

## Quiz 14. Review of the recursive centralized model in Chapter 8

1. Set up the centralized model of Chapter 8.
  - a. Write down the Bellman equation and the four constraints
  - b. Write down the modified Bellman equation with constraints substituted in for consumption and leisure.

2. Write down the first order conditions and the envelope condition. Substitute in the envelope condition to get the two FOCs that represent the intertemporal and intratemporal margins.