Econ 204 2023

Lecture 7

Outline

- 1. Connected Sets
- 2. Correspondences
- 3. Continuity for Correspondences

PS 2 due today

No solve posted

tomorrow

morning

PS 3

due Friday

posted

labor today

Connected Sets

Definition 1. Two sets A, B in a metric space are separated if

$$\bar{A} \cap B = A \cap \bar{B} = \emptyset$$

A set in a metric space is connected if it cannot be written as the union of two nonempty separated sets.

Connected Sets

A B in R with standard metric

Example: [0,1) and [1,2] are disjoint but not separated:

$$\overline{[0,1)} \cap [1,2] = [0,1] \cap [1,2] = \{1\} \neq \emptyset$$

[0,1) and (1,2] are separated:

$$\overline{[0,1)} \cap (1,2] = [0,1] \cap (1,2] = \emptyset$$

$$[0,1) \cap \overline{(1,2]} = [0,1) \cap [1,2] = \emptyset$$

Note that d([0,1),(1,2]) = 0 even though the sets are separated.

Connected Sets

• Note that separation does *not* require that $\bar{A} \cap \bar{B} = \emptyset$. For example,

is not connected.

• A common equivalent definition: A set Y in a metric space X is connected if there do not exist open sets A and B such that $A \cap B = \emptyset$, $Y \subseteq A \cup B$ and $A \cap Y \neq \emptyset$ and $B \cap Y \neq \emptyset$.

Connected Sets R with standard metric

Theorem 1 (Thm. 9.2). A set $S \subseteq \mathbf{E}^1$ is connected if and only if it is an interval, i.e. if $x, y \in S$ and $z \in (x, y)$, then $z \in S$.

 \Rightarrow Proof. First, we show that if S is connected then S is an interval. We do this by proving the contrapositive: if S is not an interval, then it is not connected. If S is not an interval, find

$$x, y \in S, \ x < z < y, \ z \notin S$$

Let

$$A = S \cap (-\infty, z), B = S \cap (z, \infty)$$

Then

$$ar{A} \cap B \subseteq \overline{(-\infty,z)} \cap (z,\infty) = (-\infty,z] \cap (z,\infty) = \emptyset$$
 $A \cap \bar{B} \subseteq (-\infty,z) \cap \overline{(z,\infty)} = (-\infty,z) \cap [z,\infty) = \emptyset$
 $A \cup B = (S \cap (-\infty,z)) \cup (S \cap (z,\infty))$
 $= S \setminus \{z\}$
 $= S \qquad \text{$\neq \neq S$}$
 $x \in A, \text{ so } A \neq \emptyset$
 $y \in B, \text{ so } B \neq \emptyset$

So S is not connected. We have shown that if S is not an interval, then S is not connected; therefore, if S is connected, then S is an interval.

 \longleftarrow Now, we need to show that if S is an interval, it is connected. This is much like the proof of the Intermediate Value Theorem. See de la Fuente for the details.

Continuity and Connectedness

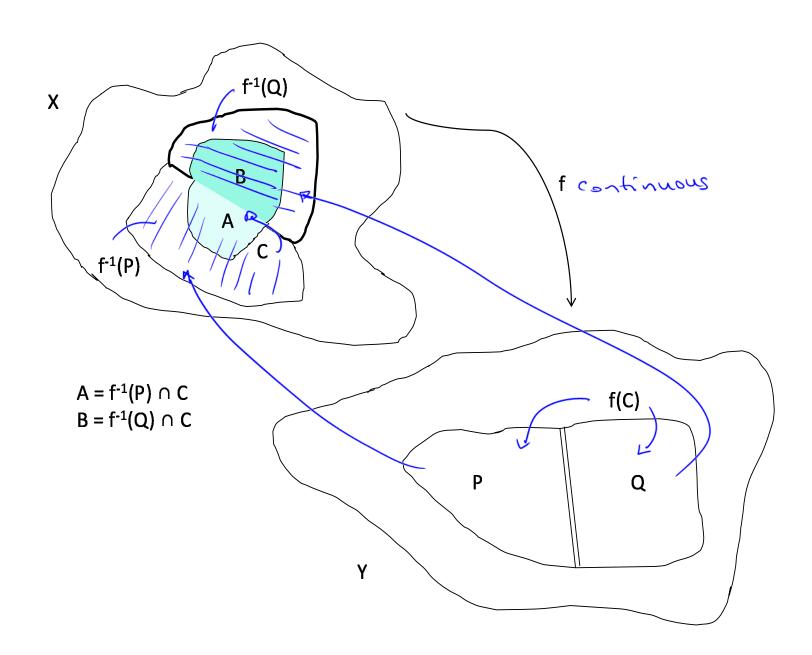
In a general metric space, continuity will preserve connectedness. Theorem 2 (Thm. 9.3). Let X and Y be metric spaces and $f: X \to Y$ be continuous. If C is a connected subset of X, then f(C) is connected. subset of \forall

