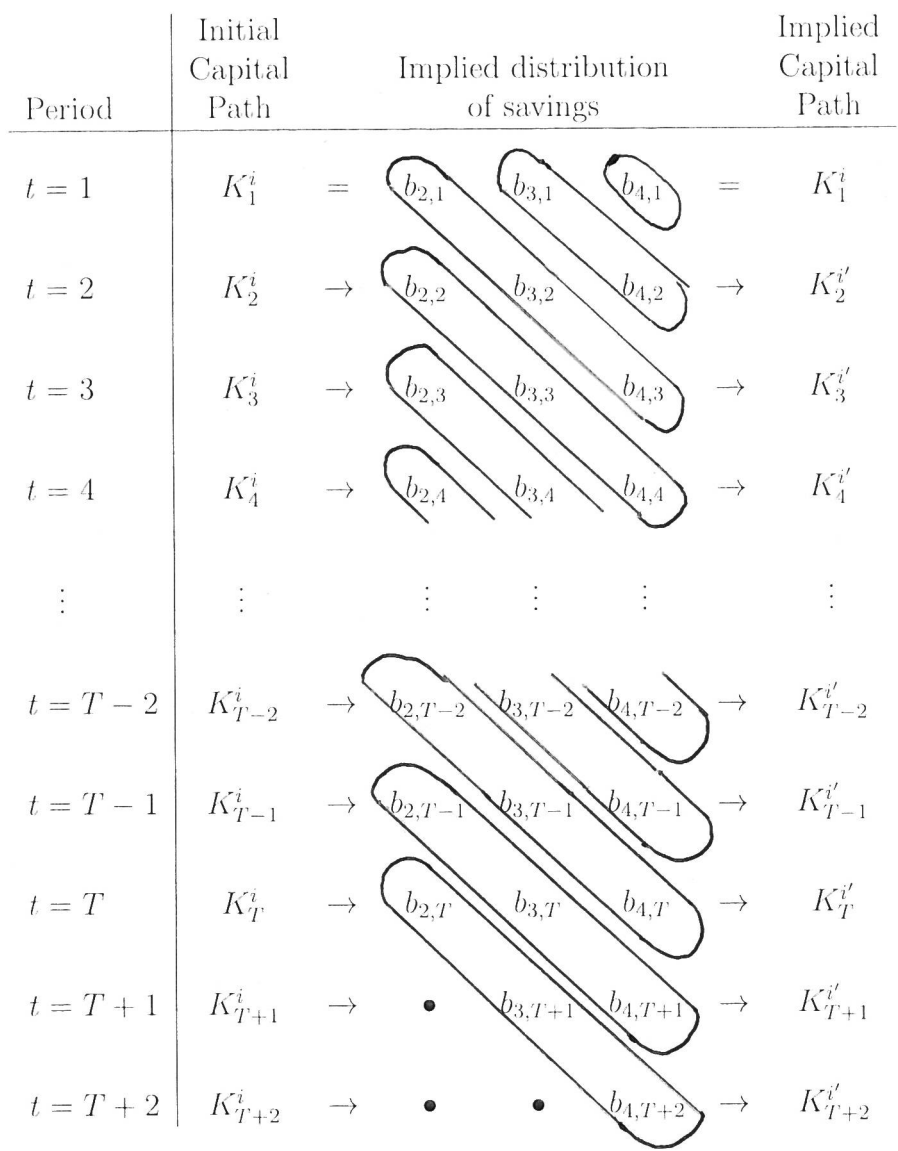
Period
Initial Capital Path
Implied distribution of savings
Implied Capital Path
$t = 1$
K_1^i
$=$
$b_{2,1}$
$b_{3,1}$
$b_{4,1}$
$=$
K_1^i
$t = 2$
K_2^i
$\rightarrow$
$b_{2,2}$
$b_{3,2}$
$b_{4,2}$
$\rightarrow$
$K_2^{i'}$
$t = 3$
K_3^i
$\rightarrow$
$b_{2,3}$
$b_{3,3}$
$b_{4,3}$
$\rightarrow$
$K_3^{i'}$
$t = 4$
K_4^i
$\rightarrow$
$b_{2,4}$
$b_{3,4}$
$b_{4,4}$
$\rightarrow$
$K_4^{i'}$
$t = T-2$
K_{T-2}^i
$\rightarrow$
$b_{2,T-2}$
$b_{3,T-2}$
$b_{4,T-2}$
$\rightarrow$
$K_{T-2}^{i'}$
$t = T-1$
K_{T-1}^i
$\rightarrow$
$b_{2,T-1}$
$b_{3,T-1}$
$b_{4,T-1}$
$\rightarrow$
$K_{T-1}^{i'}$
$t = T$
K_T^i
$\rightarrow$
$b_{2,T}$
$b_{3,T}$
$b_{4,T}$
$\rightarrow$
$K_T^{i'}$
$t = T+1$
K_{T+1}^i
$\rightarrow$
$b_{3,T+1}$
$b_{4,T+1}$
$\rightarrow$
$K_{T+1}^{i'}$
$t = T+2$
K_{T+2}^i
$\rightarrow$
$b_{4,T+2}$
$\rightarrow$
$K_{T+2}^{i'}$