Table of Contents

Preface **VII**

I Formal Models in Economics 1

1 A chaotic process with slow feed back: The case of business cycles **3**
by Tõnu Puu
1.1 A first model 3
1.1.1 Investments 3
1.1.2 Consumption 4
1.2 The cubic iterative map 5
1.2.1 Fixed points, cycles and chaos 5
1.2.2 Formal analysis of chaotic dynamics 12
1.2.3 Symbolic dynamics 15
1.3 "Brownian random walk" 15
1.4 Digression on order and disorder 18
1.5 The general model 19
1.5.1 Relaxation cycles 20
1.5.2 Other cycles 26
1.5.3 The Slow Feed Back 26
1.6 Conclusion 33

2 Nonlinear Interactions in the Economy **35**
by Erik Mosekilde, Jesper S. Thomsen, and John Sterman
2.1 Introduction 35
2.2 The Long Wave Model 38
2.3 Mode-Locking and Chaos 45
2.4 Conclusion 54

3 Fast and Slow Processes of Economic Evolution **62**
by Åke E. Andersson
3.1 Introduction and Background 62
3.2 The Problems of Economic Development Theory 63
3.3 Synergetic Development Economics — Some Basic Concepts 64

3.4 The Arena 65
3.5 Rules of the Game 66
3.6 Networks 66
3.7 Knowledge As Networks and Knowledge On Networks 67
3.8 Communication and Creativity — some Historical Evidence 68
3.9 Creativity and Communications — Econometric Results 69
3.10 The Inverted Explanation 70
3.11 The Destruction of the Industrial Society 72
3.12 The New Economic Structure 73

4 A stochastic model of technological evolution **75**
by W. Ebeling, M.A. Jiménez-Montaño, E. Bruckner, and A. Scharnhorst
4.1 Introduction 75
4.2 A Substitution Model 78
4.3 Application of a general evolutionary model to technological change . . 82
4.4 Discussion 86

5 Evolution of Production Processes **96**
by Klaus G. Troitzsch
5.1 Introduction 96
5.2 Basic Assumptions 97
5.3 Formalization 97
5.4 Chernenko's Results 99
5.5 An alternative macro model 100
5.6 Simulation results 101
5.7 Modeling evolution on the individual level 104
5.7.1 Simulation run with total extinction 105
5.7.2 Simulation run without extinction 110
5.8 Conclusions 112

6 Innovation Diffusion through Schumpeterian Competition **115**
by Michael Sonis
6.1 Introduction: From "Homo Economicus" to "Homo Socialis": Innovation diffusion as a collective socio-ecological dynamic choice process. 115
6.2 Analytical basis of Schumpeterian Competition: Collective choice and relative socio-spatial dynamics 119
6.3 Explicit analytical presentation of the innovation diffusion dynamics: Dynamic choice models. 122
6.4 Intervention of an active environment: Generation of innovation adoption niches. 123
6.5 Temporal innovation diffusion process 125
6.5.1 Qualitative analysis of the Schumpeter competition cycles for Clusters of competitive innovations 128
6.5.2 Variational principle of meso-level collective choice behaviour . . 134
6.6 Concluding Remark 137

7 Nonlinear Threshold Dynamics: Further Examples for Chaos in Social Sciences 141
by Gustav Feichtinger
7.1 Introduction 141
7.2 A Short Course into Chaos 142
7.3 How Addictive Behaviour and Threshold Adjustment May Imply Chaos 143
7.4 How Asymmetric Investment Behaviour of Two Competing Firms Generates Chaos 146
7.5 Concluding Remarks 153

II Formal Models in Geography 155

8 Geography, Physics and Synergetics 157
by Denise Pumain
8.1 Introduction 157
8.2 Models of geographical interactions 158
8.2.1 Polarization and gravitation 158
8.2.2 Reformulations of the gravity model 160
8.2.3 The entropy maximizing approach 162
8.2.4 About men and particles 163
8.3 Models of geographical structures 163
8.3.1 The relativity of geographical space 164
8.3.2 Fractality of geographical space 164
8.3.3 Space–time convergence 166
8.3.4 The example of urban hierarchies 169
8.3.5 Processes and geographical forms 171
8.4 Conclusion 173

9 Chaotic Behaviour in Spatial Systems and Forecasting 176
by Günter Haag
9.1 Introduction 176
9.2 An Example for Chaotic Evolution: Migratory Systems 178
9.2.1 A Numerical Simulation 181
9.3 Estimation of Trend Parameters 185
9.4 The Estimation Procedure 185
9.5 Forecasting for Systems with Chaotic Evolution 186
9.5.1 Step I: Confidence Limits on Model Parameters by Monte Carlo Estimation 187
9.5.2 Step II: Monte Carlo Simulation of Systems Trajectories 187