Proof. We prove the contrapositive: if f(C) is not connected, then C is not connected. Suppose f(C) is not connected. Then there exist P,Q such that $P \neq \emptyset \neq Q$, $f(C) = P \cup Q$, and

$$\bar{P} \cap Q = P \cap \bar{Q} = \emptyset$$

Let

$$A = f^{-1}(P) \cap C \text{ and } B = f^{-1}(Q) \cap C$$



Then

$$A \cup B = \left(f^{-1}(P) \cap C\right) \cup \left(f^{-1}(Q) \cap C\right)$$

$$= \left(f^{-1}(P) \cup f^{-1}(Q)\right) \cap C$$

$$= f^{-1}(P \cup Q) \cap C$$

$$= f^{-1}(f(C)) \cap C \quad C \leq f^{-1}(f(C))$$

$$= C$$
Also, $A = f^{-1}(P) \cap C \neq \emptyset$ and $B = f^{-1}(Q) \cap C \neq \emptyset$. Then $B = f^{-1}(Q) \cap C \neq \emptyset$.

Also, $A = f^{-1}(P) \cap C \neq \emptyset$ and $B = f^{-1}(Q) \cap C \neq \emptyset$. Then note

$$\overline{A} = f^{-1}(P) \cap C \subseteq f^{-1}(P) \subseteq f^{-1}(\overline{P})$$

Since f is continuous, $f^{-1}(\bar{P})$ is closed, so

$$\bar{A} \subseteq f^{-1}(\bar{P})$$

Similarly,

$$B = f^{-1}(Q) \cap C \subseteq f^{-1}(Q) \subseteq f^{-1}(\bar{Q})$$

and $f^{-1}(\bar{Q})$ is closed, so

$$\bar{B} \subseteq f^{-1}(\bar{Q})$$

Then

$$ar{A} \cap B \subseteq f^{-1}(ar{P}) \cap f^{-1}(Q)$$

$$= f^{-1}(ar{P} \cap Q)$$

$$= f^{-1}(\emptyset)$$

$$= \emptyset$$

and similarly

$$A \cap \bar{B} \subseteq f^{-1}(P) \cap f^{-1}(\bar{Q})$$

$$= f^{-1}(P \cap \bar{Q})$$

$$= f^{-1}(\emptyset)$$

$$= \emptyset$$

So C is not connected. We have shown that f(C) not connected implies C not connected; therefore, C connected implies f(C) connected.

You can view this result as a generalization of the Intermediate Value Theorem.

Intermediate Value Theorem, Yet Again

This lets us give a third, and slickest, proof of the Intermediate Value Theorem.

Corollary 1 (Intermediate Value Theorem). If $f : [a,b] \to \mathbf{R}$ is continuous, and f(a) < d < f(b), then there exists $c \in (a,b)$ such that f(c) = d.

in R

Proof. Since [a,b] is an interval, it is connected. So f([a,b]) is connected, hence f([a,b]) is an interval. $f(a) \in f([a,b])$, and $f(b) \in f([a,b])$, and $d \in [f(a),f(b)]$; since f([a,b]) is an interval, $d \in f([a,b])$, i.e. there exists $c \in [a,b]$ such that f(c) = d. Since f(a) < d < f(b), $c \ne a$, $c \ne b$, so $c \in (a,b)$.

Recall: 2 - set of all subsets of A

Correspondences

Definition 2. A correspondence $\Psi : X \to 2^Y$ from X to Y is a function from X to 2^Y , that is, $\Psi(x) \subseteq Y$ for every $x \in X$.

Correspondences

Examples:

utility maximization

1. Let $u: \mathbf{R}^n_+ \to \mathbf{R}$ be a continuous utility function, y > 0 and $p \in \mathbf{R}^n_{++}$, that is, $p_i > 0$ for each i.

