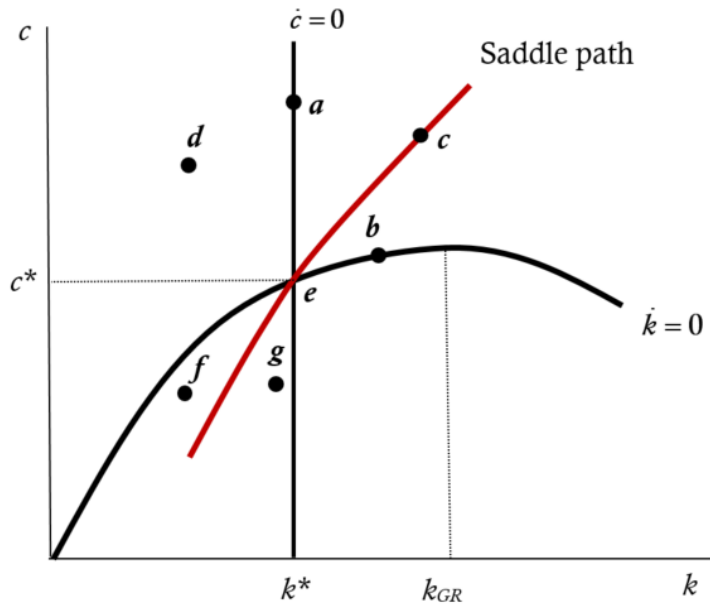


The diagram below represents the phase plane of an economy that follows the Ramsey growth model:



The equations of motion for c and k are:

$$\frac{\dot{c}}{c} = \frac{f'(k(t)) - \rho - \theta g}{\theta},$$

$$\dot{k}(t) = f(k(t)) - c(t) - (n + g)k(t).$$

1. We can consider this diagram to consist of four “quadrants,” divided by the black $\dot{c} = 0$ line and the black $\dot{k} = 0$ curve. Put appropriate horizontal and vertical arrows in each quadrant to show the directions that c and k will move in each quadrant.
2. Trace the dynamics of the economy’s path starting at each of the points a through g .