

CONTENTS

PREFACE.....	xi
PART ONE. THEORETICAL METHODS AND ALGORITHMS.....	1
CHAPTER	
I. INTRODUCTION: A GUIDE TO CONTROL-REGULATION STRUCTURES OF INFORMATIONALLY DECENTRALIZED ECONOMIC SYSTEMS.....	3
1.1. Background of the Study and Its Limitation.....	3
1.2. Information Structures and Patterns of Large and Decentralized Systems.....	6
1.3. The Optimality Approach: Dynamic Team Decisions.....	8
1.3.1. Witsenhausen's Counterexample.....	8
1.3.2. Dynamic Teams.....	13
1.3.3. Some Remarks.....	17
1.3.4. Related Topics: Decentralized Stochastic Control-Regulation.....	19
1.4. The Stability and Stabilizability Approach.....	22
1.4.1. Stabilization of Interconnected System and Related Topics.....	22
1.4.2. McFadden's Decentralized Macroeconomic Systems.....	25
1.5. The Control Simulation Approach.....	27
1.6. Some Comments.....	30
References.....	34
II. INFORMATION AND CONTROL-REGULATION STRUCTURES OF A LARGE AND DECENTRALIZED SYSTEM.....	39
2.1. Introduction.....	39
2.2. The Model of a System and Controllability Conditions.....	41
2.3. Information Structures and Observability Conditions.....	43
2.4. Optimal Control Problem.....	52
2.5. Optimal Condition.....	53
2.6. Regulation Structure.....	57

2.7. Conclusions and Some Remarks.....	62
References.....	63
III. DYNAMIC TEAM DECISION FOR INFORMATIONALLY DECENTRALIZED CONTROL-REGULATION.....	67
3.1. Introduction.....	67
3.2. Informationally Decentralized Control-Regulation Problem.....	69
3.3. Dynamic Team Decision.....	72
3.4. Optimal Solutions.....	75
3.4.1. The One-Step-Delay Sharing Information Case	77
3.4.2. The Two-Step-Delay Sharing Information Case	78
3.5. An Illustrative Example: An Aggregate Production Planning Model.....	80
Appendix: Suboptimal Decentralized Control-Regulation of Linear Stochastic System.....	83
3.A.1. The Model and Problem Statement.....	83
3.A.2. PBPS Team Decision Rules.....	86
3.A.3. Some Remarks and Further Research.....	88
References.....	89
IV. A DECENTRALIZED COMPUTATIONAL METHOD AND ALGORITHM FOR TEAMS DECISION: AN ILLUSTRATIVE EXAMPLE.....	93
4.1. Introduction.....	93
4.2. The Basic Aggregate Production Planning Model and the Optimal Control Procedure.....	94
4.2.1. The Basic Model.....	94
4.2.2. The Optimal Control Procedure.....	98
4.3. The Practical Control Simulation Method.....	103
4.3.1. The Extended Model.....	103
4.3.2. Determination of Optimal Planning Frame.....	107
4.4. Some Remarks.....	110
References.....	111

V.	DYNAMIC OPTIMIZATION OF HIERARCHICAL INTERCONNECTED SYSTEMS.....	113
5.1.	Introduction.....	113
5.2.	Hierarchical Two-Level Control Structure.....	115
5.3.	Two-Level Feedback Control Solution for Interaction Prediction Principle.....	120
5.4.	An Illustrative Example: Model Formulation of Production Planning.....	126
5.5.	Concluding Remarks.....	130
	References.....	132
VI.	STATE SPACE REPRESENTATION FOR MACROECONOMETRIC INTERCONNECTED MODELS AND HIERARCHICAL OPTIMIZATION BY DECOMPOSITION-COORDINATION.....	133
6.1.	Introduction.....	133
6.2.	State Space Representation for Macroeconometric Models Consisting of Interconnected Submodels....	134
6.2.1.	ϵ -Minimal Dimension Realization.....	134
6.2.2.	State Space Representation for Macroeconometric Interconnected Submodels....	140
6.3.	Dynamic Optimization by Decomposition-Coordination.....	141
6.3.1.	Two-Level Control Algorithm.....	141
6.3.2.	Coordination Algorithm.....	150
6.3.3.	The State Estimation of Hierarchical Level... ..	160
6.4.	Conclusions and Further Research.....	162
	References.....	165
	PART TWO. APPLICATIONS AND METHODS IN PRACTICE.....	167
	CHAPTER	
VII.	A DIFFERENTIAL GAME FOR DECENTRALIZED MACROECONOMIC POLICIES IN INTERDEPENDENT ECONOMIES.....	169
7.1.	Introduction.....	169
7.2.	The Dynamic Game Model of Decentralized Interdependent Economies.....	171

