

Contents

0	Introduction	1
1	The Calculus of Finite Differences	9
1.1	The First Difference Function	9
1.2	Second and Higher Differences	18
1.3	The Operator E	21
1.4	Some Properties of Δ and E	24
1.5	Equivalence of Operators	34
1.6	Indefinite Summation: The Operator Δ^{-1}	41
* 1.7	Analogies between the Difference and Differential Calculus	46
2	Difference Equations	50
2.1	Basic Definitions	50
2.2	Solutions of a Difference Equation	55
2.3	An Existence and Uniqueness Theorem	60
2.4	The Equation $y_{k+1} = Ay_k + B$	63
2.5	Sequences	69
2.6	Solutions as Sequences	77
2.7	Simple and Compound Interest	87
2.8	Economic Dynamics	93
2.9	Inventory Analysis	98
2.10	A Probability Model for Learning	103
2.11	Geometric Growth	110
* 2.12	Approximating a Differential Equation by a Difference Equation	116
3	Linear Difference Equations with Constant Coefficients	121
3.1	Some Basic Theorems	121
3.2	Fundamental Sets of Solutions	128

3.3	General Solution of the Homogeneous Equation	134
3.4	Particular Solutions of the Complete Equation	143
3.5	Limiting Behavior of Solutions	148
3.6	Illustrative Examples from the Social Sciences	153
3.7	The General Case of Order n	163
* 3.8	Linear Differential Equations with Constant Coefficients	167
4	Selected Topics	169
4.1	Equilibrium and Stability	169
4.2	First-Order Equations and Cobweb Cycles	176
4.3	A Characteristic-Value Problem	184
* 4.4	Generating Functions	189
4.5	Matrix Methods	207
	Selected References	246
	Answers to Problems	248
	Index	255