

Firms Problem with CES Production and Ownership of Capital

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Firm i 's maximization problem is:

$$\begin{aligned} V_i(k_{it}, \Omega_t) &= \max_{k_{i,t+1}, n_{it}} [p_{it}f(z_t, k_{it}, n_{it}) - w_t n_{it} + (1 - \delta)k_{it} - k_{i,t+1}] + \frac{1}{1 + r_{t+1}} V_i(k_{i,t+1}, \Omega_{t+1}); \\ f(z_t, k_{it}, n_{it}) &= z_t [\alpha k_{it}^\eta + (1 - \alpha)n_{it}^\eta]^{\frac{1}{\eta}} \end{aligned} \tag{1}$$