

1. We have  $\Delta P = -0.2P_n$ .

a. Write the updating equation.

$$P_{n+1} - P_n = -0.2P_n$$

$$P_{n+1} = P_n - 0.2P_n = 0.8P_n$$

b. If  $P_0 = 50$ , write the explicit solution for  $P_n$ .

$$P_n = 50(0.8)^n$$

c. Describe the long term behavior of  $P_n$  as  $n \rightarrow \infty$ .

$$P_n \rightarrow 0 \text{ because } (0.8)^n \rightarrow 0$$

2. Suppose  $Q_{n+1} = -0.7Q_n + 153$ .

a. Compute the equilibrium value  $Q^*$ .

$$Q^* = -0.7Q^* + 153$$

$$1.7Q^* = 153$$

$$Q^* = 90$$

b. If  $Q_0 = 100$  determine the solution equation for  $Q_n$ . Recall that an affine discrete model  $P_{n+1} = aP_n + b$  has an explicit solution  $P_n = Ca^n + P^*$ , where  $P^*$  is the equilibrium value, and  $C$  can be determined from the initial condition.

$$a = -0.7$$

$$Q_n = C(-0.7)^n + 90 = 10(-0.7)^n + 90$$

$$100 = Q_0 = C(-0.7)^0 + 90 = C + 90, \quad C = 10$$

c. Determine the long term behavior of  $Q_n$  as  $n \rightarrow \infty$ .

$Q_n \rightarrow 90$  oscillating above and below with smaller & smaller oscillations since  $(0.7)^n \rightarrow 0$  and  $(-1)^n$  flip flops sign.