20513 2016
Midterm: brief solution
(not complete)
((a) [-11+'s problem
8
(max 1= 5 B lner-9 hr) (c, er, ir 8=0
5.t. Crtir = with to refer
ler=(1-8) leration
Firm's problem
(see slide)
ME is similar to the stale except
additional exog state variable Gr
(6) 1-11+15
(b) l-1 lt's problem
V(k, K, Z, 4)
= max (u(c,h)+BEV(lx,1K,2',c)
s,t, CtiEwhtch
le'=(1-5)le+i.

	Firm's problem (see stude)
70.7	
SELF TENENT	
THE CONTROL OF THE CO	Again, IRCIE is similar to the
and the second s	one in stide except there is one
	additional exos, state 9,
(c)	80
. /	max 1= = B [ln Cx - 9x 1-1+7] Cx, Hx, Ix 5:0
	Cx, Hx, Ix x:0 [+7]
	5, + C + I = = 2 - K x , 14 - x C = (1-8) K x - 1 + I x
	1Cx=C(-S) Kx-1+Ix
(0	
Cd	1 - (P) - (P) - (+1)
the control of the co	- Wr= 9- 1-1-47 - Wr= 9- 1-47
COLD FOLIABLE W	
TO A STATE OF THE	(For other conditions, see slide)
	*
<u>(e)</u>	Got (more discreil, from working)
	-> H to, 50 T to,
	income down so Cb
2 2	
the second	

C	f) Add additional state. Ge where ng is size of stid
	where no is size of soid
\bigvee (K, Zi, Se)
	max [ln C - Ge H+4 1+4
	K' 1+7
	Nz no
- Proposition of Proposition and Proposition of the	+ B > V(K', Zs, cpm)].
	j=1 m=1
,	

.

Z(a) V(Km, KH, Im,-1, Zm, ZH) Resource constraints & Capital accumulations (6) L = 1 = 2 B (U (C, l) + 2 = { f () - Cm = - in, = . - RH, F+ (1-8) RH, F-1} + Mr{(1-8) len, r-1+ = in, r+ = in, r-1 - len, r} + 9 ~ { S () - CH, ~ }]

FONC W.r.t. MM.T. Ar= Jur+ & BIEr Mara Other eg worditions as in the lecture (c) Can weaken the negative correlation between business & home investment toy smoothly marker investment