

1. Explain the role of the saving curve $sf(k)$ and the depreciation line δk of Figure 3.5 in determining the steady-state level of the capital-labor ratio: In economic terms, what does $sf(k)$ measure (and in what units) and what does δk measure (and in what units)?
2. Figure 3.15 looks exactly the same as Figure 3.5, but the depreciation line has now become the “capital-widening” line. Explain what $(\delta + a + n)k$ measures (note that this should be a lower-case k , not a capital K , in the figure). What are its units? How is this similar to and different from the depreciation line in Figure 3.5?