

Errata

Chapter 1

1. Page 11, five lines from the bottom of the page: should read "...offered **to** savers..."
2. Page 19, three lines from the bottom of the page: should read "...as described in Section **1.3.**"
3. Page 24, eight lines from the top of the page: should read "...a complete understanding of Section **1.5.**"

Chapter 2

1. Page 33, second line from the top of the page: should read "... one dollar **tomorrow** discounted at the risk-free rate."
2. Page 36, fourth to the last line of the second paragraph: should read "...in the sense discussed in Section **1.5.**"
3. Page 43, in the table: first line index in the table should be a lower-case **t**.
4. Page 47, final equation on the page: replace the $(1 + \tau)$ term with **$(1 - \tau)$** .
5. Page 47, third formula from the top: **add parenthesis around the D/E**; should be

$$Er_L^e = Er_U^e + (1 - \tau)(D/E)(Er_U^e - r_f),$$

Chapter 3

1. Page 62, footnote 6: should be written $u: R^N \rightarrow R$
2. Page 66, item (ii): the strict inequality $>$ should be relaxed to **\geq** .
3. Page 67, Figure 3.3, left side: the expression defining (x, y, π) should be

$$((x_1, x_2, \mathbf{t}_1), (y_1, y_2, \tau_2), \pi)$$

4. Page 70, first line of indifference contains a redundant right parenthesis adjacent to the term (b, w, π) .
5. Page 71, second equation in the middle of the page: replace everywhere in the equation U with U and V with V .
6. Page 71, third line from the bottom of the page: should read "...may achieve in state θ_i , given his income..."
7. Page 73, mathematical expression two-thirds down the page: the right most terms should read "... yet $y > x$."
8. Page 75, footnote 10: beginning here the name Reiff should be spelled Rieff. This error occurs several times in the text but we only mention it here, where it first occurs.
9. Page 80, second line of item 4: should be punctuated "... observation (iii). One interpretation..."
10. Page 81, Figure 3.10: in the vertical scale measuring U , the 500 should be replaced by 50.
11. Page 81, first line of the final paragraph should read "laboratory observations (i) – (iii).
12. Page 84, second line of the equation at the top of the page: $\pi(\theta_1)$ should be replaced by $\pi(\theta_i)$ in the first (from left to right) summation term.
13. Page 84, second line of the final paragraph: the reference is to Montiel (2007), not Monitor (2007); same error in the chapter references. Also, in footnote 17, the author Kern (1986) should be Keren (1986).

Chapter 5

1. Page 123, Theorem 5.6: there is a small notational inconsistency: in the sentence immediately following the theorem statement, and in footnote 4, the term v should be

written as v .

2. Page 125, equation (5.6): this should read:

$$U'(Y_0 - s) = \delta E\{U'(sR)R\}$$

3. Page 126, footnote 9: the reference is to Eqn. (5.7)

4. Page 127, middle of the page: the phrase should read "...which by Eq. (5.7) implies..."

5. Page 128, first line of the Proof of Theorem 5.8: should be written "From Eq. (5.7), this means..."

6. Page 128, second line of the Proof: the right side of the inequality should be "-2" not "s-2".

7. Page 128, section 5.6.2, second line of second paragraph: should read "... labor income and Y measures deviations from the mean..."

8. Page 128, section 5.6.2, maximization problem: rightmost $\}$ should be a $\}$.

9. Page 128, eight lines from the bottom: Replace \bar{Y} with Y

10. Page 129, preceding Theorem 5.9, the term $\psi(\bar{Y}, Y, s_{ii})$. This occurs in two places.

In part (i) of the statement of Theorem 5.9, the expression should read

$$\psi(\bar{y}, \tilde{y}, s) \approx \left(\frac{1}{2}\right) \sigma_Y^2 \mathbf{P}(s + \bar{y})$$

11. Page 132, six lines down from the top: replace $W(P_1, \cdot)$ with $W(P_1, \bullet)$.

12. Page 132, eleven lines from the top: should read "...in particular, assume

$$W(P_1, EU_1) = EU_1^{1.5}."$$

13. Page 132, in equations [1a], [1b], and [1c], $P_2(\theta)$ should be replaced by $P_2(\tilde{\theta})$ to denote uncertainty.

