Economics 314 Daily Problem #3

Spring 2019 February 1

On page 26, just before equation (1.30), Romer defines

$$\lambda \equiv -\frac{\partial \dot{k}(k)}{\partial k}\bigg|_{k=k^*}.$$

- 1. Explain in non-mathematical English what each part of this expression.
- 2. Explain why λ is the "rate of convergence" and what that means.