MATH 104: WORKSHEET 18

Question 1. The total production P of a certain product depends on the amount L of labor used and the amount K of capital investment. In Sections 14.1 and 14.3 we discussed how the Cobb-Douglas model $P = bL^{\alpha}K^{1-\alpha}$ follows from certain economic assumptions, where b and α are positive constants and $\alpha < 1$. If the cost of a unit of labor is m and the cost of a unit of capital is n, and the company can spend only p dollars as its total budget, then maximizing the production P is subject to the constraint $mL + nK = p$. Show that the maximum production occurs when

$$L = \frac{\alpha p}{m} \quad \text{and} \quad K = \frac{(1-\alpha)p}{n}$$

Question 2. Referring to Exercise 27, we now suppose that the production is fixed at $bL^{\alpha}K^{1-\alpha} = Q$, where Q is a constant. What values of L and K minimize the cost function $C(L, K) = mL + nK$?

Date: April 16, 2025.

Question 3. Use Lagrange multipliers to prove that the rectangle with maximum area that has a given perimeter p is a square.

Question 4. Use Lagrange multipliers to prove that the triangle with maximum area that has a given perimeter p is equilateral.
Hint: Use Heron's formula for the area:

$$A = \sqrt{s(s-x)(s-y)(s-z)}$$

where $s = p/2$ and x, y, z are the lengths of the sides.