10 Model Identification for Estimating Missing Values in Space–Time Data Series: Monthly Inflation in the US Urban System, 1977–1990 192
by Daniel A. Griffith
10.1 Introduction 192
10.2 Background 193

10.3 Update of individual urban area ARIMA models 194
10.4 Jackknife results for New York and Los Angeles 196
10.5 Transfer function interpolation 198
10.6 Implications 200

11 Explanation of Residential Segregation in one City. The Case of Cologne **219**
by Jörg Blasius
11.1 Introduction 219
11.2 Measuring Segregation 220
11.3 Data 223
11.4 The Index of Inequality 224
11.5 Solutions 225
11.6 Statistical Explanation 229
11.7 Discussion 230

12 Determinants of Remigrant Behavior: An Application of the Grouped Cox Model **234**
by Beatrix Brecht
12.1 Introduction 234
12.2 Migrants in Germany 235
12.3 Foundations of the Survival Analysis 238
12.4 The Grouped Cox Model 242
12.5 Results 249
12.5.1 Estimations with the Total Sample 249
12.5.2 Estimations with a Subsample (20% CensoredData) 250
12.6 Conclusion 252

III Formal Models in Demography 255

13 Birth Control as a Social Dilemma **257**
by Ulrich Mueller
13.1 Introduction 257
13.1.1 Purpose 264
13.2 Method 264
13.3 Results 265
13.4 Discussion 278

14 Sex–Ratio, divorce, and labor force participation — An analysis of international aggregate data **283**
by Andreas Diekmann
14.1 Introduction 283
14.2 Data and measurement of variables 286
14.3 Results 287
14.4 Conclusion 292

15 Some Aspects of Competing Risks in Demography 294
by Harald Schmidbauer
15.1 Introduction 294
15.2 The Latent Failure Model 295
15.3 The Problem of Nonidentifiability 296
15.3.1 Inclusion of covariates (regressors) 297
15.3.2 Bounds on net probabilities 297
15.3.3 Functional form assumptions about S 297
15.3.4 The postulate of independence 298
15.4 A Discrete-Time Model of Risk Elimination 298
15.5 Example 302
15.6 Conclusions 304

16 Dynamic Structural Equations in Discrete and Continuous Time 306
by Hermann Singer
16.1 Introduction 306
16.2 Dynamic State Space Models 307
16.3 Maximum Likelihood Parameter Estimation with Continuous Measurements 308
16.4 Maximum Likelihood Parameter Estimation with Discrete Measurements 312
16.5 Conclusion 316

17 Recursive Probability Estimators for Count Data 321
by Rainer Winkelmann and Klaus F. Zimmermann
17.1 Introduction 321
17.2 Katz Family 322
17.3 Separability and the A.L.D.P. 324
17.4 Application 326

18 A Mathematical Model for Behavioral Changes by Pair Interactions 330
by Dirk Helbing
18.1 Introduction 330
18.2 The master equation 331
18.3 Most probable behavioral distribution 333
18.4 Kinds of pair interactions 334
18.4.1 Computer simulations 336
18.5 Game dynamical equations 340
18.5.1 Connection between BOLTZMANN-like and game dynamical equations 341
18.5.2 Stochastic version of the game dynamical equations 342
18.5.3 Selforganization of behavioral conventions by competition between equivalent strategies 343
18.6 Summary and Conclusions 346

19 Employment and Education as Non–Linear Network–Populations, Part I: Theory, Categorization and Methodology **349**
by Günter Haag and Karl H. Müller
19.1 Self–organization Models 352
19.2 Classification Stabilities 356
19.3 Methodolgy Considerations 361
19.3.1 Model Selection 364
19.3.2 Basic Assumptions 365
19.3.3 Micro–Macro–Relations 367
19.4 Systems Couplings 373

20 Employment and Education as Non-Linear Network Populations. Part II: Model Structures, Estimations, and Scenarios **377**
by Günter Haag and Karl H. Müller
20.1 The Explanatory Framework 379
20.1.1 The Explanation Scheme for the Master Equation Framework . 379
20.1.2 Five Different Designs for Factor Selections 383
20.2 Model Structures 386
20.2.1 The Employment Model 386
20.2.2 Equations of Motion 389
20.2.3 The Education Model 390
20.3 Estimation Results 399
20.4 Scenario Results 399
20.5 Scenario – Dimensions 399
20.6 Future Perspectives 407