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Variational Analysis and Generalized Differentiation I

Basic Theory

 Springer

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To Margaret, as always

Preface

Namely, because the shape of the whole universe is most perfect and, in fact, designed by the wisest creator, nothing in all of the world will occur in which no maximum or minimum rule is somehow shining forth.

Leonhard Euler (1744)

We can treat this firm stand by Euler [411] (“... nihil omnino in mundo contingit, in quo non maximi minimive ratio quapiam eluceat”) as the most fundamental principle of *Variational Analysis*. This principle justifies a variety of striking implementations of *optimization/variational* approaches to solving numerous problems in mathematics and applied sciences that may not be of a variational nature. Remember that optimization has been a major motivation and driving force for developing differential and integral calculus. Indeed, the *very concept of derivative* introduced by Fermat via the tangent slope to the graph of a function was motivated by solving an optimization problem; it led to what is now called the *Fermat stationary principle*. Besides applications to optimization, the latter principle plays a crucial role in proving the most important calculus results including the mean value theorem, the implicit and inverse function theorems, etc. The same line of development can be seen in the infinite-dimensional setting, where the Brachistochrone was the first problem not only of the calculus of variations but of all functional analysis inspiring, in particular, a variety of concepts and techniques in infinite-dimensional differentiation and related areas.

Modern variational analysis can be viewed as an outgrowth of the calculus of variations and mathematical programming, where the focus is on optimization of functions relative to various constraints and on sensitivity/stability of optimization-related problems with respect to perturbations. Classical notions of variations such as moving away from a given point or curve no longer play

a critical role, while concepts of problem *approximations* and/or *perturbations* become crucial.

One of the most characteristic features of modern variational analysis is the intrinsic presence of *nonsmoothness*, i.e., the necessity to deal with nondifferentiable functions, sets with nonsmooth boundaries, and set-valued mappings. Nonsmoothness naturally enters not only through initial data of optimization-related problems (particularly those with inequality and geometric constraints) but largely via *variational principles* and other optimization, approximation, and perturbation techniques applied to problems with even smooth data. In fact, many fundamental objects frequently appearing in the framework of variational analysis (e.g., the distance function, value functions in optimization and control problems, maximum and minimum functions, solution maps to perturbed constraint and variational systems, etc.) are inevitably of nonsmooth and/or set-valued structures requiring the development of new forms of analysis that involve *generalized differentiation*.

It is important to emphasize that even the simplest and historically earliest problems of *optimal control* are *intrinsically nonsmooth*, in contrast to the classical calculus of variations. This is mainly due to pointwise constraints on control functions that often take only discrete values as in typical problems of automatic control, a primary motivation for developing optimal control theory. Optimal control has always been a major source of inspiration as well as a fruitful territory for applications of advanced methods of variational analysis and generalized differentiation.

Key issues of variational analysis in finite-dimensional spaces have been addressed in the book “Variational Analysis” by Rockafellar and Wets [1165]. The development and applications of variational analysis in infinite dimensions require certain concepts and tools that cannot be found in the finite-dimensional theory. The *primary goals* of this book are to present basic concepts and principles of variational analysis unified in finite-dimensional and infinite-dimensional space settings, to develop a comprehensive generalized differential theory at the same level of perfection in both finite and infinite dimensions, and to provide valuable applications of variational theory to broad classes of problems in constrained optimization and equilibrium, sensitivity and stability analysis, control theory for ordinary, functional-differential and partial differential equations, and also to selected problems in mechanics and economic modeling.

Generalized differentiation lies at the heart of variational analysis and its applications. We systematically develop a *geometric dual-space approach* to generalized differentiation theory revolving around the *extremal principle*, which can be viewed as a local *variational* counterpart of the classical convex separation in nonconvex settings. This principle allows us to deal with *nonconvex* derivative-like constructions for sets (normal cones), set-valued mappings (coderivatives), and extended-real-valued functions (subdifferentials). These constructions are defined directly in dual spaces and, being nonconvex-valued, cannot be generated by any derivative-like constructions in primal spaces (like

tangent cones and directional derivatives). Nevertheless, our basic nonconvex constructions enjoy comprehensive calculi, which happen to be significantly better than those available for their primal and/or convex-valued counterparts. Thus passing to *dual spaces*, we are able to achieve more beauty and harmony in comparison with primal world objects. In some sense, the dual viewpoint does indeed allow us to meet the perfection requirement in the fundamental statement by Euler quoted above.

Observe to this end that dual objects (multipliers, adjoint arcs, shadow prices, etc.) have always been at the center of variational theory and applications used, in particular, for formulating principal optimality conditions in the calculus of variations, mathematical programming, optimal control, and economic modeling. The usage of variations of optimal solutions in primal spaces can be considered just as a convenient tool for deriving necessary optimality conditions. There are no essential restrictions in such a “primal” approach in smooth and convex frameworks, since primal and dual derivative-like constructions are equivalent for these classical settings. It is not the case any more in the framework of modern variational analysis, where even *nonconvex primal space* local approximations (e.g., tangent cones) inevitably yield, *under duality*, *convex sets* of normals and subgradients. This convexity of dual objects leads to significant restrictions for the theory and applications. Moreover, there are many situations particularly identified in this book, where primal space approximations simply cannot be used for variational analysis, while the employment of dual space constructions provides comprehensive results. Nevertheless, tangentially generated/primal space constructions play an important role in some other aspects of variational analysis, especially in finite-dimensional spaces, where they recover in duality the nonconvex sets of our basic normals and subgradients at the point in question by *passing to the limit* from points nearby; see, for instance, the afore-mentioned book by Rockafellar and Wets [1165].

