

Contents

PREFACE TO SECOND EDITION	iii
PREFACE TO FIRST EDITION	v
INTRODUCTION	
A. Scope of the Book	xv
B. Outline of the Book	xviii
SOME FREQUENTLY USED NOTATIONS	3
CHAPTER 0 PRELIMINARIES	5
A. Mathematical Preliminaries	5
a. Some Basic Concepts and Notations	5
b. R^n and Linear Space	9
c. Basis and Linear Functions	14
d. Convex Sets	20
e. A Little Topology	23
B. Separation Theorems	39
C. Activity Analysis and the General Production Set	49
CHAPTER 1 DEVELOPMENTS OF NONLINEAR PROGRAMMING	59
A. Introduction	59
B. Concave Programming—Saddle-Point Characterization	66
C. Differentiation and the Unconstrained Maximum Problem	79
a. Differentiation	79
b. Unconstrained Maximum	86
D. The Quasi-Saddle-Point Characterization	90
<i>Appendix to Section D: A Further Note on the Arrow-Hurwicz-Uzawa Theorem</i>	106

E.	Some Extensions	112
a.	Quasi-Concave Programming	113
b.	The Vector Maximum Problem	116
c.	Quadratic Forms, Hessians, and Second-Order Conditions	121
F.	Applications, Envelope Theorem, Duality, and Related Topics	133
a.	Some Applications	133
b.	The Envelope Theorem	137
c.	Elements of Micro Theory	141
d.	Elasticities of Factor Substitution, Duality, and Translog Estimation	144
G.	Linear Programming and Classical Optimization	155
a.	Linear Programming	156
b.	The Classical Theory of Optimization	159
c.	Comparative Statics	161
d.	The Second-Order Conditions and Comparative Statics	162
e.	An Example: Hicks-Slutsky Equation	163
CHAPTER 2 THE THEORY OF COMPETITIVE MARKETS		169
A.	Introduction	169
B.	Consumption Set and Preference Ordering	175
a.	Consumption Set	175
b.	Quasi-Ordering and Preference Ordering	176
c.	Utility Function	179
d.	The Convexity of Preference Ordering	181
C.	The Two Classical Propositions of Welfare Economics	185
<i>Appendix to Section C: Introduction to the Theory of the Core</i>		204
a.	Introduction	204
b.	Some Basic Concepts	207
c.	Theorems of Debreu and Scarf	213
d.	Some Illustrations	218
e.	Some Remarks	224
D.	Demand Theory	234
<i>Appendix to Section D: Various Concepts of Semicontinuity and the Maximum Theorem</i>		249
a.	Various Concepts of Semicontinuity	249
b.	The Maximum Theorem	253
E.	The Existence of Competitive Equilibrium	255
a.	Historical Background	255
b.	McKenzie's Proof	265
<i>Appendix to Section E: On the Uniqueness of Competitive Equilibrium</i>		280

F. Programming, Pareto Optimum, and the Existence of Competitive Equilibria	285
CHAPTER 3 THE STABILITY OF COMPETITIVE EQUILIBRIUM	295
A. Introduction	295
B. Elements of the Theory of Differential Equations	302
C. The Stability of Competitive Equilibrium—The Historical Background	313
D. A Proof of Global Stability for the Three-Commodity Case (with Gross Substitutability)—An Illustration of the Phase Diagram Technique	321
E. A Proof of Global Stability with Gross Substitutability—The n -commodity Case	325
F. Some Remarks	331
a. An Example of Gross Substitutability	331
b. Scarf's Counterexample	333
c. Consistency of Various Assumptions	335
d. Nonnegative Prices	336
G. The <i>Tâtonnement</i> and the Non- <i>Tâtonnement</i> Processes	339
a. The Behavioral Background and the <i>Tâtonnement</i> Process	340
b. The <i>Tâtonnement</i> and the Non- <i>Tâtonnement</i> Processes	341
H. Liapunov's Second Method	347
CHAPTER 4 FROBENIUS THEOREMS, DOMINANT DIAGONAL MATRICES, AND APPLICATIONS	359
A. Introduction	359
B. Frobenius Theorems	367
C. Dominant Diagonal Matrices	380
D. Some Applications	391
a. Summary of Results	391
b. Input-Output Analysis	394
c. The Expenditure Lag Input-Output Analysis	396
d. Multicountry Income Flows	397
e. A Simple Dynamic Leontief Model	398
f. Stability of Competitive Equilibrium	399
g. Comparative Statics	403
CHAPTER 5 THE CALCULUS OF VARIATIONS AND THE OPTIMAL GROWTH OF AN AGGREGATE ECONOMY	410
A. Elements of the Calculus of Variations and Its Applications	410
a. Statement of the Problem	410

