CORRIGENDUM (updated March 2012)

Information and Learning in Markets
by Xavier Vives

The following corrections have to be made:

On page 48, exercise 1.2, in line 3 inverse demand should read: \( p = \theta - x \); in line 8 \( P(s_L | s_L) \) should be replaced by \( P(s_L | \theta_L) \); and in line 13, \( 2\ell^2 (1 - \ell) \) should be replaced by \( 2\ell (1 - \ell) \).

On pages 96-97, last line and continuation should read:

In those cases, in terms of ETS, the team and the market solutions coincide. Both for the team and the market solutions, when \( \tau_u = 0 \), \( \mathbb{E}[(p - MC_t)z] = 0 \) implies that \( c = 1/(\beta + \lambda) \) and ETS is infinite, and when \( \tau_x = 0 \) we have that \( a = 0 \) and \( c = 1/(\beta + \lambda) \).

On page 120, in line 5 from the bottom it should read as follows from the formula on:

\[ \text{...} \quad E[p] - \overline{\theta} = \hat{\lambda} E[u] < 0, \text{ where } \hat{\lambda} = (\mu \rho_t^{-1}(\tau_x + \tau) + (1 - \mu) \rho_u^{-1} \tau)^{-1}, \text{ because agents are risk averse and need a premium to absorb a positive supply of shares. The comparative statics of the risk premium therefore follow those of the inventory risk liquidity parameter } \hat{\lambda}. \text{...} \]

On page 140, the last line should include the following equation:

\[ "\gamma_U = \frac{-a}{\rho_U \left[ \delta^2 \sigma_u^2 + a^2 \sigma_x^2 \right](1+aE)}," \]

On page 193, in line 4 from the top of the fourth full paragraph it should read “\( (1-G(u))/g(u) = \vartheta(1-u) \)” instead of “\( (1-G(z))/g(z) = \vartheta(1-u) \)”.

On page 214, in line 4 from the bottom of the text it should read: “Furthermore, \( K = 3\tau_u \epsilon K^{-2} \)” instead of “Furthermore, \( K = \tau_u \epsilon K^{-2} \)”.

On page 302, in line 5 of the second full paragraph it should read “…demand function becomes positive” instead of “…demand function becomes negative”.
third full paragraph it should read “…demand function becomes negative” instead of “…demand function is positive”.

On page 310, in line 8 of the fourth full paragraph it should read “…that if \( \theta < \theta_L \), then it is a dominant strategy to act; if \( \theta > \theta_H \)…” instead of “…that if \( \theta \leq \theta_L \), then it is a dominant strategy to act; if \( \theta \geq \theta_H \)…”.

On page 311, after the centered equation it should read “for \( \theta \geq \theta_L \) and \( h(\theta) < 0 \) otherwise.” instead of “for \( \theta \in [\theta_L, \theta_H] \) and \( h(\theta) = m \) for \( \theta \leq \theta_L \)”.

On page 312, the equation after the fourth paragraph should read “\( \varphi(\theta' : \gamma, \theta) = \tau_\theta (\theta' - \theta) - \sqrt{\tau_\varphi + \tau_\epsilon} \Phi^{-1}(h(\theta')) \) = 0” instead of “\( \varphi(\theta' : \gamma, \theta) = 0 \equiv \tau_\theta (\theta' - \theta) - \sqrt{\tau_\varphi + \tau_\epsilon} \Phi^{-1}(h(\theta')) \) = 0”.

On page 313, in line 5 of the second full paragraph, the phrase in parenthesis “(with equality only when \( h(\theta) = \frac{1}{2} \))” should be deleted.

On page 341, in line 8 of the first full paragraph the equation should read “\( \Delta Y_T(\theta, p^{T-1}) = \alpha_T(\theta - p_{T-1}) \)” instead of “\( \Delta Y_T(\theta, p^{T-1}) = \alpha_T(\theta - p_T) \)”.