

Known Typos in August 2003 Version of the Notes

- p. 41, Kuhn-Tucker condition for lambda: the sign should be greater-than-or-equal instead of less-than-or-equal.
- p. 42, Equation (3.1): The lambda should have a star.
- p. 42, line 12, equation for x_2 in the text: The correct equation is $x_2 = w/p_2 - p_1/p_2 * x_1$.
- p. 44, "1. Walras' Law": The second-to-last sentence in that paragraph should read: "Thus, the only way for x to be the most preferred bundle is if all nearby points that are better are not in the budget set."
- p. 47, first line of derivation: Sum over $(d u_i)/(d x_i)$ should be Sum over $(d u)/(d x_i)$ instead. " u_i " (= u with the subscript i) is just another way of saying that we differentiate u with respect to x_i , the i th good. The same goes for the equation involving $(d u_i)/(d x_i)$ in the paragraph below.
- p. 47, $p * x(p, w) = 0$ should = w .
- p. 56 (last line) and p. 57 (first line): $u(x) \geq x$ should be replaced by $u(x) \geq u_{\text{bar}}$.
- p. 58, three lines before the bottom, should read "total expenditure will INCREASE at less than a linear rate," not DECREASE.
- p. 61, line 2: $p * x' = w'$ should be $p' * x' = w'$
- p. 63, the uncompensated change dx_i/dp_j should be referred to as the "gross substitution effect," not just the "substitution effect," where "gross" denotes that wealth is being held constant (so that dx_i/dp_j takes into account both the pure substitution effect and the wealth effect). Thus, goods are gross substitutes if dx_i/dp_j is positive and gross complements if dx_i/dp_j is negative (see page 70 of MWG, last paragraph). Another way to think of "gross" is "observed", i.e., whether when you observe the goods they will behave as we expect substitutes to behave. Note that when talking about substitutes or complements without the modifier "gross," we are referring to the pure substitution terms dh_i/dp_j , which reflect only the change in behavior due to the change in relative prices (holding utility constant). Goods are substitutes if dh_i/dp_j are positive and complements if dh_i/dp_j are negative. Note also: goods can be substitutes but not gross substitutes or complements but not gross complements. Note also: If good i is a substitute for good j , then good j is a substitute for good i , since $dh_i/dp_j = dh_j/dp_i$ by symmetry of the Slutsky matrix. However, this is not the case with gross substitutes. It could be that $dx_i/dp_j > 0$ and $dx_j/dp_i < 0$, if the wealth effects are dissimilar enough.
- p. 63/64: The discussion in the last paragraph on p. 63 and the first on p. 64 requires $i = j$.
- p. 69 says that $|EV| \geq |CV|$ for normal goods. That's only true for price decreases. For

price increases, $|EV| \leq |CV|$. The correct relationship is $EV \geq CV$ for normal goods (and $EV \leq CV$ for inferior goods).

p. 151, second paragraph:

"The minimum amount c such that I would accept *the sure thing instead of the gamble* is known as the certainty equivalent." (It currently says the opposite.)

p. 166, 7.1 Notation:

"Hence $x_i = ()$, and $y_j = (y_{j_1}, \dots, y_{j_L})$." [The x 's in the parenthesis should be y 's.]

Following sentence:

"So x_{i_L} refers to consumer i 's consumption of good L ." [" i " in both cases instead of " j ".]

p. 169, third line: "...consumer i has endowment w_{i_1} of good L ." [Good " L " instead of " i ".]

p. 169, second paragraph, fourth line: Not a typo, just a clarification: Add "Sum over j " to the sum.

p. 196, Figure 8.2: The arrow for h^{**} should point to the intersection of $\phi^1 + \phi^2$ with the h -axis.