Define
$$\Psi: \mathbf{R}^n_{++} \times \mathbf{R}_{++} \to 2^{\mathbf{R}^n_{+}}$$
 by
$$\Psi(p,y) = (\arg\max u(x))^n$$

s.t. x > 0

$$\sum_{i=1}^{n} p_i x_i = p \cdot x \leq y$$

 Ψ is the demand correspondence associated with the utility function u; typically $\Psi(p,y)$ is multi-valued.

That is, with $B(p,y) = \{x \in \mathbb{R}^n : x \geq 0, p \cdot x \leq y\}$ 9 $\mathcal{A}(p,y) = \{x \in B(p,y) : u(x^*) \geq u(x) \forall x \in B(p,y)\}$

2. Let $f: X \to Y$ be a function. Define $\Psi: X \to 2^Y$ by

$$\Psi(x) = \{f(x)\}\$$
for each $x \in X$

That is, we can consider a function to be the special case of a correspondence that is single-valued for each x.

We want to talk about continuity of correspondences analogous to continuity of functions. What should continuity mean?

We will discuss three main notions of continuity for correspondences, each of which can be motivated by thinking about what continuity means for a function $f: \mathbf{R}^n \to \mathbf{R}$.

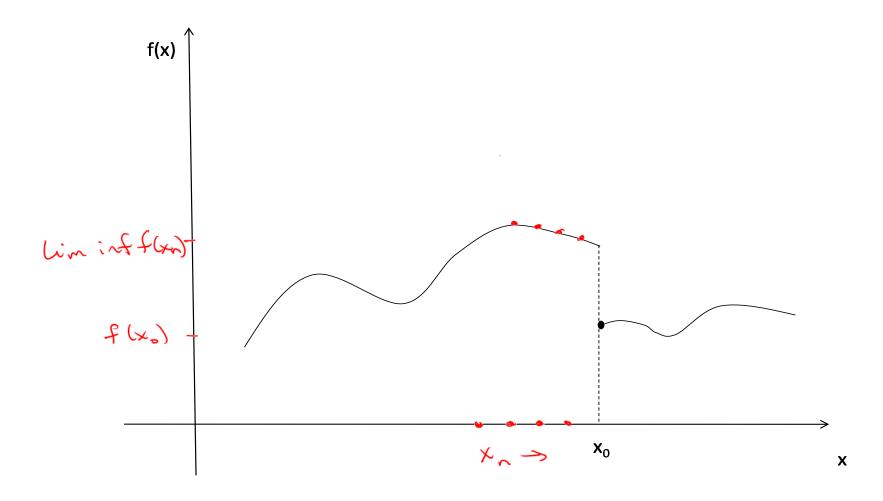
One way a function $f: \mathbf{R}^n \to \mathbf{R}$ may be discontinuous at a point x_0 is that it "jumps downward at the limit:"

$$\exists x_n \to x_0 \text{ s.t. } f(x_0) < \liminf f(x_n)$$

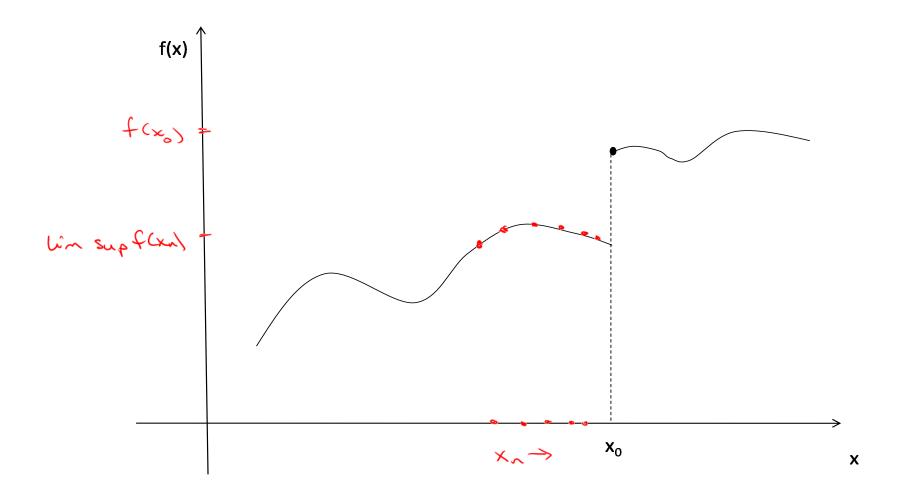
It could also "jump upward at the limit:"

$$\exists x_n \to x_0 \text{ s.t. } f(x_0) > \limsup f(x_n)$$

In either case, it doesn't matter whether the sequence x_n approaches x_0 from the left or the right (or both).



