

CONTENTS

Preface to the Second Edition	xi	
Preface to the First Edition	xiii	
PART 1	INTRODUCTION	
One	The Nature of Mathematical Economics	3
1.1	Mathematical versus Nonmathematical Economics	4
1.2	Mathematical Economics versus Econometrics	6
Two	Economic Models	8
2.1	Ingredients of a Mathematical Model	8
2.2	The Real-Number System	11
2.3	The Concept of Sets	12
2.4	Relations and Functions	19
2.5	Types of Functions	26
2.6	Functions of Two or More Independent Variables	32
2.7	The Level of Generality	34

PART 2 STATIC (OR EQUILIBRIUM) ANALYSIS

Three	Equilibrium Analysis in Economics	39
3.1	The Meaning of Equilibrium	39
3.2	Partial Market Equilibrium—A Linear Model	40
3.3	Partial Market Equilibrium—A Nonlinear Model	44
3.4	General Market Equilibrium	50
3.5	Equilibrium in National-Income Analysis	56
Four	Linear Models and Matrix Algebra	59
4.1	Matrices and Vectors	61
4.2	The Algebra of Matrices	63
4.3	Notes on the Algebra of Vectors	72
4.4	Commutative, Associative, and Distributive Laws	81
4.5	Identity Matrices and Null Matrices	85
4.6	Transposes and Inverses	88
Five	Linear Models and Matrix Algebra (continued)	95
5.1	Conditions for Nonsingularity of a Matrix	95
5.2	Test of Nonsingularity by Use of Determinant	100
5.3	Basic Properties of Determinants	106
5.4	Finding the Inverse Matrix	111
5.5	Cramer's Rule	116
5.6	Application to Market and National-Income Models	120
5.7	Leontief Input-Output Models	123
5.8	Limitations of Static Analysis	131

PART 3 COMPARATIVE-STATIC ANALYSIS

Six	Comparative Statics and the Concept of Derivative	135
6.1	The Nature of Comparative Statics	135
6.2	Rate of Change and the Derivative	136
6.3	The Derivative and the Slope of a Curve	139
6.4	The Concept of Limit	141
6.5	Digression on Inequalities and Absolute Values	149
6.6	Limit Theorems	153
6.7	Continuity and Differentiability of a Function	156
Seven	Rules of Differentiation and Their Use in Comparative Statics	164
7.1	Rules of Differentiation for a Function of One Variable	164

7.2	Rules of Differentiation Involving Two or More Functions of the Same Variable	169
7.3	Rules of Differentiation Involving Functions of Different Variables	179
7.4	Partial Differentiation	184
7.5	Applications to Comparative-Static Analysis	188
7.6	Note on Jacobian Determinants	194
Eight	Comparative-Static Analysis of General-Function Models	198
8.1	Differentials	199
8.2	Total Differentials	205
8.3	Rules of Differentials	208
8.4	Total Derivatives	210
8.5	Derivatives of Implicit Functions	216
8.6	Comparative Statics of General-Function Models	228
8.7	Limitations of Comparative Statics	240
 PART 4 OPTIMIZATION PROBLEMS		
Nine	Optimization: A Special Variety of Equilibrium Analysis	243
9.1	Optimum Values and Extreme Values	244
9.2	Relative Maximum and Minimum: First-Derivative Test	245
9.3	Second and Higher Derivatives	252
9.4	Second-Derivative Test	258
9.5	Digression on Maclaurin and Taylor Series	267
9.6	<i>n</i> th-Derivative Test for Relative Extremum of a Function of One Variable	274
Ten	Exponential and Logarithmic Functions	280
10.1	The Nature of Exponential Functions	281
10.2	Natural Exponential Functions and the Problem of Growth	287
10.3	Logarithms	295
10.4	Logarithmic Functions	301
10.5	Derivatives of Exponential and Logarithmic Functions	306
10.6	Optimal Timing	312
10.7	Further Applications of Exponential and Logarithmic Derivatives	317

