} \) and \( Y_{t+j} \).

(c) equation (6.35) is missing a term \( Y_{t+j} \) from both numerator and denominator as well as having some \( i \) sub and superscripts that should be \( j \). The correct expression for (6.35) should appear as

\[
\left( \frac{P_t^a}{P_t} \right) = \left( \frac{1}{q} \right) \sum_{j=0}^{\infty} \omega^j \beta^j Y_{t+j} \left( \frac{P_{t+j}}{P_t} \right)^{1/(1-q)} \frac{Y_{t+j}}{\sum_{j=0}^{\infty} \omega^j \beta^j \left( \frac{P_{t+j}}{P_t} \right)^{q/(1-q)} Y_{t+j}}
\]

4. (page 264) missing minus sign in equation for \( \gamma_3 \) about half way down the page. Correct expression should be

\[
[1 + b_i \Phi + a (b_i \Phi + \Phi)] \gamma_3 = -(1+a) (b_i \Phi + \Phi) \Rightarrow \gamma_3 = - \left[ \frac{(1 + a) (b_i \Phi + \Phi)}{1 + b_i \Phi + a (b_i \Phi + \Phi)} \right].
\]
5. (page 266). In problem 6.7,

(a) $\beta^i$ in equation (6.49) should be $\beta^j$ – i.e. superscript should be $j$, not $i$.

(b) In part (a) of problem 6.7, the unnumbered equation should be

$$\frac{1}{2} \sum_{j=0}^{\infty} \omega^j \beta^j E_t \left( p_{tt} - p_{t+j}^* \right)^2.$$ 

(That is, there should be a $1/2$, $\omega^j \beta^i$ should be $\omega^j \beta^j$ and $p_{t+i}^*$ should be $p_{t+j}^*$.)

(c) In part (c) of problem 6.7, equation (6.50) should be

$$\hat{p}_t = (1 - \omega \beta) \sum_{j=0}^{\infty} \omega^j \beta^j E_t p_{t+j}^*.$$ 

(That is, $\omega^j \beta^i$ should be $\omega^j \beta^j$ and $p_{t+i}^*$ should be $p_{t+j}^*$.)

Chapter 7:

1. (page 273) In the second fully paragraph, the fourth sentence repeats “given the public’s expectations.” Delete second occurrence.

Chapter 8:

1. (page 379) Section 8.6.1, line 6: $P_t$ should be $P_t^{1-\theta}$

Chapter 9:

1. (page 390) below equation for the $e_t$ process, the line should read “where $\varepsilon$ is a white noise process.”

2. (page 397): Equation (9.2) and the following equation should both have $d\varepsilon$: 

$$C_t^i = \left[ \int_0^1 C_t^i(\varepsilon)^{q} d\varepsilon \right]^{1/q}$$ 

and

$$P_t = \left[ \int_0^1 P_t(\varepsilon)^{q/(q-1)} d\varepsilon \right]^{(q-1)/q}$$

3. (page 401), final word of first line of last paragraph of section 9.2.1 should be “foreign,” not domestic.

4. (page 402): last line before subsection Monetary Dichotomy: should read be “foreign,” not domestic.

5. (page 419): equation number should be (9.46), not (9.46a).
6. (page 447), in the line below the final equation before 9.7.2, \( R_{t+1} \) should be \( R_t \).

7. (page 449): Three lines before the Problems should read \((k_1, d_1) = (0, -1)\).

\textbf{Chapter 11:}

1. On page 519, one needs to use (11.7) as well as (11.1), (11.2) and (11.8) to obtain (11.9).