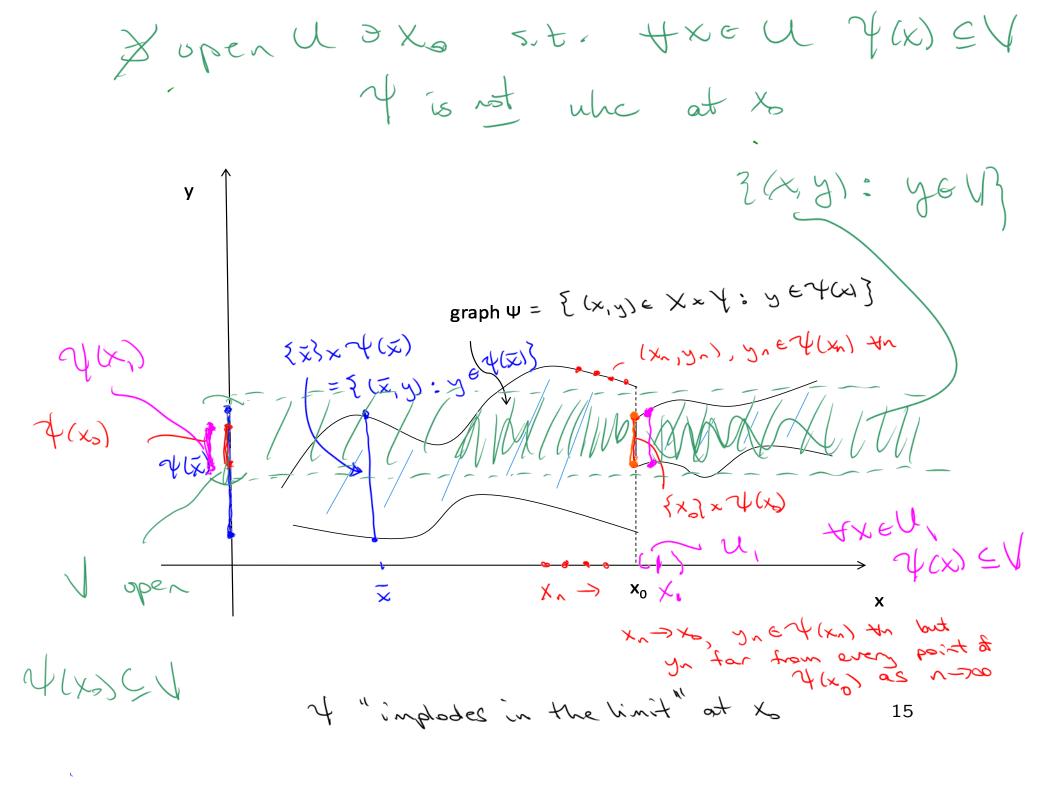
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ox to "timil soft to browger Equal" ?

What should it mean for a set to "jump down" at the limit x_0 ?

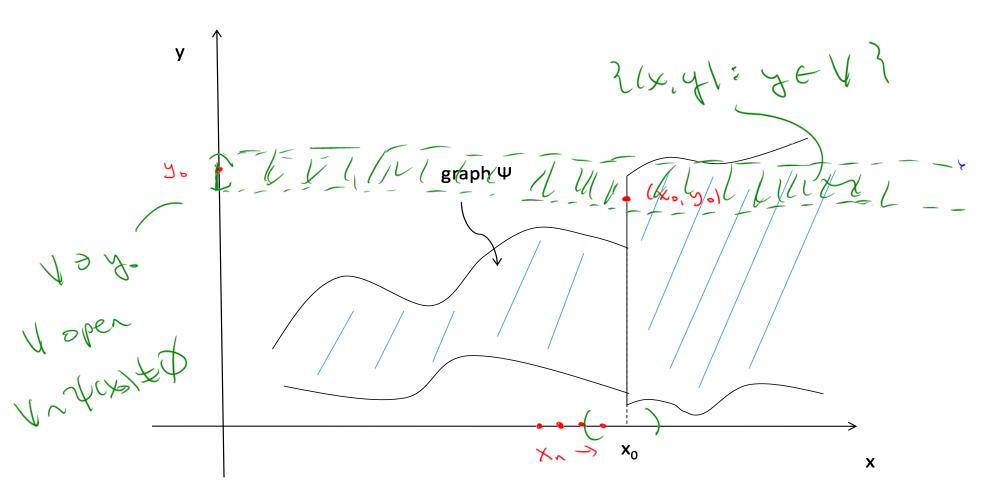
It should mean the set suddenly gets smaller – it "implodes in the limit" – that is, there is a sequence $x_n \to x_0$ and points $y_n \in \Psi(x_n)$ that are far from every point of $\Psi(x_0)$ as $n \to \infty$.



