

⑩ (cont) possible cases:  $(\frac{1}{\sqrt{3}}, \frac{1}{\sqrt{3}}, \frac{1}{\sqrt{3}}), (\frac{1}{\sqrt{3}}, \frac{1}{\sqrt{3}}, -\frac{1}{\sqrt{3}}), (\frac{1}{\sqrt{3}}, -\frac{1}{\sqrt{3}}, \frac{1}{\sqrt{3}}), (-\frac{1}{\sqrt{3}}, \frac{1}{\sqrt{3}}, \frac{1}{\sqrt{3}})$   
 $(\frac{1}{\sqrt{3}}, -\frac{1}{\sqrt{3}}, -\frac{1}{\sqrt{3}}), (-\frac{1}{\sqrt{3}}, \frac{1}{\sqrt{3}}, -\frac{1}{\sqrt{3}}), (-\frac{1}{\sqrt{3}}, -\frac{1}{\sqrt{3}}, \frac{1}{\sqrt{3}}), (-\frac{1}{\sqrt{3}}, -\frac{1}{\sqrt{3}}, -\frac{1}{\sqrt{3}})$  } 8 cases

$$f(\frac{1}{\sqrt{3}}, \frac{1}{\sqrt{3}}, \frac{1}{\sqrt{3}}) = (\frac{1}{\sqrt{3}})^6 = \frac{1}{27} \quad \leftarrow \text{this is the same for all cases listed above}$$

thus, maximum value  $f(x, y, z) = \frac{1}{27}$  for each of above cases

minimum value  $f(x, y, z) = 0$  for any case where at least one of  $x, y, z$  equals 0, and satisfies  $x^2 + y^2 + z^2 = 1$   
 (note,  $x=y=z=0$  doesn't satisfy conditions)

⑪ maximize  $P = bL^\alpha K^{1-\alpha}$  subject to budget constraint  $mL + nK = p$

$$\nabla P(L, K) = \lambda \nabla B(L, K) \quad \text{and} \quad B(L, K) = p$$

$$\nabla P(L, K) = (bdL^{\alpha-1}K^{1-\alpha}, b(1-\alpha)L^\alpha K^{-\alpha}) \quad \nabla B(L, K) = (m, n)$$

$$\left. \begin{array}{l} \text{i) } bdL^{\alpha-1}K^{1-\alpha} = \lambda m \\ \text{ii) } b(1-\alpha)L^\alpha K^{-\alpha} = \lambda n \\ \text{iii) } mL + nK = p \end{array} \right\}$$

case 1:  $\lambda = 0$

from (i), (ii) we have  $0 = bd(\frac{K}{L})^{1-\alpha} = b(1-\alpha)(\frac{L}{K})^\alpha$   
 where we know  $1-\alpha > 0$  and  $\alpha > 0$  (since  $0 < \alpha < 1$ )  
 thus, this is inconsistent since the first equality gives  $K=0$ , but this makes second part undefined

case 2:  $\lambda \neq 0$

$$\text{from (i), (ii) we have } \lambda = \frac{bd}{m} L^{\alpha-1} K^{1-\alpha} = \frac{b(1-\alpha)}{n} L^\alpha K^{-\alpha}$$

simplifying,  $L = \frac{dn}{(1-\alpha)m} K$

$$\text{plug into (iii), } n \left( \frac{dn}{(1-\alpha)m} \right) K + nK = p$$

$$\text{solve for } K, \left( \frac{n}{1-\alpha} + 1 \right) K = \frac{p}{n} \Rightarrow K = \frac{(1-\alpha)p}{n}$$

$$\text{plug back for } L, mL + n \left( \frac{(1-\alpha)p}{n} \right) = p$$

$$\text{solve for } L, L = \frac{1}{m} (p - (1-\alpha)p) = \frac{\alpha p}{m}$$

thus, maximum production  $P$  occurs with  $L = \frac{\alpha p}{m}$  and  $K = \frac{(1-\alpha)p}{n}$