HW 6

Xinle Pang

January 27, 2019

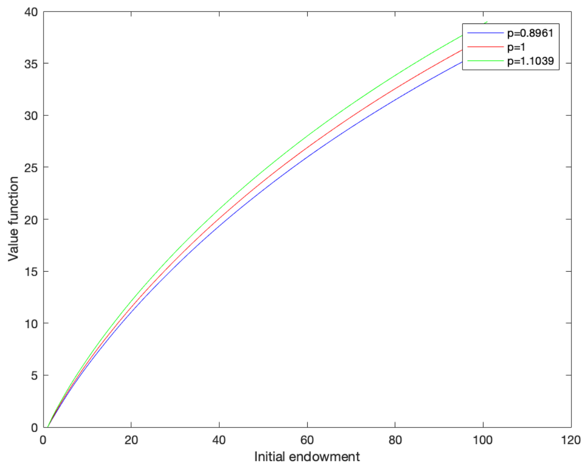
1 Question 1

$$V(w,p) = \max_{0 \le w' \le w} p(w-w') - 0.2(w-w')^1.5 + \delta[V(w',p')|p],$$

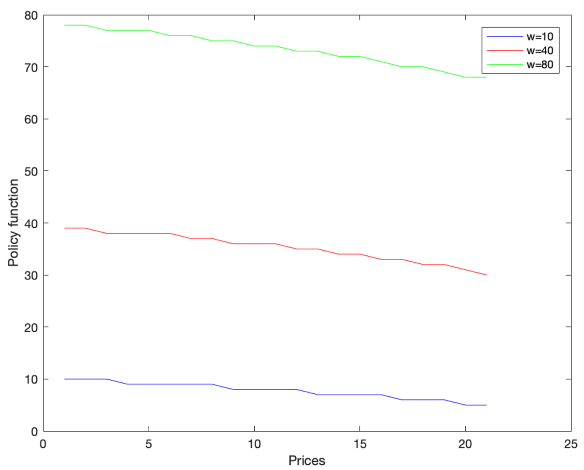
where $p' = p_0 + \rho p + u', u \sim N(0, 0.1^2)$.

- State variable: tree stock today w, price today p; choice variable: tree stock tomorrow w'
- State space: $w \in [0, 100]$

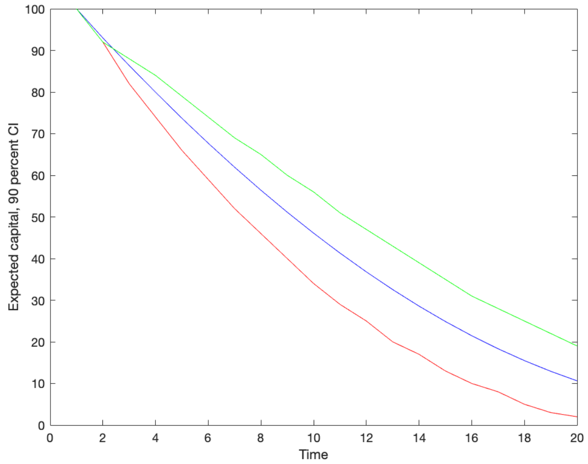
2 Question 3



3 Question 4



4 Question 5



5 Question 6