Similarly, what should it mean for a set to "jump up" at the limit?

This should mean that that the set suddenly gets bigger – it "explodes in the limit" – that is, there is a point y in $\Psi(x_0)$ and a sequence $x_n \to x_0$ such that y is far from every point of $\Psi(x_n)$ as $n \to \infty$.

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Definition 3. Let $X \subseteq \mathbf{E}^n$, $Y \subseteq \mathbf{E}^m$, and $\Psi : X \to 2^Y$.

• Ψ is upper hemicontinuous (uhc) at $x_0 \in X$ if, for every open set $V \supseteq \Psi(x_0)$, there is an open set U with $x_0 \in U$ such that

$$\Psi(x) \subseteq V$$
 for every $x \in U \cap X$

• Ψ is lower hemicontinuous (lhc) at $x_0 \in X$ if, for every open set V such that $\Psi(x_0) \cap V \neq \emptyset$, there is an open set U with $x_0 \in U$ such that

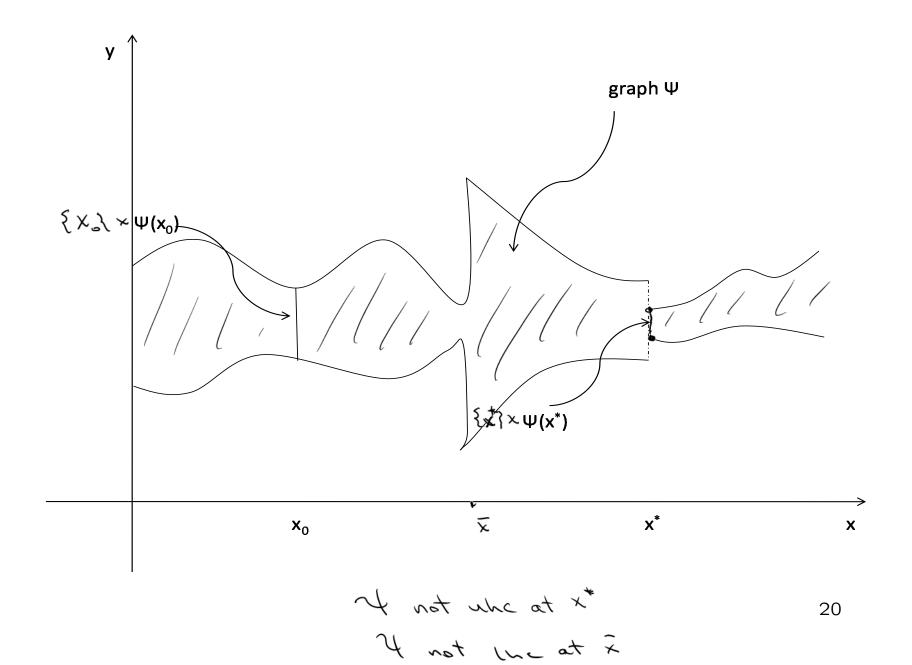
$$\Psi(x) \cap V \neq \emptyset$$
 for every $x \in U \cap X$

• Ψ is continuous at $x_0 \in X$ if it is both uhc and lhc at x_0 .

• Ψ is upper hemicontinuous (respectively lower hemicontinuous, continuous) if it is uhc (respectively lhc, continuous) at every $x \in X$.

Upper hemicontinuity reflects the requirement that Ψ doesn't "implode in the limit" at x_0 ; lower hemicontinuity reflects the requirement that Ψ doesn't "explode in the limit" at x_0 .

Notice that upper and lower hemicontinuity are not nested: a correspondence can be upper hemicontinuous but not lower hemicontinuous, or lower hemicontinuous but not upper hemicontinuous.



An alternative notion of continuity looks instead at properties of the graph of the correspondence.

The $\operatorname{\it graph}$ of a correspondence $\Psi:X\to 2^Y$ is the set

graph
$$\Psi = \{(x, y) \in X \times Y : y \in \Psi(x)\}$$

Recall that a function $f: \mathbf{R}^n \to \mathbf{R}$ is continuous if and only if whenever $x_n \to x$, $f(x_n) \to f(x)$. We can translate this into a statement about its graph.