11.2.1. Modeling for the Problem.....	260
11.2.2. Linearized Model and Its Solutions.....	263
11.3. The Control Simulation Method.....	265
11.3.1. Convergent Criteria.....	265
11.3.2. Coordination Problem.....	267
11.4. The Practical Computation.....	269
11.4.1. A Computational Method.....	269
11.4.2. A Numerical Example.....	271
11.4.3. Some Comments.....	275
11.5. Suggestions for Further Research: Robust Design Methods.....	276
References.....	279
BIBLIOGRAPHY.....	281

7.2.1.	The Dynamic Game Model.....	171
7.2.2.	State Space Representation for the Model.....	174
7.3.	Controllability and a Dynamic Interpretation of Tinbergen Theorem.....	177
7.4.	Optimal Control Policy of the Model.....	182
7.5.	Nonzero-Sum Different Game for the Model.....	185
7.5.1.	The Assumptions and Game Rules.....	185
7.5.2.	Min-Min Control and Counteract-Move Control Games.....	187
7.5.3.	Necessary and Sufficient Conditions for the Existence of Optimal Solution.....	190
7.6.	Concluding Remarks.....	193
	References.....	200
VIII.	DECENTRALIZED STABILIZATION POLICIES IN INTERDEPENDENT ECONOMIES.....	205
8.1.	Introduction.....	205
8.2.	A Prototype Model of Open Economy.....	205
8.3.	Decentralized Stabilization Policies.....	209
8.3.1.	Decentralized Controllability: McFadden's Method.....	209
8.3.2.	The Stabilization Policy 1.....	211
8.3.3.	The Stabilization Policy 2.....	214
8.4.	Some Remarks.....	215
	References.....	216
IX.	UNCOORDINATED STABILIZATION POLICIES FOR AN INFORMATIONALLY DECENTRALIZED ECONOMIC MODEL.....	217
9.1.	Introduction.....	217
9.2.	The Static Decentralized Policy.....	218
9.3.	The Dynamic Decentralized Policy.....	221
9.4.	The Basic Model of an Informationally Decentralized Economic Model and the Qualitative Analysis.....	222
9.4.1.	The Basic Model and Its Conventional Analysis.....	222

9.4.2. Decentralized Policies and Stability:	
The Dynamic Case.....	226
9.4.3. The Equilibrium Value and the Bias.....	228
9.5. Further Research Suggested.....	229
9.5.1. An Extension of the Model.....	229
9.5.2. Rational Expectations, Information and Stabilization Policy.....	231
9.5.3. The Direction and Design of Extended Model Formulation.....	234
References.....	236

X.	A QUANTITATIVE ANALYSIS OF DECENTRALIZED STABILIZATION POLICIES FOR MACROECONOMETRIC MODEL: COORDINATION AND UNCOORDINATION.....	239
10.1.	Introduction.....	239
10.2.	Policy Optimization for Macroeconometric Model.....	240
10.2.1.	The Linearized Approximation.....	240
10.2.2.	Determination of Feedback Parameter.....	241
10.3.	Decentralized Stabilization Policies for Klein's Model I.....	243
10.3.1.	Klein's Model I.....	243
10.3.2.	Coordinated Policy.....	244
10.3.3.	Uncoordinated Policy.....	246
(i).	The Government Sector.....	246
(ii).	The Private Sector.....	247
10.4.	The Bias of the Decentralized Policy Rule.....	248
10.5.	Some Remarks.....	253
Appendix:	Uchida's Control Test	254
	References.....	257

XI.	TOWARDS A PRACTICAL METHOD OF MODELING AND SIMULATION ANALYSIS.....	259
11.1.	Introduction.....	259
11.2.	Modeling and Its Control Solutions.....	260