

## ABSTRACT

This paper characterizes the optimal policy for a model in which manager may adopt an endogenous number of projects but has only limited resources to devote to their evaluation and maintenance. In any period, the manager may discard any subset of existing projects but may evaluate only one existing or one new project which is then either discarded or restored. Both its current return and the probability with which a project may be restored depends only on the number of periods since its last evaluated. For a manager whose objective is to maximize the sum of discounted returns, the optimal policy takes one of two forms. A "discard" policy specifies that the manager evaluate a new project in each period and discard current projects at some critical age. An "age inspection" policy specifies that the manager evaluate a new project only if all current projects are sufficiently young.

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