Suppose $\{(x_n, y_n)\}\subseteq \text{ graph } f \text{ and } (x_n, y_n) \to (x, y)$. Since f is a function, $(x_n, y_n)\in \text{ graph } f \iff y_n=f(x_n)$.

So
$$f$$
 is continuous $\Rightarrow y = \lim y_n = \lim f(x_n) = f(x)$
 $\Rightarrow (x,y) \in \text{graph } f$

So if f is continuous then each convergent sequence $\{(x_n,y_n)\}$ in $(graph \ f)$ converges to a point (x,y) in $(graph \ f)$, that is, $(graph \ f)$ is closed.

Closed Graph

Definition 4. Let $X \subseteq \mathbf{E}^n$, $Y \subseteq \mathbf{E}^m$. A correspondence $\Psi : X \to 2^Y$ has closed graph if its graph is a closed subset of $X \times Y$, that is, if for any sequences $\{x_n\} \subseteq X$ and $\{y_n\} \subseteq Y$ such that $x_n \to x \in X$, $y_n \to y \in Y$ and $y_n \in \Psi(x_n)$ for each n, then $y \in \Psi(x)$.

Closed Graph

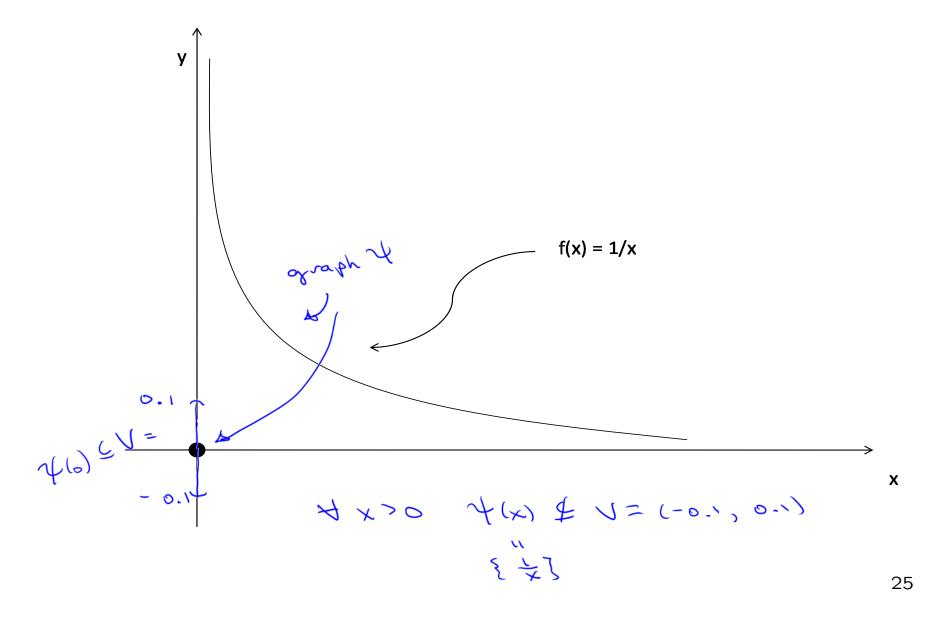
Example: Consider the correspondence せ; たっパラ ラ えん

$$\Psi(x) = \left\{ \begin{array}{l} \left\{\frac{1}{x}\right\} & \text{if } x \in (0,1] \\ \{0\} & \text{if } x = 0 \end{array} \right.$$

Let V = (-0.1, 0.1). Then $\Psi(0) = \{0\} \subset V$, but no matter how close x is to 0,

$$\Psi(x) = \left\{\frac{1}{x}\right\} \not\subseteq V \qquad \forall \times \in \{0, 1\}$$