14. Page 132, in footnote 12 there is a typo: should read “...(convex),

$$EU_0^{1a,1b} (P_1, P_2(\tilde{\theta})) = Eg(x) > g(Ex) = EU_0^{1c} (P_1, P_2(\tilde{\theta})) \dots$$

15. Page 138, equation (5.13): a \sim is missing atop C_{t+1} , and C_{t+2} ; should be \tilde{C}_{t+1} , \tilde{C}_{t+2} to denote uncertainty.

Chapter 6

1. Page 147, un-numbered equation in the middle of the page: the left-most max should be take only over C_0 , **not** over C_0 and w_1, \dots, w_n .

Also, on page 147, in equation (6.7), the H_3 on the right-hand side of the equation should be written \tilde{H}_3 to denote uncertainty.

2. Page 147, footnote 7 should end with: “...alone determine $EU(\tilde{r}_p)$.”

3. Page 149, end of second to final paragraph of Section 6.2: the reference is to Appendix 6.1.

4. Page 150, there are several typos here that should be corrected:

a. Middle of the page, final sentence in the paragraph following the mathematical expression should end as: “... and a variance of $e^{(2\mu_i + \sigma_i^2)}(e^{\sigma_i^2} - 1)$.”

b. Footnote (9); the definition of $S(\tilde{r}_{it}) = E(\tilde{r}_{it} - \mu_i)/\sigma_i^3$

c. Conclusion of footnote (10); the expression should read $E(\tilde{r}_{it} - \mu_i)^4/\sigma_i^4$.

5. Page 152, Box 6.1, final line: the phrase to the right of the comma should read “..., where

$\sigma_{F^1, \dots, F^J}^2$ denotes the aggregate factor risk.

6. Page 152, expression for $\ln(1 + \tilde{r}_p)$ should read “... $\ln(1 + \tilde{r}_p) = \ln(1 + w_1\tilde{r}_1 + \dots w_N\tilde{r}_N) \neq \dots$.”

7. Page 153, middle of the page, after the expression for σ_p^2 , the sentence should read "... w_i is the proportion of the **wealth** allocated to asset i."
8. Page 153, final two equations on the page, σ_R should be replaced by σ_P and μ_R with μ_P .
9. Page 155, Figure 6.5: the expressions associated with the two segments of the efficient frontier should both conclude with **σ_P replacing σ_M** .
10. Page 156, Figure 6.6: the expression representing the efficient frontier should be

$$\mu_1 + \left(\frac{\mu_2 - \mu_1}{\sigma_2} \right) \sigma_P$$

NOT

$$\frac{\mu_2 - \mu_1}{\sigma_2}$$

11. Page 161, the definition of $\mu_{P'}$ should read:

$$\mu_{P'} = \pi_A \mu_A + \pi_B \mu_B$$

12. Page 161, four lines from the bottom: replace the word "Lemma" with "Theorem". Same replacement in the first line of Page 162.
13. Page 162, second line of second paragraph: replace the reference to Proposition 6.1 with Theorem 6.1. The same substitution should be made in the statement of Corollary 6.1.
14. Page 163, last line of the second paragraph: the reference to Theorem 4.2 should be to **Theorem 4.3**.
15. Page 164, last line before the statement of Theorem 6.5: this should read "...analogous to **Theorem 6.4**..."
16. Page 164, line immediately following equation (6.10): the subscripts Y_1^P and Y_1^{P*} should have a \sim on them; i.e., they should be \tilde{Y}_1^P and \tilde{Y}_1^{P*} , respectively, to denote uncertain quantities.

17. Page 168, middle of the page: the section title should read “The Distribution of R is Normal”
18. Page 169, the caption to Figure A6.3 should read: “The marginal utility for negative values of Z **is** higher than for positive ones.”
19. Page 172, 7 lines from the top should read: “ $\sigma_P = \pm[w_1\sigma_1 - (1 - w_1)\sigma_2] = \dots$ ”; i.e., the first w should be removed.
20. Page 173, Table A6.1: the first minimization is only over $\{w_1, w_2, w_3\}$ (only three assets are being chosen).

