1 Capital Valuation.

Assume that the interest is constant. In particular, \( r(t) = 0.02 \).

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

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

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?