University of Wisconsin-Madison Department of Economics

Econ 703 Prof. R. Deneckere Fall 2004

Homework #9

- 1. Sundaram, #7, p.143
- 2. Sundaram, #9, p.143
- 3. Sundaram, #11,p.144
- 4. If x thousand dollars is spent on labor and y thousand dollars is spent on equipment, a certain factory produces $Q(x,y)=50 \ x^{1/2}y^2$ units of output. a) How should \$80,000 be allocated between labor and equipment to yiled the largest possible output?
 - b) Use the Envelope Theorem to estimate the change in maximum output if this allocation decreased by \$1000.
 - c) Compute the exact change in b).