Chapter 7

1. Page 186, caption to Figure 7.2: since the text does not have color our identifications in the caption are meaningless. As an alternative, one could write: “The dashed line represents the estimated frontier while the solid line denotes the true frontier and the combination dash-dot line represents the operative frontier; ...”
2. Page 189, left side of the legend to Figure 7.4 should read: “**G10**: 10 years of historical data”
3. Page 190, second paragraph: the second sentence should better read “... the subsample where **the absolute value of excess** returns in either country exceeded **the absolute value of** **the** indicated levels (numbers...”
4. Page 194, footnote 7 should read: “...per footnote (6) by ...”
5. Page 197, equation (7.2): this equation should be (RHS): “ $= \mu\Delta t + \sigma\sqrt{\Delta t}\tilde{\varepsilon}_{t+\Delta t}$ ”
6. Page 198, From the paragraph beginning with the word “While”, wherever the term $\tilde{\varepsilon}_t$ appears, it should be changed to $\tilde{\varepsilon}_{t+\Delta t}$. Also, in order to be consistent with the notation of

equation (7.1), the \wedge s above the μ and σ in expression (7.5a) and (7.5b) should be removed (though in practice these qualities will be estimates and deserving of the \wedge notation).

7. Page 199, On this page as well the \wedge s about the μ and σ symbols, whenever they appear, should be removed, again to be consistent with equation (7.1)'s notation. But in actual practice, they will be estimates.
8. Page 199, second paragraph from the bottom (a one-sentence paragraph) should read “If the reader sees a regularity in these...”
9. Page 200, caption to Figure 7.9: change “ P_0 ” to “ q_0^e ” to be consistent with the notation of Figure 7.8's caption.
10. Page 202, equation (7.9a): this equation should be written as: $\tilde{r}_{t,t+1} = \mu_t + \tilde{\varepsilon}_{t+1}$
11. Page 205, Reference: the reference to “Riberio, R, Veronesi, P...” should be corrected to “...Ribeiro, R...”
12. Page 205, table A.7.1 and A.7.2: the titles to those two tables are reversed: i.e., Table A.7.1 should have the title: “Portfolio proportions where $\sigma_P = 5\%$ and short sales **are** permitted.”

Chapter 8

1. Page 212, the second equation under (8.4), change $(\rho_{jM}\sigma_M)$ to $(\rho_{jM}\sigma_j)$. Should read

$$\sigma_M = \sum_{j=1}^J w_j (\rho_{jM} \sigma_j)$$

2. Page 215, line 11: The equation in the text, \bar{r} should be \tilde{r} . Should read:

$$r_{j,t+1} = (CF_{j,t+1} - p_{j,t}) / p_{j,t}$$

3. Page 216, 2nd equation from the top of the page: Should read:

$$E\left(\frac{CF_{j,t+1}}{p_{j,t}} - 1\right) = r_f + \frac{1}{p_{j,t}} \text{cov}(CF_{j,t+1}, r_M) \left[\frac{E(r_M) - r_f}{\sigma_M^2} \right].$$

4. Page 216, fourth equation from the top: The pricing expression could also read:

$$p_{j,m} = \frac{E(CF_{j,t+1}) - \rho_{j,m} \sigma_j \left[\frac{E(r_M) - r_f}{\sigma_m} \right]}{1 + r_f}$$

where σ_j denotes $SD(CF_{j,t}, r_m)$ and $\rho_{j,m}$ denotes $\text{corr}(CF_{j,t}, r_m)$.

Alternatively, since $\beta_j = \frac{\text{cov}\left(\frac{CF_{j,t+1}}{p_{j,t}}, r_m\right)}{\sigma_m^2}$, then

$$\beta_j = \frac{1}{p_{j,t}} \frac{\text{cov}(CF_{j,t+1}, r_m)}{\sigma_m^2}.$$

Thus, $\text{cov}(CF_{j,t+1}, r_m) = \beta_j p_{j,t} \sigma_m^2$.

With this substitution, the fourth equation is correct, but defines the price in terms of itself.

In this case, isolating $p_{j,t}$ gives:

$$\begin{aligned} p_{j,t} &= \frac{E(CF_{j,t+1})}{1 + r_f} - \frac{p_{j,t} \beta_j [E(r_m) - r_f]}{1 + r_f} \\ p_{j,t} \left(1 + \frac{\beta_j [E(r_m) - r_f]}{1 + r_f} \right) &= \frac{E(CF_{j,t+1})}{1 + r_f} \\ p_{j,t} \left(\frac{1 + r_f + \beta_j [E(r_m) - r_f]}{1 + r_f} \right) &= \frac{E(CF_{j,t+1})}{1 + r_f} \end{aligned}$$

$$p_{j,t} = \frac{E(CF_{j,t+1})}{1+r_f + \beta_j, \left[E(r_m + r_f) \right]}$$

Which is our old familiar formula of page 215.

