

1. The economy is in steady state at A when the saving rate suddenly goes up from s_1 to s_2 .
2. Show the convergence dynamics in each figure as the economy converges on to a new steady state.

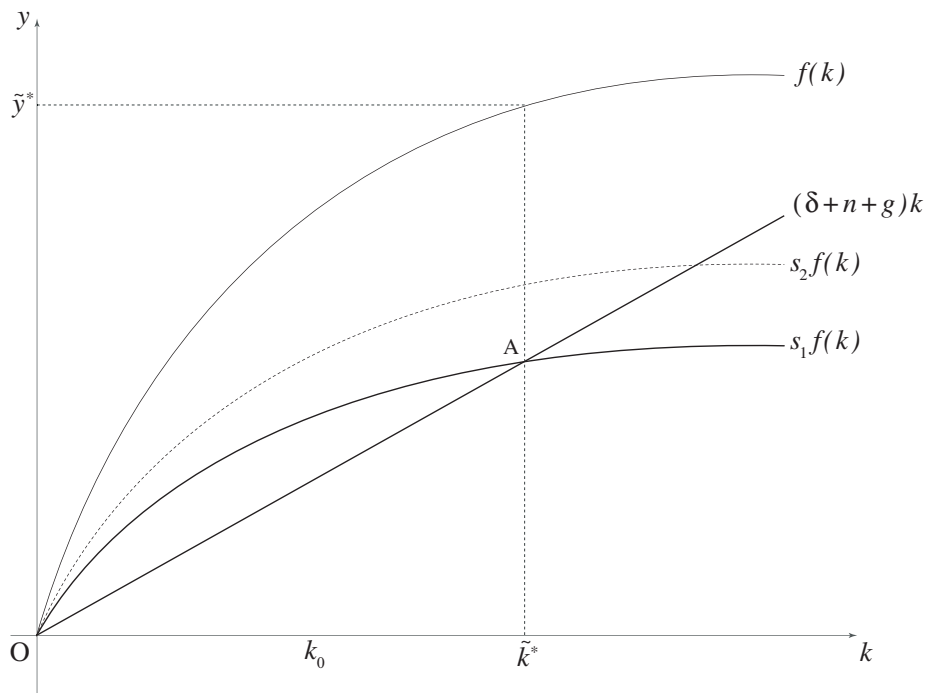


Figure 1: Convergence dynamics due to increase in saving rate

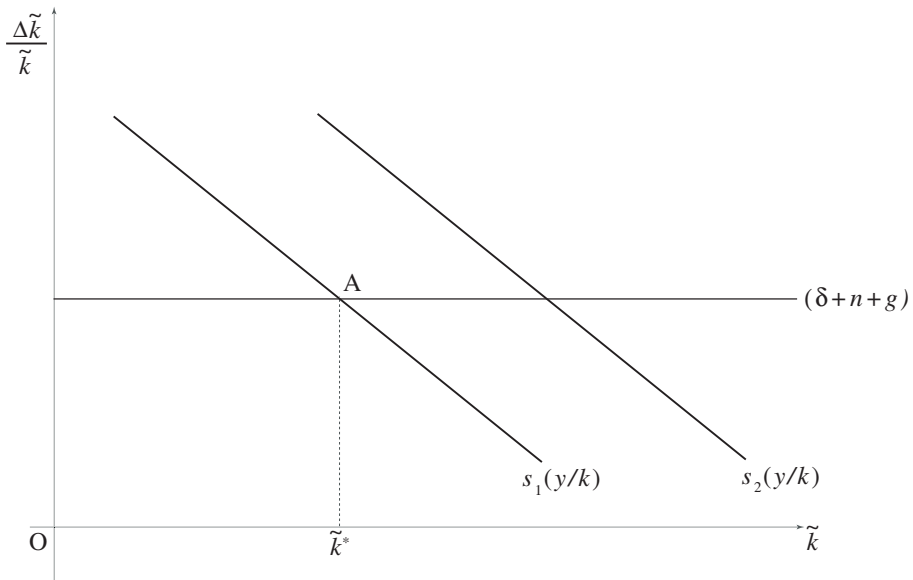


Figure 2: Growth of capital due to increase in saving rate

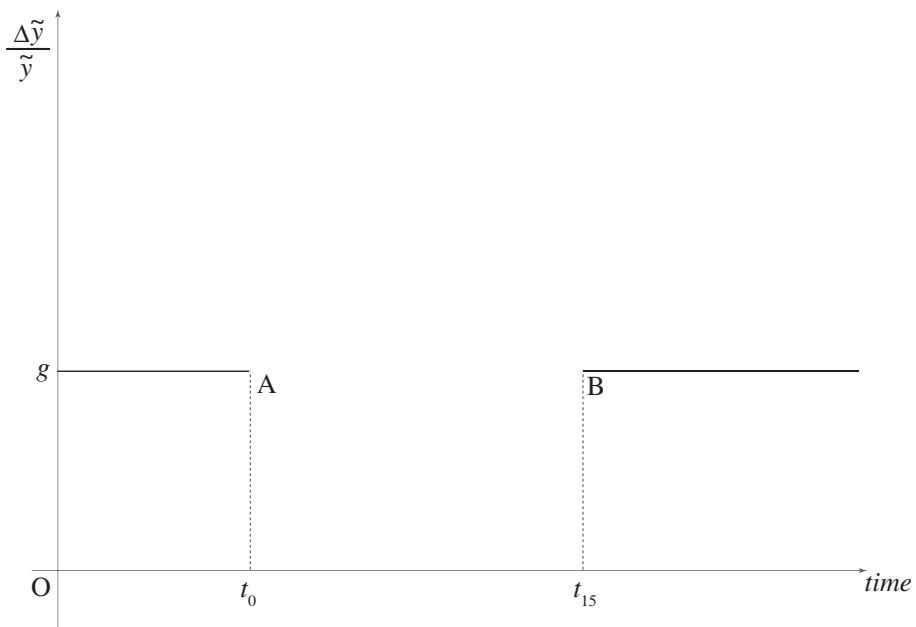


Figure 3: Growth of output due to increase in saving rate