

**CORRECTION OF TYPOS IN
"INTRODUCING ADVANCED MACROECONOMICS: GROWTH AND
BUSINESS CYCLES"**

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Chapter 1

Page 3, line 13 from the bottom: Replace "...tend to be positively correlated. Hence it seems defensible to...." by "....tend to be positively correlated, it seems defensible to..."

Book One

Chapter 2

Page 48, first line in grey box: Replace "Conditional" by "Club"

Chapter 3

Page 62, line 7: Replace "Nevertheless, an optimal combination ..." by "Nevertheless, a combination ..."

Page 63, line 7: Replace "we would all expect..." by "we would expect..." (drop "all")

Page 94, line 5 from below: Replace "is perhaps negative all but increasing ..." by "is perhaps negative, but increasing ..."

Chapter 4

Page 122, line 3: Replace " $\nabla 1-\alpha$ " by " $1-\alpha$ " (drop the " ∇ " appearing as first character)

Chapter 5

Page 131, line 8 from below: Insert a "," (comma) in front of "respectively" (we think)

Page 156, between line 11 and 12 from below (after "3", before "The *alternative* ..."): Insert vertical space.

Chapter 6

Page 190, line 3 of Exercise 10: Replace "population growth rates ..." by "population growth rate ..." (drop "s")

Chapter 7

Page 197, line 5: Replace "real" by "general".

Page 198, line 13: Replace "Model's" by "model's"

Page 209, line 24: Shouldn't the "," between "invented" and "as" be dropped?

Page 212, line 12: In the formula " $z^* = \dots$ " drop parenthesis around " $\beta + \kappa$ ", that is, write:

$$z^* = \frac{s}{\frac{\beta}{\beta + \kappa}(n + g) + \delta}$$

Page 214, line 3 from below: Replace " $\dots = \beta + \kappa + \varepsilon$." by " $\dots = \beta + \kappa + \varepsilon$."

Page 215, line 5: Again, replace ".)" by ")."

Chapter 8

Page 225, line 9: In formula (14) the " $(\alpha + \phi - \alpha\phi)/(1 - \phi)$ " coming just after the first " \tilde{k}_t " should be an exponent on this " \tilde{k}_t ", that is, the formula should read:

$$\tilde{k}_{t+1} = \frac{1}{1 + n} \left(s \tilde{k}_t^{(\alpha + \phi - \alpha\phi)/(1 - \phi)} + (1 - \delta) \tilde{k}_t^{1/(1 - \phi)} \right)^{1 - \phi}.$$

Page 227, line 4: Replace " $g_{se}^A \cong \phi/(1 - \phi)n$ " by " $g_{se}^A \cong \phi n/(1 - \phi)$ "

Page 228, line 10: Replace ".)" by ")."

Page 229, line 22: Replace ".)" by ")."

Page 245, line 17: This formula is not written in the fonts otherwise used for exercises. Furthermore, the exponent on the " H_t " should be " $\varphi/(\alpha + \varphi)$ " not " $\varphi'(\alpha + \varphi)$ "

Page 246, lines 6 and 7 from below: In this formula over two lines, on the left hand side in the first line " \tilde{k}_t " should be replaced by " \tilde{k}_{t+1} " and in the second line the exponent on the first " \tilde{k}_t " should be " $\alpha/(1 - \phi)$ ", that is, " $s \tilde{k}_t^{[\alpha - \phi(1 - \alpha)]/(1 - \phi)}$ " should be replaced by " $s \tilde{k}_t^{\alpha/(1 - \phi)}$ "

Chapter 9

Page 272, the formula in line 4 of Question 2 in Exercise 1: Replace the " \dot{k} " on the left hand side by " \tilde{k} " (the k must have a \sim above it and on top of that a \cdot)

Page 272, the Hint in line 5 of Question 2 in Exercise 1: Replace "... use the log-difference trick on the formula for g_A .)" by "... take logs on both sides and then differentiate with respect to time in the above formula for g_A)."

Page 272, line 5 and 6 of Question 2 in Exercise 1: After the parenthesis containing the hint there should be new line plus some vertical space (that is, the "Assume first that $\phi < 1$ and $n > 0$." should appear just as the remark "Now consider ... by \bar{L} ." coming between Question 4 and 5.

Page 273, line 4 from below: Replace ".)" by ")."

Page 274, line 7: Replace ".)" by ")."