5. Page 223, 2nd line of the Proof of Proposition 8.3, should read “...and α_i , $i = 1, \dots, N$ ”

6. Page 223, line 11: \bar{r} should be \tilde{r} . The formula should read $E(r) = \sum_{i=1}^N \alpha_i E(r_i)$.

7. Page 223, three lines from the bottom, add a parenthesis around $\frac{A}{C}$:

$$\sum_{i=1}^N \alpha_i E(r_i) \geq \sum_{i=1}^N \alpha_i \left(\frac{A}{C} \right) = \frac{A}{C}$$

8. Page 225, 2nd line from the top: r should be \tilde{r} . Should be: $E(r_{ZC(p)}) < \frac{A}{C}$

9. Page 233, line 18: The sentence should read: “. . . is the average of the $\sigma_{\varepsilon_{j,t-1}}$ ”

10. Page 233, 2nd line of final paragraph: Replace $\hat{\gamma}_2$ with $\bar{\gamma}_2$

11. Page 241, the 2nd line of formula, the equation should read:

$$\sigma_p^2 = \alpha^2 \sigma_M^2 + (1-\alpha)^2 \sigma_j^2 + 2\alpha(1-\alpha) \sigma_{jM}$$

Chapter 10

1. Page 273, the expressions for $U_0^A(c_0^A)$ and $U^A(c_0^A)$ should more correctly be written as:

$$U_0^A(c_0^A) = \sum_{k=1}^N \lambda_k U^k(c_0^k), \text{ and } U_0^A(c_\theta^A) = \sum_{k=1}^N \lambda_k \delta^k U^k(c_\theta^k).$$

2. Page 276, agent problem description two thirds of way down the page: remove the “+1”

from the first constraint; it should read: $c_t + q_t^e z_{t+1} \leq z_t Y_t + q_t^e z_t$

3. Page 277, line 10 from the top: the sum of the terms $(q_{t+1}^e + y_{t+1})$ should more properly be written as the sum of terms $(\tilde{q}_{t+1}^e + \tilde{y}_{t+1})$ to denote next period’s uncertainty.

4. Page 278, second line from the top should read: "...substitution of Eq. (10.4) ..."
5. Page 280, equation (10.12): this equation appears twice in succession to no point.
6. Page 280, formula in 3rd line from the top: There are too many parentheses; should read:

$$\text{cov}_t \left(U_1(c_{t+1})/U_1(c_t), r_{j,t+1} \right)$$
7. Page 281, first paragraph of Section 10.3.3 should conclude with "... its rate of return for the period t to t+1 by $\tilde{r}_{c,t+1}$."
8. Page 282, line 15: Replace s' with s' (prime).
9. Page 283, line 8: Replace the word "bound" with "bond"
10. Page 284, equation (10.18): everywhere in this expression $Y_{t+\tau}$ should be written as $\tilde{Y}_{t+\tau}$ (one place the ~ is missing).
11. Page 285, line 2 from the top: the expression $\text{cov}(U'(c_{t+\tau}), Y_{t+\tau})$ should be written as $\text{cov}(U'(\tilde{c}_{t+\tau}), \tilde{Y}_{t+\tau})$.
12. Page 285, final line of equation (10.21), last line of the page: replace " $E_{t+\tau}^{RN}$ " with " E_t^{RN} ".
13. Page 288, second to last line: the reference to Eqn. (10.19) should be to Eq. (10.23).
14. Page 291, Box 10.2 continued: the first equation should be noted (i) on the RHS of the box.
15. Page 291, first line following the Box should read: "...that $\left(\frac{\tilde{Y}_{t+1}}{Y_t}\right) = \tilde{g}_{t+1}$, thus..."
16. Page 292, the first term in the sequence of equalities should be:

$$\frac{\ln(ER) - \ln(R_f)}{\sigma_g^2}$$
17. Page 294, last inequality on the page should read: $\frac{\sigma_m}{E\tilde{m}} > \frac{|ER_M - ER_f|}{\sigma_{r_M - r_f}} = \frac{0.062}{0.167} = 0.37$
18. Page 294. Six lines from the bottom of the page, the expression $\tilde{m}(\tilde{c}_{t+1}, c_t) = \delta(g_{t+1})^{-\gamma}$ should more accurately be written as $\tilde{m}(\tilde{c}_{t+1}, c_t) = \delta(\tilde{g}_{t+1})^{-\gamma}$.

