

Errata for
Introduction to Applied Econometrics
(Thomson Learning, 2005)
by Kenneth G. Stewart

Corrections as of: March 2020

Page xxix: Web address should be web.uvic.ca/~kstewart/

Page 23: Equation (1.14) should read “ $y = g(s, n) = \pi_1 s + \pi_2 n$.” (The coefficient π_1 is referred to on page 25.)

Page 32: In the graphical portrayal of the population distribution at the top of the page, the tick on the vertical axis and its value of $\frac{1}{4}$ should be at the same height as the distribution. (Compare with the population distribution in Fig. 2.2 on p. 40, which appears correctly.)

Page 180: The sentence following the second displayed equation should begin “Here $\bar{X} = \sum_{t=1}^n t/n$ and ...”. (Note the $/n$ is missing in the text.)

Page 225: In the Proof of Result 6.2, replace “ $d \ln Y/dt = 1/Y$ ” with “ $d \ln Y/dY = 1/Y$ ”.

Page 452: Exercise 10.13 should reference Exercise 10.9, not 10.10.

Page 467: In the heading of Table 10.6, “ H_0 ” and “ H_A ” should be reversed. (The restricted model is the model under the null hypothesis.)

Page 561: In Example 1 the second and third of the derivative expressions for the regression function $f_i(\beta) = \gamma K_i^\beta L_i^\alpha$ are incorrect. Using the rule of exponential differentiation that, for an exponential function $y = a^x$, $dy/dx = a^x \ln a$, the correct expressions are:

$$\frac{\partial f_i(\beta)}{\partial \beta} = \gamma K_i^\beta L_i^\alpha \ln K_i,$$
$$\frac{\partial f_i(\beta)}{\partial \alpha} = \gamma K_i^\beta L_i^\alpha \ln L_i.$$

The first order conditions (13.14b) and (13.14c) are modified accordingly. (I thank Ahmed Ishtiaq for bringing this error to my attention.)

Pages 567–579: In Examples 3 and 7 the reported estimates of δ are in fact estimates of $1 - \delta$. In Examples 5 and 7 the estimates of δ_1 and δ_2 (and their standard errors) are interchanged.

Page 664: “Consequently, it is the more restrictive of the two specifications; strong-form stationarity implies covariance stationarity, but not the reverse.” A more correct version of this sentence would be: “Consequently, strong-form stationarity implies covariance stationarity (for a process with finite moments).”

Page 679: In Table 15.1 the indicated source is incorrect. It should read *Source*: Malkiel (1999, p. 179).

Page 720: In Exercise 16.1 replace “... has a constant variance ...” with “... has a constant mean and variance ...”

Page 729: In equations (16.18b) and (16.19) replace ϕ_q with ϕ_p .

Page 731: In the third last line of the derivation at the bottom of the page, theta should be squared in the final term.

Page 739: In the opening paragraph replace $\beta \equiv 1 + g$ with $\beta \equiv \log(1 + g)$. (I thank Cindy Xu for bringing this error to my attention.)

Page 740: In equation (17.8) replace ϕ_q with ϕ_p .

Page 880: In the Solution to Example 17, two minus signs should be plus signs. Replace

$$\begin{aligned} V(X) &= E(X - \mu)^2 = E(X^2 - 2\mu X - \mu^2) \\ &= E(X^2) - 2\mu E(X) - \mu^2 = E(X^2) - \mu^2. \end{aligned}$$

with

$$\begin{aligned} V(X) &= E(X - \mu)^2 = E(X^2 - 2\mu X + \mu^2) \\ &= E(X^2) - 2\mu E(X) + \mu^2 = E(X^2) - \mu^2. \end{aligned}$$

Page 881:

- Result B.6 is incorrect. It is a corruption of the correct result that $E(XY) = E_Y[Y \cdot E(X|Y)]$. (The error in the proof is that it is not legitimate to take $f_{X|Y}(x|y)$ outside \sum_y .)
Result B.6 and its proof can be deleted without loss of continuity in the remainder of the appendix.
- In consequence of Result B.6 being incorrect, the word “equivalently” should be deleted from the statement of Result B.7.