Page 275, line 5 of Question 2 in Exercise 7: Replace "... in period 0.)" by "... in period zero)."

Chapter 10

Page 291, line 4 from below, the two last characters: Replace ".)" by ")."

Page 296, line 7 from below: Replace ".)" by ")."

Page 299, line 4 from below: Replace ".)" by ")."

Part 4, page 311: This page, listing the chapters of Part 4, should not mention the Appendix, since this is really an Appendix for the whole Book One, not for Part 4. Indeed, the Appendix is most relevant for parts 1 through 3 of Book One, and not much for Part 4. Hence: Delete "Appendix" on this page.

Chapter 11

Page 322, line 4: Replace "... $\bar{x} = \frac{1}{T} \sum_{t=1}^T x$ is:" by "... $\bar{x} = \frac{1}{T} \sum_{t=1}^T x_t$ is:" (that is, add subscript t on the last x)

Chapter 12

Page 353, line 1 from below: Replace ".)" by ")."

Page 357, the figure: Replace " $(1 - e)^m(w - b)^m$ " by " $(1 - e)^\eta(w - b)^\eta$ " (at two places write η instead of m).

Page 358, line 5: Replace "... $e^* < 1 - n$..." by "... $e^* < 1 - \eta$..." (that is, replace n by η)

Page 358, line 6: Replace " $u^*(= 1 - e^*) > n$." by " $u^* (= 1 - e^*) > \eta$." (that is, insert horizontal space between " u^* " and "(", and replace n by η)

Page 359, lines 14-15: As above, replace at two places " n " by " η "

Page 360, line 8: Replace ".)" by ")."

Chapter 13

Page 373, line 9 from below, first word in the line: Replace "members" by "member" (a representative member is one person)

Page 378, line 15: Replace ".)" by ")."

Page 379, line 4: Replace "Section 1" by "Section 2"

Page 379, formula (13): Replace " $\dots \frac{1}{1-1/\sigma u} b$ " by " $\dots \frac{1}{1-1/(\sigma u)} b$ "

Page 383, line 4 from below: Replace "members" by "member"

Page 388, line 5 from below: Replace " $(m^p)^2(b-a)(1-\tau) < 1$ " by " $(m^p)^2(b-a)/(1-\tau) < 1$ " (insert a "/" between $(b-a)$ and $(1-\tau)$)

Page 389, line 3: Replace " $tw^* - a$ " by " $\tau w^* - a$ " (change t into τ)

Page 389, line 10: Replace ".)" by ")."

Book Two

Chapter 15

Page 435, note to Figure 15.2: Replace "Schiller" by "Shiller"

Chapter 17

Page 501, last definition in equation (12): Replace $v \equiv \tilde{m} \left(\frac{\varepsilon}{D_\varepsilon} \bar{Y} \right) (\ln \varepsilon - \ln \varepsilon)$ by $v \equiv \tilde{m} \left(\frac{\bar{\varepsilon}}{D_\varepsilon} \bar{Y} \right) (\ln \varepsilon - \ln \bar{\varepsilon})$

Page 502, last two definitions in equation (14): Replace $\frac{\partial l}{\partial Y}$ by $\frac{\partial L}{\partial Y}$; replace $\frac{\partial l}{\partial i}$ by $\frac{\partial L}{\partial i}$

Chapter 19

Page 560, first formula in equation (6): Replace $(\pi_t - \pi^*)$ by $(\pi^* - \pi_t)$

Chapter 20

Page 625, first line in Question 1: Replace "(41)-(44)" by "(35)-(38)"

Page 625, first and second line in Question 3: Replace "(45) and (46)" by "(39) and (40)"

Page 625, first line in Question 4: Replace "(47) and (48)" by "(41) and (42)"

Page 626, fourth line in Question 1 (seventh line from the bottom): Replace "(52)" by "(46)"

Chapter 21

Page 634, line right above equation (23): Delete the words "assuming that $h \neq 0$ "

Page 634, line right above equation (24): The last part of this line should read "..the solution for the expected inflation rate (assuming that $h \neq 0$):"

Page 658, seventh line in Question 2 (line right above equation (82)): Replace "(78)" by "(81)"

Page 658, equation (82): Replace $\alpha_1 c_\pi (\pi_t - \pi^*)$ by $\alpha_1 c_\pi (\pi^* - \pi_t)$

Page 658, second line in Question 3: Replace "(80) and (81)" by "(81) and (82)"

