Problem Set #5

MACS 40000, Dr. Evans
Due Monday, Nov. 6 at 1:30pm

1. **Solve for the steady-state equilibrium (5 points).** Complete Exercise 7.3 from the end of Chapter 7. Use values $S = 10$, elliptical utility parameters $b = 0.5$ and $\upsilon = 1.5$, and $\chi_s^n = 1.0$ for all s.

2. **Solve for the non-steady-state equilibrium time path (5 points).** Complete Exercise 7.4 from the end of Chapter 7. Use the same parameterization and the same steady-state solution as in Exercise 7.3 ($S = 10$, $b = 0.5$, $\upsilon = 1.5$, $\chi_s^n = 1.0$ for all s). Choose values for $T_1 \leq 60$ and $60 < T_2 \leq 90$. And let the initial distribution of wealth be $\mathbf{\Gamma}_1 = 1.08\left(\bar{\mathbf{\Gamma}}\right)$.