

path $\frac{d_t}{d_{t+1}} = \frac{d_{t+1}}{d_{t+2}} = g_d$. Note that Eq. (60) can be rewritten as

$$\frac{2\phi b_2}{g_\lambda} [g_d - 1] g_d^2 = \beta b_1 + \beta \phi b_2 [g_d - 1]^2 + 2b_2 \beta \phi [g_d - 1] g_d,$$

and we can solve for the constant cost declining rate g_d . Based on g_d , we can then solve dynamic paths of all the endogenous variables in the model.