Erratum

Seung C. Ahn, H. Youn Kim* and Tong Hee Kang

Erratum to: Life-cycle consumption, precautionary saving, and risk sharing: an integrated analysis using household panel data

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For equation (5), ϕ was erroneously defined as $\phi = (1/\alpha)\theta$. Instead, it should be $\phi = 1/\alpha$. Together with the equation, the sentence then reads:

$$\Delta \ln c_{t+1}^h = \hat{\rho} + \hat{\theta}' \Delta z_{t+1}^h + \phi r_{t+1} + \hat{e}_{t+1}^h, \quad (5)$$

where $\Delta \ln c_{t+1}^h$ is the growth of real consumption, $\hat{\rho} = -\rho/\alpha$, $\hat{\theta} = [(\alpha-1)/\alpha]\theta$, $\phi = 1/\alpha$, and $\hat{e}_{t+1}^h \approx -\phi e_{t+1}^h$ (by the first-order approximation of $\ln(1+e_{t+1}^h)$) with $E_t(\hat{e}_{t+1}^h) = 0$ and $\text{var}_t(\hat{e}_{t+1}^h) = \phi^2 \sigma_{t+1}^{h,2}$.

In equation (6), the left side is incorrect. The correct equation is this:

$$E_t[\Delta \ln c_{t+1}^h - \hat{\rho} - \hat{\theta}' \Delta z_{t+1}^h - \phi r_{t+1}] = \frac{\phi}{2} \text{var}_t(e_{t+1}^h) = \frac{\phi}{2} \sigma_{t+1}^{h,2}. \quad (6)$$

In equation (18), the term $\beta_{\sigma t} u_{t+1}^{h,2}$ was misprinted as $\beta_{\sigma t} u_{t+1}^{2,h}$. A similar mistake appears in equation (25), where the term $\beta_{\sigma t} s_{t+1}^{h,2}$ was misprinted as $\beta_{\sigma t} s_{t+1}^{2,h}$.

In equations (23) and (24), the term $s_{t+1}^{2,h}$ should be replaced by $s_{t+1}^{h,2}$.

***Corresponding author: H. Youn Kim**, Department of Economics, Western Kentucky University, Bowling Green, KY 42101, USA, E-mail: youn.kim@wku.edu

Seung C. Ahn: Department of Economics, W.P. Carey School of Business, Arizona State University, P.O. Box 873806, Temple, AZ 85287-3806, USA, E-mail: miniahn@asu.edu

Tong Hee Kang: Department of Economics, Kusan National University, Kusan, Chonbuk 573-360, Korea (Republic of), E-mail: dhkang@kusan.ac.kr