

Q.3a: the steady state occurs
when $x_{t+1} = x_t$ essentially

what we find $x = mx + c$

$$x - mx = c$$

$$x(1-m) = c$$

$$x = \frac{c}{1-m}$$

we find if $m > 1$ $\frac{c}{1-m}$ is undefined
so cannot exist

Q.3c we will calculate the Taylor series expansion
to the first derivative to essentially linearize the
function

$$P(x) = f(x_0) + f'(x_0)(x - x_0) \quad x_0 = x^*$$

$$P(x) = f(x^*) + f'(x^*)x - f'(x^*)x^*$$

we are left with $f'(x^*) = m$ $f(x^*) - f'(x^*)x^* = c$
from the previous question

We know from L that if $m < 1$ it will locally
converge so if $f'(x^*) < 1$ it will be ~~more~~ locally
stable