19. Page 294, three lines up from the bottom: Replace the word “bound with “bond”
20. Page 295, in the first six lines of Section 10.7, \tilde{m}_t should be everywhere replaced by \tilde{m}_{t+1} , and \tilde{X}_t should be everywhere replaced by \tilde{X}_{t+1} .
21. Page 296, last line of the \Rightarrow portion of the proof should have $q(\tilde{W}) = aq(\tilde{X}) + bq(\tilde{Z})$.
22. Page 296, proof of Theorem 10.2: the creator of the theorem’s name is misstated; it is the “Riezs Representation Theorem.”
23. Page 297, in the second line of text of Section 10.8.1: The sentence should read, “Recall our original pricing Eq. (10.11) ...”
24. Page 297, Section 10.8.1, in the three lines of pricing equations at the bottom of the page there are two errors. First, \tilde{m}_t should be everywhere replaced by \tilde{m}_{t+1} . Second, there is a – (minus sign) preceding the δ on the RHS of the first equation.
25. Page 299, first line of the text of Section 10.8.2: here and many places to follow the name Reitz (1988) is misspelled; it should be Rietz(1988). We mention this misspelling only here.
26. Page 301, twelve lines from the bottom: “Barrow” should read “Barro” (as other examples on page).
27. Page 301, seven lines from the bottom of the page: The reference is to Chapter 5.
28. Page 307, drop the line number (10.39); this equation is never referred to in the text. Keep the equation but don’t number it.
29. Page 310, immediately following equation (10.42), the identification should read “ $\tilde{\delta} = -\ln \delta$, where $\delta \dots$ ”
30. Page 312, the missing value in Table 10.5 should be (from Bansal and Yaron (2004));
 $\sigma_{re} = 19.42\%$.

31. Page 314, equation (10.43): replace the μ with λ .
32. Page 314, second line below equation (10.43): the reference is to equation 9.3.
33. Page 315, first paragraph: Consistent with correction 31, the μ term should be everywhere replaced by λ .
34. Page 315, line before equation (10.44) should read: “Assets in this economy..., with Eq. (10.3) becoming...”
35. Page 315, first line following (10.44) should read “...differences between Eqs. (10.3) and (10.44).”
36. Page 316: Weitzman quote at the bottom of the page, third line: should read “.... shows a rigorous sense in which.... “
37. Page 318, references: a missing reference is:
Cochrane, J., “Presidential Address: Discount Rates,” *Journal of Finance* 66(2011), 1047-1108.
38. Page 320, the third line of the first equation should be:
$$= \frac{g_j(v_j^* + 1)}{v_j^*} - 1$$
39. Page 320, in the last equation (line) before Appendix 10.2, remove the “, etc.” term
40. Page 321, middle of the page: sentence should read “...We can directly use these values to solve Eq. (10.24):”
41. Page 321, four lines from the bottom: the reference is to equation (10.25).
42. Page 321, three lines from the bottom should read “... $m_t = \delta g_t^{-\gamma}$...”

Chapter 13

1. Page 411, 7 lines from the bottom: add a / after $q(\theta_0, \theta_t(s))$ to denote the statement is a

fraction; i.e. it should be $q(\theta_0, \theta_t(s)) / \pi(\theta_0, \theta_t(s))$.

Chapter 14

1. Page 423, second equation from the bottom. The right-hand side should read:

$$= (b_{j1}\beta_{R_1} + b_{j2}\beta_{R_2})(\bar{r}_M - r_f)$$

2. Page 424, second line under point i: the initial f should be bolded, i.e., it should read:

$$\mathbf{f} = [f^1, f^2, f^3, \dots, f^K].$$

3. Page 424, second line under point ii: the f should be bolded, i.e.: \mathbf{f} . Should read: $E\varepsilon_i \mathbf{f} = 0$

4. Page 439, second equation: w^T should be written as \mathbf{w}^T (bolded “w”) $\sum_i^N w_i \beta_i = 0 = \mathbf{w}^T \cdot \beta$.

Chapter 15

1. Page 450, 11 lines from the top: Replace $w = ey$ with $w = e^y$ [same as in two lines down]
2. Page 467. Formula (15.52) is not correct. From Mehra and Sah (2002): The formula should

$$\text{read: } q_t = Y_t \frac{\delta e^{(1-\gamma)(\mu - (1/2)\gamma\sigma^2)}}{1 - \delta e^{(1-\gamma)(\mu - (1/2)\gamma\sigma^2)}}$$

Chapter 16

1. Page 479, Equation 16.6: the left-hand side of the equation should read: $\frac{Y_{t+1}}{Y_t}$.

Chapter 17

1. Page 509, the formula listed under item 4 defining investor k's preferences should be:

$$U_0^k(c_0^k) + \delta^k \sum_{\theta=1}^N \pi_{\theta} U^k(c_0^k) = \alpha c_0^k + E \ln c_0^k$$

2. Page 511, Table 17.3: under t=1, consistency of notation requires replacing θ_1 with $\theta=1$

and θ_2 with $\theta=2$. Note that this change should be similarly implemented in Tables 17.4, 17.7, 17.8, 17.9, 17.10, and 17.11. As stated, the context is clear, however: either convention is acceptable.