Eleven	The Case of More Than One Choice Variable	322
11.1	Second-Order Partial Derivatives and Total Differentials	323
11.2	Extreme Values of a Function of Two Variables	327
11.3	Quadratic Forms—An Excursion	334
11.4	Objective Functions with More than Two Variables	346
11.5	Economic Examples	356
11.6	Comparative-Static Aspects of Optimization	368
Twelve	Constrained Optimization	373
12.1	Effects of a Constraint	374
12.2	Finding the Stationary Values	376
12.3	Second-Order Condition	383
12.4	Utility Maximization and Consumer Demand	391
12.5	Note on Homogeneous Functions	403
12.6	Least-Cost Combination of Inputs	412
12.7	Some Concluding Remarks	423
PART 5 DYNAMIC ANALYSIS		
Thirteen	Economic Dynamics and Integral Calculus	427
13.1	Dynamics and Integration	428
13.2	Indefinite Integrals	430
13.3	Definite Integrals	440
13.4	Improper Integrals	448
13.5	Some Economic Applications of Integrals	452
13.6	Domar Growth Model	460
Fourteen	Continuous Time: First-Order Differential Equations	466
14.1	First-Order Linear Differential Equations with Constant Coefficient and Constant Term	466
14.2	Dynamics of Market Price	472
14.3	Variable Coefficient and Variable Term	476
14.4	Exact Differential Equations	480
14.5	Nonlinear Differential Equations of the First Order and First Degree	488
14.6	The Qualitative-Graphic Approach	493
14.7	Solow Growth Model	497
Fifteen	Higher-Order Differential Equations	502
15.1	Second-Order Linear Differential Equations with Constant Coefficients and Constant Term	503

15.2	Domar Burden-of-Debt Model	511
15.3	Complex Numbers and Circular Functions	516
15.4	Analysis of the Complex-Root Case	529
15.5	A Market Model with Price Expectations	535
15.6	Differential Equations with a Variable Term	540
15.7	Higher-Order Linear Differential Equations	543
Sixteen	Discrete Time: First-Order Difference Equations	549
16.1	Discrete Time, Differences, and Difference Equations	550
16.2	Solving a First-Order Difference Equation	552
16.3	Dynamic Stability of Equilibrium	558
16.4	The Cobweb Model	562
16.5	A Market Model with Inventory	567
16.6	Nonlinear Difference Equations—the Qualitative-Graphic Approach	571
Seventeen	Higher-Order Difference Equations and Simultaneous-Equation Dynamic Models	578
17.1	Second-Order Linear Difference Equations with Constant Coefficients and Constant Term	579
17.2	Samuelson Multiplier-Accelerator Interaction Model	588
17.3	Generalizations to Variable-Term and Higher-Order Equations	594
17.4	Simultaneous Linear Difference Equations and Differential Equations	602
17.5	Dynamic Input-Output Models	612
17.6	Limitations of Dynamic Analysis	620
PART 6	MATHEMATICAL PROGRAMMING AND GAME THEORY	
Eighteen	Linear Programming	625
18.1	Simple Examples of Linear Programming	626
18.2	General Formulation of Linear Programs	636
18.3	Convex Sets	640
18.4	Simplex Method: Finding the Extreme Points	651
18.5	Simplex Method: Finding the Optimal Extreme Point	657
18.6	Further Notes on the Simplex Method	664
Nineteen	Linear Programming (continued)	670
19.1	Duality	670
19.2	Economic Interpretation of a Dual	677

<i>19.3</i>	Activity Analysis: Micro Level	682
<i>19.4</i>	Activity Analysis: Macro Level	692
Twenty	Nonlinear Programming	698
<i>20.1</i>	The Nature of Nonlinear Programming	698
<i>20.2</i>	Kuhn-Tucker Conditions	704
<i>20.3</i>	The Constraint Qualification	713
<i>20.4</i>	Kuhn-Tucker Sufficiency Theorem: Concave Programming	721
<i>20.5</i>	Arrow-Enthoven Sufficiency Theorem: Quasiconcave Programming	729
<i>20.6</i>	Economic Applications	734
Twenty-one	Game Theory	742
<i>21.1</i>	Basic Concepts of Game Theory	742
<i>21.2</i>	Saddle-Point Solutions of Rectangular Games	747
<i>21.3</i>	Mixed Strategy: The Case of No Saddle Point	753
<i>21.4</i>	The Rectangular Game as a Linear Program	761
<i>21.5</i>	Duality Once Again	767
<i>21.6</i>	Limitations of Mathematical Programming and Game Theory	770
	The Greek Alphabet	772
	A Short Reading List	773
	Index	777