Page 660, equation (96): Replace $1 + r$ by $(1 + r)^2$ in the denominator in the second formula in (96) (the formula for $Q_{t+2,t}$)

Page 660, equation (97): Replace $1 + r$ by $(1 + r)^n$ in the denominator in this formula

Page 660, equation (98): Replace $Q_t = \frac{\bar{h} - \tau_t}{1+r} + \frac{\bar{h} - \tau_{t+1,t}^e}{1+r} + \frac{\bar{h} - \tau_{t+2,t}^e}{1+r} + ..$

by $Q_t = \frac{\bar{h} - \tau_t}{1+r} + \frac{\bar{h} - \tau_{t+1,t}^e}{(1+r)^2} + \frac{\bar{h} - \tau_{t+2,t}^e}{(1+r)^3} + ..$

Chapter 22

Page 679, footnote 9: The last sentence: "In Exercise 4 you are invited to demonstrate that even if \bar{r} is mismeasured, we still obtain the expressions for the optimal values of b and h given in Eqs (43) and (44) below." should be deleted and replaced by the following sentence: "In Exercise 4 you are invited to analyze the case where \bar{r} is mismeasured."

Page 693, Question 2 of Exercise 4: The entire text of Question 2 should be deleted and replaced by the following:

"2. Use the procedure described in Section 3 to show that the optimal values of b and h are given by the expressions

$$b = \frac{\sigma_z^2 + \alpha_2^2 \sigma_a^2}{\alpha_2 \sigma_\mu^2}$$
$$h = \frac{\gamma (\sigma_z^2 + \alpha_2^2 \sigma_a^2)}{\alpha_2 \sigma_\epsilon^2}$$

Compare these expressions to those given in Eqs. (43) and (44) in the text and give an intuitive explanation for the differences."

Part 7, page 695: This page, listing the chapters of Part 7, should not mention the Appendix, since this is really an Appendix for the whole book, not for Part 7. Hence delete the last line "Appendix: Basic regression analysis".

Chapter 23

Page 710, equation (23): Replace $(\ln \varepsilon - \ln \epsilon)$ by $(\ln \varepsilon - \ln \bar{\varepsilon})$

Page 711, equation (27): Replace $(\ln \varepsilon - \ln \epsilon)$ by $(\ln \varepsilon - \ln \bar{\varepsilon})$

Page 715, equation (34): Replace $(1 - \gamma u)$ by $(1 - \mu - \gamma u)$

Page 716, line right above equation (37): Replace $\ln(1 - \gamma u) \approx -\gamma u$ by $\ln(1 - \mu - \gamma u) \approx -\mu - \gamma u$

Page 716, equation (37): Replace the first two lines in (37) by the following:

$$\begin{aligned} \frac{\overbrace{a}^W}{M^p} \cdot P &= M^w (1 - \mu - \gamma u) \frac{\overbrace{\bar{a}}^{W^e}}{M^p} \cdot P^e \quad \implies \\ p &\approx p^e + m^w - \mu - \gamma u + \ln \bar{a} - \ln a \end{aligned} \quad (37)$$

Page 716, equation (38): Replace the last definition $\bar{u} \equiv m^w/\gamma$ by $\bar{u} \equiv \frac{m^w - \mu}{\gamma}$

Chapter 24

Page 762, Question 4 of Exercise 5: Replace the bracket "(a higher value of λ)" by "(a lower value of λ)"

Chapter 25

Page 772, first formula in equation (10): Replace v by \bar{v}

Page 777, the line right below equation (19): Replace e by e^r

Page 778, fourth line in second paragraph: Replace $(\beta_1/\widehat{\beta}_1) (\pi^f - \pi_1)$
by $[\beta_1 (1 + h\theta^{-1})/\widehat{\beta}_1] (\pi^f - \pi_1)$

Page 778, ninth line in second paragraph: Replace $(\beta_1/\widehat{\beta}_1) (\pi^f - \pi_2)$
by $[\beta_1 (1 + h\theta^{-1})/\widehat{\beta}_1] (\pi^f - \pi_2)$

Page 792, equation (49): Replace the terms " $-\beta_1 \Delta \bar{e} - \beta_1 \theta^{-1} \Delta r^f$ " by " $\beta_1 \Delta \bar{e} + \beta_1 \theta^{-1} \Delta r^f$ "

Appendix

Page 827, formula (14): Move the "etc." at the end of (14) to the beginning of the line just after (14).