1 Capital Valuation.

Assume that the interest is constant. In particular, \( r(t) = 0.05 \).

The "one-hose shay" yields a stream of income

\[
B(t) = \$20 \text{ million per annum, for } 0 \leq t \leq 10.
\]

How much should one pay for this asset at date \( t \)?

Does straight-line accounting depreciation overstate or understate true economic depreciation of this asset?