Monetary Theory and Policy (fourth edition): Typos and Corrections

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Chapter 2

p.68: $u_l u_c$ in line 11 *should* be u_l/u_c

p.78: "An annual rate of 5.54 percent would imply a quarterly value of 1.38 for $1+\theta^{ss}$, so we set $1+\theta^{ss}=1.0138$ to match M1."

should be

"An annual rate of 5.54 percent would imply a quarterly value of 1.38% for θ^{ss}, so we set $1+\theta^{ss}=1.0138$ to match M1."

p.79: The average for the 3-month Treasury bill rate over this period was 5.64.

5.64 *should* be 5.64%.

$b=(1-0.0056)/(1.85\times 0.056)\approx 9$ in line 11 *should* be $b=(1-0.056)/(1.85\times 0.056)\approx 9$

Chapter 3

p.114: $E_t\sum_{i=0}^{\infty}\beta^i u(c_{t+i},1-n_{t+i})=E_0\sum_{i=0}^{\infty}\beta^i[\frac{c_{t+i}^{1-\Phi}}{1-\Phi}+\Psi\frac{(1-n_{t+i})^{1-\eta}}{1-\eta}]$ (3.34)

should be $E_t\sum_{i=0}^{\infty}\beta^i u(c_{t+i},1-n_{t+i})=E_t\sum_{i=0}^{\infty}\beta^i[\frac{c_{t+i}^{1-\Phi}}{1-\Phi}+\Psi\frac{(1-n_{t+i})^{1-\eta}}{1-\eta}]$

p.117: $\hat{k}_t=(1-\delta)k_{t-1}+\delta\hat{x}_t$ (3.46)

should be $\hat{k}_t=(1-\delta)\hat{k}_{t-1}+\delta\hat{x}_t$ (3.46)

Chapter 6

p.239: $Prob(v>\bar{v}-m)$ in last line *should* be $Prob(v>\bar{v}-\Delta m)$

p.253: "Since $\partial\pi/\partial m=1$, a contract of the form t_0-akm…" *should* be "Since $\partial\pi/\partial m=1$, a contract of the form $t_0-a\lambda km$…"

Section 6.3.5 does not distinguish between V and EV

p.260: Equation (6.21) $V^{cb}=\frac{1}{2}\lambda E_t(y_t-y_n-k)^2+\frac{1}{2}E_t(\pi_t-\pi^*)^2+\frac{1}{2}hE_t(\pi_t-\pi^T)^2$ *should* be $V^{cb}=\frac{1}{2}\lambda(y_t-y_n-k)^2+\frac{1}{2}(\pi_t-\pi^*)^2+\frac{1}{2}h(\pi_t-\pi^T)^2$

p.260: Equation $V^{cb}=\frac{1}{2}\lambda E[a(\Delta m+v-\pi^e)+e-k]^2+\frac{1}{2}E(\Delta m+v-\pi^*)^2+\frac{1}{2}hE(\Delta m+v-\pi^T)^2$ *should* be $V^{cb}=\frac{1}{2}\lambda[a(\Delta m+v-\pi^e)+e-k]^2+\frac{1}{2}(\Delta m+v-\pi^*)^2+\frac{1}{2}h(\Delta m+v-\pi^T)^2$

p.261: Equation (6.27) $V^{cb}=\frac{1}{2}\lambda E(y_t-y_n-k)^2+\frac{1}{2}(1+h)E(\pi_t-\pi^*)^2$ *should* be $V^{cb}=\frac{1}{2}\lambda(y_t-y_n-k)^2+\frac{1}{2}(1+h)(\pi_t-\pi^*)^2$

p.262: Equation $V^{cb} = \frac{1}{2}\lambda E(y_t - y_n - k)^2 + \frac{1}{2}HE(\pi_t - \pi^* + \pi^* - \pi^T)^2 = \frac{1}{2}\lambda E(y_t - y_n - k)^2 + \frac{1}{2}HE(\pi_t - \pi^*)^2 + DE(\pi_t - \pi^*) + C$ *should* be $V^{cb} = \frac{1}{2}\lambda(y_t - y_n - k)^2 + \frac{1}{2}H(\pi_t - \pi^* + \pi^* - \pi^T)^2 = \frac{1}{2}\lambda(y_t - y_n - k)^2 + \frac{1}{2}H(\pi_t - \pi^*)^2 + D(\pi_t - \pi^*) + C$

p.262: $V^{cb} = V + \frac{1}{2}hE(\pi_t - \pi^*)^2 + DE(\pi_t - \pi^*) + C$ *should* be $V^{cb} = V + \frac{1}{2}h(\pi_t - \pi^*)^2 + D(\pi_t - \pi^*) + C$

p.263: Equation $V = \frac{1}{2}\lambda E_t(y_t - y_n - k)^2 + \frac{1}{2}E_t(\pi_t - \pi^*)^2$ *should* be $V = \frac{1}{2}\lambda(y_t - y_n - k)^2 + \frac{1}{2}(\pi_t - \pi^*)^2$

p.263: Equation $V(\Delta m^T) = \frac{1}{2}[\lambda k^2 + \lambda\sigma_e^2 + (1 + a^2\lambda)\sigma_v^2]$ *should* be $EV(\Delta m^T) = \frac{1}{2}[\lambda k^2 + \lambda\sigma_e^2 + (1 + a^2\lambda)\sigma_v^2]$

p.263: Equation $V^d = \frac{1}{2}\lambda(1 + a^2\lambda)k^2 + \frac{1}{2}[\left(\frac{\lambda}{1+a^2\lambda}\right)\sigma_e^2 + (1 + a^2\lambda)\sigma_v^2]$ *should* be $EV^d = \frac{1}{2}\lambda(1 + a^2\lambda)k^2 + \frac{1}{2}[\left(\frac{\lambda}{1+a^2\lambda}\right)\sigma_e^2 + (1 + a^2\lambda)\sigma_v^2]$

p.263: Equation $V(\Delta m^T) - V^d = -\frac{1}{2}(a\lambda k)^2 + \frac{1}{2}(\frac{a^2\lambda^2}{1+a^2\lambda})\sigma_e^2$ *should* be $EV(\Delta m^T) - EV^d = -\frac{1}{2}(a\lambda k)^2 + \frac{1}{2}(\frac{a^2\lambda^2}{1+a^2\lambda})\sigma_e^2$

p.264: Equation $V(g^*) = \frac{1}{2}\lambda k^2 + \frac{1}{2}[\frac{1+\lambda}{(1+a)^2}]\sigma_e^2$ *should* be $EV(g^*) = \frac{1}{2}\lambda k^2 + \frac{1}{2}[\frac{1+\lambda}{(1+a)^2}]\sigma_e^2$

Chapter 9

p.447: $\pi_t^R = \pi_t^H - \pi_t^R = s_t - s_{t-1}$ *should* be $\pi_t^R = \pi_t^F - \pi_t^H = s_t - s_{t-1}$.

Chapter 10

p.464: $E_t P_{n-1,t+1}/P_{n,t} = E_t(1 + i_{n,t})^n/(1 + i_{n-1,t})^{n-1}$ in last line *should* be $E_t P_{n-1,t+1}/P_{n,t} = E_t(1 + i_{n,t})^n/(1 + i_{n-1,t+1})^{n-1}$