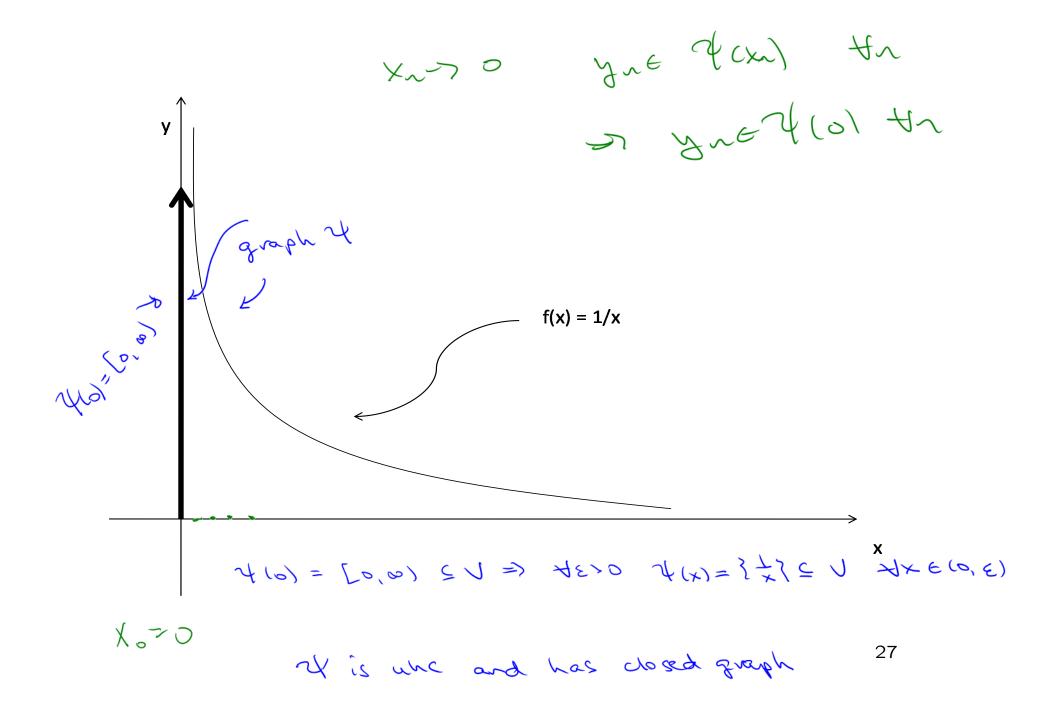
so Ψ is not uhc at 0. However, note that Ψ has closed graph.



Example: Consider the correspondence $\forall: [0,1] \rightarrow 2^{\mathbb{R}}$

$$\Psi(x) = \begin{cases} \left\{ \frac{1}{x} \right\} & \text{if } x \in (0, 1] \\ \mathbf{R}_{+} & \text{if } x = 0 \end{cases}$$

 $\Psi(0)=[0,\infty)$, and $\Psi(x)\subseteq \Psi(0)$ for every $x\in [0,1]$. So if $V\supseteq \Psi(0)$ then $V\supseteq \Psi(x)$ for all x. Thus, Ψ is uhc, and has closed graph.



Upper Hemicontinuity and Closed Graph

For a function, upper hemi-continuity and continuity coincide.

Theorem 3. Let $X \subseteq \mathbf{E}^n$, $Y \subseteq \mathbf{E}^m$ and $f: X \to Y$. Let $\Psi: X \to 2^Y$ be the correspondence given by $\Psi(x) = \{f(x)\}$ for all $x \in X$. Then Ψ is uhc if and only if f is continuous.

Proof. We consider the metric spaces (X,d) and (Y,d), where d is the Euclidean metric. Fix V open in Y. Then

$$f^{-1}(V) = \{x \in X : f(x) \in V\}$$
$$= \{x \in X : \Psi(x) \subseteq V\}$$

Thus, f is continuous if and only if $f^{-1}(V)$ is open in X for each open V in Y, if and only if $\{x \in X : \Psi(x) \subseteq V\}$ is open in X for each open V in Y, if and only if Ψ is uhc (as an exercise, think through why this last equivalence holds).

For a general correspondence, these notions are not nested:

- A closed graph correspondence need not be uhc, as the first example above illustrates.
- Conversely an uhc correspondence need not have closed graph, or even have closed values.

Definition 5. A correspondence $\Psi: X \to 2^Y$ is called closed-valued if $\Psi(x)$ is a closed subset of Y for all x; Ψ is called compact-valued if $\Psi(x)$ is compact for all x.

For closed-valued correspondences these concepts can be more tightly connected.

- A closed-valued and upper hemicontinuous correspondence must have closed graph.
- For a closed-valued correspondence with a compact range, upper hemicontinuity is equivalent to closed graph.

Upper Hemicontinuity and Closed Graph

Theorem 4 (Not in de la Fuente). Suppose $X \subseteq \mathbf{E}^n$ and $Y \subseteq \mathbf{E}^m$, and $\Psi : X \to 2^Y$.

