Typos and corrections. I would particularly like to thank Jizhong Zhou for identifying many of these in the process of preparing the Chinese language translation of the book.

Chapter 2

1. Page 48, line below (2.4) should read “where $\pi_t$ is the rate of inflation, $b_t = B_t/P_t N_t$, and ...

2. Pages 62-63, near bottom: Two references to $2447.1$ on page 62 and reference to $3776.3$ on page 63 should be billions, not trillions.

3. Page 69, equation (2.38) and discussion below it. King, Plosser and Rebelo (1988) demonstrate that, with the exception of the log-case, utility must be multiplicatively separable in labour to be consistent with steady-state growth, so (2.38) does not have this property.

4. Page 72: RHS of (2.46) should read

$$\hat{c}_t - \left( \frac{1}{b} \right) \left( \frac{1}{i} \right) \hat{i}_t$$

5. Page 73: equation (2.46) should read

$$\hat{m}_t = \hat{M}_t - \hat{p}_t = \hat{c}_t - \left( \frac{1}{b} \right) \left( \frac{1}{i} \right) \hat{i}_t$$

Currently, the last term is missing the $1/i$. This affects (2.77) on page 87 also.

6. Page 88: Line below (2.80) should reference $z$ and $u$, not $z$ and $\varphi$.

7. Page 90: Reference two lines below (2.83) should be to (2.83), not (3.72).

8. Page 92, problem 7: In the utility function, $l$ should have a $t$ subscript $(l_t^{1-\eta})$.

Chapter 3

1. Page 128, line above (3.52): First order conditions are with respect to $c_t$, $m_t$, $b_t$, $n_t$, and $k_t$.

2. Page 130, equation 3.68:

$$\hat{\lambda}_t = -E_t [\Phi \hat{m}_{t+1} + \hat{\pi}_{t+1}] = -\Phi (\hat{m}_t + \gamma u_t + \phi z_t) - (1 - \Phi)E_t \hat{\pi}_{t+1}$$

Chapter 4

1. Page 148, line 3: $X_t' = (g_t T_t b_{t-1})...$
2. Page 164, first equation: last term should have $A_2E_t m_{t+1}$ instead of $A_2\gamma m_t$. From the process for $m_t$, $E_t m_{t+1} = \theta_0 + (1 - \gamma)\theta_1(t + 1) + \gamma m_t$ (see page 163).

3. Page 164: sentence below (4.30): In other words, (4.29) is an equilibrium solution for any process satisfying (4.31).

4. Page 166, two lines below (4.32): $P^* = M_0/g(1)$.

5. Page 183, footnote 35, last line: $s_2^2(\text{c.m})/s_1^2(\text{c.m})$.

Chapter 5

1. Page 213, line 11: Equations (5.10) to (5.12).


3. Pages 225 and 226: The $\beta^i$, $\omega^i$, and $P_{t+i}$ terms should have superscripts and subscript $j_0$s, not $i_0$s.

4. Page 245, equation below (5.70) should read

$$
\begin{bmatrix}
1 & 0 & 0 \\
0 & 1 & \sigma^{-1} \\
0 & 0 & \beta
\end{bmatrix}
\begin{bmatrix}
\hat{i}_t \\
E_t x_{t+1} \\
E_t \pi_{t+1}
\end{bmatrix}
= \begin{bmatrix}
\rho_r & 0 & 0 \\
\rho_r \sigma^{-1} & 1 & 0 \\
0 & -\kappa & 1
\end{bmatrix}
\begin{bmatrix}
\hat{i}_{t-1} \\
x_t \\
\pi_t
\end{bmatrix}
+ \begin{bmatrix}
\sigma^{-1} v_t \\
v_t \\
0
\end{bmatrix},
\end{equation}

and $M$ on page 246 should be

$$
\begin{bmatrix}
\rho_r & 0 & 0 \\
0 & 1 + \frac{\kappa}{\hat{\beta}} & 0 \\
0 & -\frac{\kappa}{\hat{\beta}} & \frac{1}{\hat{\beta}}
\end{bmatrix}.
\end{equation}

5. Page 246, equation (5.71), the vector of disturbances should be $[v_t \sigma^{-1} v_t - u_t 0]'$.

6. Page 262, two equations above (5.95) should be

$$
m_t - p_t = \left(1 + \frac{\phi}{\theta} \right) y_t - \left(1 - \frac{1}{\gamma} \right) (E_t p_{t+1} - p_t)
$$

that is, coefficient on $y_t$ should be $1 + \frac{\phi}{\theta}$, NOT $1 - \frac{\phi}{\theta}$.

Chapter 6
1. page 276: Below equation for $y_t^*$, sentence should read "These equations, together with (6.15) - (6.19), suffice...."

2. page 308: 7 lines below equation (6.77) should read “An expected future depreciation....”

3. page 308: equation (6.78) should read

$$c_t^{h^*} = a\delta_t + y_t^f,$$

That is, the ‘t’ is a subscript to c – currently it appears as $c_t^{h^*}$.

4. Page 308, line below eq. (6.78), $y_t^*$ should be $y_t^f$ (i.e., superscript f).

5. Page 309, equation (6.82) is incorrect, and this affects some subsequent equations. A detailed derivation of the flex-price equilibrium can be found at http://people.ucsc.edu/~walshc/ch6_section5corrected.pdf.

Chapter 7

1. Page 334, 3rd line from bottom: leader should be lender.

2. Page 335, third line of (7.5), last term should be $\Pr [R(x) < K]$.

3. Page 339, line below expression for the probability of auditing $p$: The auditing probability is decreasing in the return in the good state ($\kappa_2$).

4. Page 342, below (7.15). Correct expressions for $h_1$ and $h_2$ are $h_1 = l_i/(l^d - l_i^s)$ and $h_2 = -l_i^s/(l^d - l_i^s)$.

5. Page 343, line below (7.19), $l$ should be $L$ in function $C$.

6. Page 351, footnote 22: farmers are more productive than gatherers.

Chapter 8

1. Page 367, last term in equation appearing in the middle of the page should be multiplied by $\lambda$.

2. Page 381, 5th line above Figure 8.3: The function $G(\bar{\pi})$ is nonnegative for all $\bar{\pi}$.

3. Page 409, 4th and 6th lines above 2nd equ.: $D = a\lambda k$.

4. Page 415, last equation, right hand terms should include $y_n$.

Chapter 9

1. Page 445, 6th line below (9.22): the $(\pi_t - \pi^*)$ and $(m_t - \hat{m})$ terms should both be squared.

2. page 445, 3rd line below equation for $\mu^*$: $i$ equal to $\hat{i} + (1/\alpha) (\varphi_t - e_t)$. 
Chapter 10

1. Page 482, 1st equation, last term should be $u_{c,t+1}$, not $u_{c,t}$.
2. Page 483, top equation: $E_t (R_t P_{t+1}/P_t) = 1 + i$.
3. Page 490, footnote 14: Since at time $t + 1$ ....
4. Page 492, 2nd line below last equation: ..the smaller the effect in absolute value...
5. Page 495, 5th line below (10.34): The problem arises even though (10.32) implies ....
7. Page 513, line 11: $b = 0.8$.

Chapter 11

1. Page 520, line 13: $\alpha$ should be $a$.
2. Page 538, equation below (11.29) should have $a_5 \pi_{t-1}$, not $a_5 \pi_t$, on the right.
3. Page 550-552: $\bar{Y}_t$ should be $\bar{Y}$ (no time subscript).
4. Page 551, 3rd equation. the terms $v_y \tilde{y}(i)$ should be $v_y \tilde{y}_t(i)$ with a subscript $t$. 

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