

Contents

Preface **xiii**

Part I Introduction and Fundamentals

Chapter 1

Introduction **3**

1.1 What Is an Economic Model? **3**

1.2 How to Use This Book **8**

1.3 Conclusion **9**

Chapter 2

Review of Fundamentals **11**

2.1 Sets and Subsets **11**

2.2 Numbers **23**

2.3 Some Properties of Point Sets in \mathbb{R}^n **31**

2.4 Functions **41**

Chapter 3

Sequences, Series, and Limits **61**

3.1 Definition of a Sequence **61**

3.2 Limit of a Sequence **65**

3.3 Present-Value Calculations **69**

3.4 Properties of Sequences **79**

3.5 Series **84**

Part II Univariate Calculus and Optimization

Chapter 4

Continuity of Functions **103**

4.1 Continuity of a Function of One Variable **103**

4.2 Economic Applications of Continuous and Discontinuous Functions **11**

Chapter 5

The Derivative and Differential for Functions of One Variable 127

- 5.1 Definition of a Tangent Line 127
- 5.2 Definition of the Derivative and the Differential 134
- 5.3 Conditions for Differentiability 141
- 5.4 Rules of Differentiation 147
- 5.5 Higher Order Derivatives: Concavity and Convexity of a Function 175
- 5.6 Taylor Series Formula and the Mean-Value Theorem 185

Chapter 6

Optimization of Functions of One Variable 195

- 6.1 Necessary Conditions for Unconstrained Maxima and Minima 196
- 6.2 Second-Order Conditions 211
- 6.3 Optimization over an Interval 220

Part III Linear Algebra

Chapter 7

Systems of Linear Equations 235

- 7.1 Solving Systems of Linear Equations 236
- 7.2 Linear Systems in n -Variables 250

Chapter 8

Matrices 267

- 8.1 General Notation 267
- 8.2 Basic Matrix Operations 273
- 8.3 Matrix Transposition 288
- 8.4 Some Special Matrices 293

Chapter 9

Determinants and the Inverse Matrix 301

- 9.1 Defining the Inverse 301
- 9.2 Obtaining the Determinant and Inverse of a 3×3 Matrix 318
- 9.3 The Inverse of an $n \times n$ Matrix and Its Properties 324
- 9.4 Cramer's Rule 329

Chapter 10

Some Advanced Topics in Linear Algebra 347

- 10.1 Vector Spaces 347
- 10.2 The Eigenvalue Problem 363
- 10.3 Quadratic Forms 378

Part IV Multivariate Calculus

Chapter 11

- Calculus for Functions of n -Variables **393**
- 11.1** Partial Differentiation **393**
- 11.2** Second-Order Partial Derivatives **407**
- 11.3** The First-Order Total Differential **415**
- 11.4** Curvature Properties: Concavity and Convexity **436**
- 11.5** More Properties of Functions with Economic Applications **451**
- 11.6** Taylor Series Expansion* **464**

Chapter 12

- Optimization of Functions of n -Variables **473**
- 12.1** First-Order Conditions **474**
- 12.2** Second-Order Conditions **484**
- 12.3** Direct Restrictions on Variables **491**

Chapter 13

- Constrained Optimization **503**
- 13.1** Constrained Problems and Approaches to Solutions **504**
- 13.2** Second-Order Conditions for Constrained Optimization **516**
- 13.3** Existence, Uniqueness, and Characterization of Solutions **520**

Chapter 14

- Comparative Statics **529**
- 14.1** Introduction to Comparative Statics **529**
- 14.2** General Comparative-Statics Analysis **540**
- 14.3** The Envelope Theorem **554**

Chapter 15

- Concave Programming and the Kuhn-Tucker Conditions **567**
- 15.1** The Concave-Programming Problem **567**
- 15.2** Many Variables and Constraints **575**

Part V Integration and Dynamic Methods

Chapter 16

- Integration **585**
- 16.1** The Indefinite Integral **585**
- 16.2** The Riemann (Definite) Integral **593**
- 16.3** Properties of Integrals **605**

| | | |
|---|---|-----|
| 16.4 | Improper Integrals | 613 |
| 16.5 | Techniques of Integration | 623 |
| Chapter 17 | | |
| An Introduction to Mathematics for Economic Dynamics | | 633 |
| 17.1 | Modeling Time | 634 |
| Chapter 18 | | |
| Linear, First-Order Difference Equations | | 643 |
| 18.1 | Linear, First-Order, Autonomous Difference Equations | 643 |
| 18.2 | The General, Linear, First-Order Difference Equation | 656 |
| Chapter 19 | | |
| Nonlinear, First-Order Difference Equations | | 665 |
| 19.1 | The Phase Diagram and Qualitative Analysis | 665 |
| 19.2 | Cycles and Chaos | 673 |
| Chapter 20 | | |
| Linear, Second-Order Difference Equations | | 681 |
| 20.1 | The Linear, Autonomous, Second-Order Difference Equation | 681 |
| 20.2 | The Linear, Second-Order Difference Equation with a Variable Term | 708 |
| Chapter 21 | | |
| Linear, First-Order Differential Equations | | 715 |
| 21.1 | Autonomous Equations | 715 |
| 21.2 | Nonautonomous Equations | 731 |
| Chapter 22 | | |
| Nonlinear, First-Order Differential Equations | | 739 |
| 22.1 | Autonomous Equations and Qualitative Analysis | 739 |
| 22.2 | Two Special Forms of Nonlinear, First-Order Differential Equations | 748 |
| Chapter 23 | | |
| Linear, Second-Order Differential Equations | | 753 |
| 23.1 | The Linear, Autonomous, Second-Order Differential Equation | 753 |
| 23.2 | The Linear, Second-Order Differential Equation with a Variable Term | 772 |
| Chapter 24 | | |
| Simultaneous Systems of Differential and Difference Equations | | 781 |
| 24.1 | Linear Differential Equation Systems | 781 |
| 24.2 | Stability Analysis and Linear Phase Diagrams | 803 |
| 24.3 | Systems of Linear Difference Equations | 825 |

| | |
|--|------------|
| Chapter 25 | |
| Optimal Control Theory | 845 |
| 25.1 The Maximum Principle | 848 |
| 25.2 Optimization Problems Involving Discounting | 860 |
| 25.3 Alternative Boundary Conditions on $x(T)$ | 872 |
| 25.4 Infinite-Time Horizon Problems | 886 |
| 25.5 Constraints on the Control Variable | 899 |
| 25.6 Free-Terminal-Time Problems (T Free) | 909 |
| Answers | 921 |
| Index | 953 |