Page 511, the first order condition for Z_2 must rather be:

$$z_2: \frac{q^e}{10} = \left[\frac{1}{5 + 2z_2} + \frac{1}{1 + 2z_2} \right]$$

.

3. Page 511, first and second lines of the second paragraph should be corrected to read:
... a large proportion of their period 0 consumption in order to increase period 1 consumption.”
4. Page 511, four lines down in the second to final paragraph, the fraction should be

$$\frac{1}{\frac{1}{6} + \frac{1}{2}} = \frac{1}{3}$$

5. Page 512, agent 2's problem should read:

$$\begin{aligned} \max \left(\frac{1}{10} \right) (4 - q_x z_x^2 - q_w z_w^2) + \left[\frac{1}{2} \ln(5 + 2z_x^2) + \frac{1}{2} \ln(1 + 2z_w^2) \right] \\ \text{s.t. } q_x z_x^2 + q_w z_w^2 \leq 4 \end{aligned}$$

6. Page 512, the first order conditions for agent 2, equations (iii) and (iv), should read:

$$\text{(iii) } \frac{1}{10} q_x = \frac{1}{2} \left(\frac{1}{5 + 2z_x^2} \right) 2$$

$$\text{(iv) } \frac{1}{10} q_w = \frac{1}{2} \left(\frac{1}{1 + 2z_w^2} \right) 2$$

7. Page 516, third line of the 2nd paragraph has omitted parenthesis; it should be “... (because this is...across-state income redistribution) ...”

8. Page 518, paragraph beginning with Example 17.1, second line from the bottom should read "...for every k unit of period **zero** consumption..."
9. Page 519, first maximum problem, in section 17.5.1 should read $\max \ln(3 - k) + \frac{1}{2} \ln(5 + \sqrt{k}) + \frac{1}{2} \ln(1 + \sqrt{k})$
10. Page 520, Agent 1's problem: the maximization should be taken over k, z_1^1, z_2^1 .
11. Page 520, last equation on the page should read: $EU(c_0, c_\theta) = \frac{1}{12} c_0 + \frac{1}{2} \ln(c_1) + \frac{1}{2} \ln(c_2)$
12. Page 522, last line of section 17.5.3 should read: "total investment is $q(z_1 + z_2) = (3.3)(3i3) = \dots$ "
13. Page 523, three lines up from the bottom of the page should read "... $z_2^1 = z_1^2 = -z_2^2$."
14. Page 526, in Equation (17.8) the first (left-most) term should be:

$$\frac{-1}{3 - k_1 - q_1 z_1^1 + q_1 z_1^1}$$

15. Page 526, middle of the page, the text should read: "Solving for k_1, Z_1^1 yields from Eq. (17.9)
16. Page 526, near to but below the middle of the page, the equation

$$\frac{1}{3 - k_1} = \frac{1}{4} \frac{1}{\sqrt{k_1}} \left\{ \frac{1}{3 + \sqrt{k_1}} \right\}$$

Should have $\left\{ \frac{2}{3 + \sqrt{k_1}} \right\}$ as its rightmost term.

Chapter 18

1. Page 528, first line of the third paragraph should read: "The importance of..."
2. Page 534, the argument of the maximization problem in the middle of the page should be written: "... $\max E(\tilde{p} / p^f)(g(x) - f) - x - p^f f - \dots$ "

3. Page 537, last line on the page should read: "... random variable \tilde{v} , where $\tilde{v} = \eta + \tilde{\omega}$ and $\tilde{\omega}$ is $N(0, \sigma_{\omega}^2)$."
4. Page 538, second line from the bottom: in the formula for F, the first term in the denominator should be $(N\chi + n\varepsilon)$ not $(N_{\chi} + n\varepsilon)$.
5. Page 538, in equations (18.10) and (18.11) replace σ_W^2 with σ_{ω}^2 ; also in the definition of L.
6. Page 540, in the last line of the first paragraph: the reference is to Eq. (10.4).