- (i) If Ψ is closed-valued and uhc, then Ψ has closed graph.
- (ii) If Ψ has closed graph and there is an open set W with $x_0 \in W$ and a compact set Z such that $x \in W \cap X \Rightarrow \Psi(x) \subseteq Z$, then Ψ is uhc at x_0 .
- (iii) If Y is compact, then Ψ has closed graph $\iff \Psi$ is closed-valued and uhc.

Proof. (i) Suppose Ψ is closed-valued and uhc. If Ψ does not have closed graph, we can find a sequence $(x_n,y_n) \to (x_0,y_0)$, where (x_n,y_n) lies in the graph of Ψ (so $y_n \in \Psi(x_n)$) but (x_0,y_0) does not lie in the graph of Ψ (so $y_0 \notin \Psi(x_0)$). Since Ψ is closed-valued, $\Psi(x_0)$ is closed. Since $y_0 \notin \Psi(x_0)$, there is some $\varepsilon > 0$ such that

$$\Psi(x_0) \cap B_{2\varepsilon}(y_0) = \emptyset$$

SO

$$\Psi(x_0) \subseteq \mathbf{E}^m \setminus B_{\varepsilon}[y_0] \qquad \longleftarrow \quad \text{open}$$

Let $V = \mathbf{E}^m \setminus B_{\varepsilon}[y_0]$. Then V is open, and $\Psi(x_0) \subseteq V$. Since Ψ is uhc, there is an open set U with $x_0 \in U$ such that

$$x \in U \cap X \Rightarrow \Psi(x) \subseteq V$$

Since $(x_n, y_n) \to (x_0, y_0)$, $x_n \in U$ for n sufficiently large, so

$$y_n \in \Psi(x_n) \subseteq V = \mathbb{R} \setminus \mathcal{B}_{\epsilon}[y_n]$$

Thus for n sufficiently large, $||y_n - y_0|| \ge \varepsilon$, which implies that $y_n \not\to y_0$, and $(x_n, y_n) \not\to (x_0, y_0)$, a contradiction. Thus Ψ is closed-graph.

(ii) Now, suppose Ψ has closed graph and there is an open set W with $x_0 \in W$ and a compact set Z such that

$$x \in W \cap X \Rightarrow \Psi(x) \subseteq Z$$

Since Ψ has closed graph, it is closed-valued. Let V be any open set such that $V \supseteq \Psi(x_0)$. We need to show there exists an open set U with $x_0 \in U$ such that

$$x \in U \cap X \Rightarrow \Psi(x) \subseteq V$$

If not, we can find a sequence $x_n \to x_0$ and $y_n \in \Psi(x_n)$ such that $y_n \notin V \ \forall n$. Since $x_n \to x_0$, $x_n \in W \cap X$ for all n sufficiently large, and thus $\Psi(x_n) \subseteq Z$ for n sufficiently large. Since Z is compact, we can find a convergent subsequence $y_{n_k} \to y'$. Then

$$(x_{n_k}, y_{n_k}) \to (x_0, y')$$

Since Ψ has closed graph, $y' \in \Psi(x_0)$, so $y' \in V$. Since V is open, $y_{n_k} \in V$ for all k sufficiently large, a contradiction. Thus, Ψ is uhc at x_0 .

(iii) Follows from (i) and (ii).

Sequential Characterizations

Upper and lower hemicontinuity can be given sequential characterizations that are useful in applications.

Theorem 5 (Thm. 11.2). Suppose $X \subseteq \mathbf{E}^n$ and $Y \subseteq \mathbf{E}^m$. A compact-valued correspondence $\Psi: X \to 2^Y$ is uhc at $x_0 \in X$ if and only if, for every sequence $\{x_n\} \subseteq X$ with $x_n \to x_0$, and every sequence $\{y_n\}$ such that $y_n \in \Psi(x_n)$ for every n, there is a convergent subsequence $\{y_{n_k}\}$ such that $\lim y_{n_k} \in \Psi(x_0)$.

Proof. See de la Fuente.

Note that this characterization of upper hemicontinuity requires the correspondence to have compact values.

Sequential Characterizations

Theorem 6 (Thm. 11.3). A correspondence $\Psi: X \to 2^Y$ is Ihc at $x_0 \in X$ if and only if, for every sequence $\{x_n\} \subseteq X$ with $x_n \to x_0$, and every $y_0 \in \Psi(x_0)$, there exists a companion sequence $\{y_n\}$ with $y_n \in \Psi(x_n)$ for every n such that $y_n \to y_0$.

Proof. See de la Fuente.

