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ECONOMICS 8344 – Macroeconomic Theory III, Fall 2007

**Homework 3. October 3 — due October 10.**

1. For the model in OR section 6.2.1.1, change the assumption  $F(K) = \alpha K$  to

$$F(K) = K^\alpha ,$$

where  $0 < \alpha < 1$  and redo the calculations.

2. For the model in OR on page 405, verify that  $P_1$  and  $P_2$  satisfies the truth-telling constraints.
3. OR question 6.6. (You should read yourself Section 6.2.3, although your more than welcome to ask questions about it in class or in my office.)