b.	Euler's Equation	413
c.	Solutions of Illustrative Problems	415
B.	Spaces of Functions and the Calculus of Variations	419
a.	Introduction	419
b.	Spaces of Functions and Optimization	421
c.	Euler's Condition and a Sufficiency Theorem	426
C.	A Digression: The Neo-Classical Aggregate Growth Model	432
D.	The Structure of the Optimal Growth Problem for an Aggregate Economy	444
a.	Introduction	444
b.	The Case of a Constant Capital:Output Ratio	450
c.	Nonlinear Production Function with Infinite Time Horizon	459
<i>Appendix to Section D: A Discrete Time Model of One-Sector Optimal Growth and Sensitivity Analysis</i>		468
a.	Introduction	468
b.	Model	470
c.	The Optimal Attainable Paths	474
d.	Sensitivity Analysis: Brock's Theorem	480
CHAPTER 6 MULTISECTOR MODELS OF ECONOMIC GROWTH		486
A.	The von Neumann Model	486
a.	Introduction	486
b.	Major Theorems	491
c.	Two Remarks	497
B.	The Dynamic Leontief Model	503
a.	Introduction	503
b.	The Output System	507
c.	The Price System	517
d.	Inequalities and Optimization Model (Solow)	522
e.	Morishima's Model of the Dynamic Leontief System	527
<i>Appendix to Section B: Some Problems in the Dynamic Leontief Model—The One-Industry Illustration</i>		541
CHAPTER 7 MULTISECTOR OPTIMAL GROWTH MODELS		559
A.	Turnpike Theorems	559
a.	Introduction	559
b.	The Basic Model and Optimality	561
c.	Free Disposability and the Condition for Optimality	563
d.	The Radner Turnpike Theorem	567
B.	Multisector Optimal Growth with Consumption	575
a.	Introduction	575

b.	The Model	577
c.	Finite Horizon: Optimality and Competitiveness	580
d.	Optimal Stationary Program	583
e.	O.S.P. and Eligibility	587
f.	Optimal Program for an Infinite Horizon Problem	594
CHAPTER 8 DEVELOPMENTS OF OPTIMAL CONTROL THEORY AND ITS APPLICATIONS		600
A.	Pontryagin's Maximum Principle	600
a.	Optimal Control: A Simple Problem and the Maximum Principle	600
b.	The Proof of a Simple Case	606
c.	Various Cases	609
d.	An Illustrative Problem: The Optimal Growth Problem	617
B.	Some Applications	627
a.	Regional Allocation of Investment	627
b.	Optimal Growth with a Linear Objective Function	638
C.	Further Developments in Optimal Control Theory	646
a.	Constraint: $g[x(t), u(t), t] \geq 0$	646
b.	Hestenes' Theorem	651
c.	A Sufficiency Theorem	660
D.	Two Illustrations: The Constraint $g[x(t), u(t), t] \geq 0$ and the Use of the Control Parameter	667
a.	Optimal Growth Once Again	667
b.	Two Peak-Load Problems	671
E.	The Neo-Classical Theory of Investment and Adjustment Costs—An Application of Optimal Control Theory	685
a.	Introduction	685
b.	The Case of No Adjustment Costs	688
c.	The Case with Adjustment Costs	697
d.	Some Remarks	703
INDEXES		721