Among the abundant bibliography of this book, we refer the reader to the monographs by Aubin and Frankowska [54], Bardi and Capuzzo Dolcetta [85], Beer [92], Bonnans and Shapiro [133], Clarke [255], Clarke, Ledyaev, Stern and Wolenski [265], Facchinei and Pang [424], Klatte and Kummer [686], Vinter [1289], and to the comments given after each chapter for significant aspects of variational analysis and impressive applications of this rapidly growing area that are not considered in the book. We especially emphasize the concurrent and complementing monograph “Techniques of Variational Analysis” by Borwein and Zhu [164], which provides a nice introduction to some fundamental techniques of modern variational analysis covering important theoretical aspects and applications not included in this book.

The book presented to the reader’s attention is self-contained and mostly collects results that have not been published in the monographical literature. It is split into two volumes and consists of eight chapters divided into sections and subsections. Extensive comments (that play a special role in this book discussing basic ideas, history, motivations, various interrelations, choice of

terminology and notation, open problems, etc.) are given for each chapter. We present and discuss numerous references to the vast literature on many aspects of variational analysis (considered and not considered in the book) including early contributions and very recent developments. Although there are no formal exercises, the extensive remarks and examples provide grist for further thought and development. Proofs of the major results are complete, while there is plenty of room for furnishing details, considering special cases, and deriving generalizations for which guidelines are often given.

Volume I “Basic Theory” consists of four chapters mostly devoted to basic constructions of generalized differentiation, fundamental extremal and variational principles, comprehensive generalized differential calculus, and complete dual characterizations of fundamental properties in nonlinear study related to Lipschitzian stability and metric regularity with their applications to sensitivity analysis of constraint and variational systems.

Chapter 1 concerns the generalized differential theory in arbitrary *Banach spaces*. Our basic normals, subgradients, and coderivatives are directly defined in dual spaces via *sequential weak** limits involving more primitive ε -normals and ε -subgradients of the Fréchet type. We show that these constructions have a variety of nice properties in the general Banach spaces setting, where the usage of ε -enlargements is crucial. Most such properties (including first-order and second-order calculus rules, efficient representations, variational descriptions, subgradient calculations for distance functions, necessary coderivative conditions for Lipschitzian stability and metric regularity, etc.) are collected in this chapter. Here we also define and start studying the so-called *sequential normal compactness* (SNC) properties of sets, set-valued mappings, and extended-real-valued functions that automatically hold in finite dimensions while being one of the most essential ingredients of variational analysis and its applications in infinite-dimensional spaces.

Chapter 2 contains a detailed study of the *extremal principle* in variational analysis, which is the main single tool of this book. First we give a direct variational proof of the extremal principle in finite-dimensional spaces based on a smoothing penalization procedure via the method of *metric approximations*. Then we proceed by infinite-dimensional variational techniques in Banach spaces with a Fréchet smooth norm and finally, by separable reduction, in the larger class of *Asplund spaces*. The latter class is well-investigated in the geometric theory of Banach spaces and contains, in particular, every reflexive space and every space with a separable dual. Asplund spaces play a prominent role in the theory and applications of variational analysis developed in this book. In Chap. 2 we also establish relationships between the (geometric) extremal principle and (analytic) variational principles in both conventional and enhanced forms. The results obtained are applied to the derivation of novel variational characterizations of Asplund spaces and useful representations of the basic generalized differential constructions in the Asplund space setting similar to those in finite dimensions. Finally, in this chapter we discuss abstract versions of the extremal principle formulated in terms of axiomatically

defined normal and subdifferential structures on appropriate Banach spaces and also overview in more detail some specific constructions.

Chapter 3 is a cornerstone of the generalized differential theory developed in this book. It contains comprehensive *calculus rules* for basic normals, subgradients, and coderivatives in the framework of Asplund spaces. We pay most of our attention to *pointbased* rules via the limiting constructions *at* the points in question, for both assumptions and conclusions, having in mind that point-based results indeed happen to be of crucial importance for applications. A number of the results presented in this chapter seem to be new even in the finite-dimensional setting, while overall we achieve the same level of perfection and generality in Asplund spaces as in finite dimensions. The main issue that distinguishes the finite-dimensional and infinite-dimensional settings is the necessity to invoke *sufficient amounts of compactness* in infinite dimensions that are not needed at all in finite-dimensional spaces. The required compactness is provided by the afore-mentioned SNC properties, which are included in the assumptions of calculus rules and call for their own calculus ensuring the preservation of SNC properties under various operations on sets and mappings. The absence of such a *SNC calculus* was a crucial obstacle for many successful applications of generalized differentiation in infinite-dimensional spaces to a range of infinite-dimensions problems including those in optimization, stability, and optimal control given in this book. Chapter 3 contains a broad spectrum of the SNC calculus results that are decisive for subsequent applications.

Chapter 4 is devoted to a thorough study of Lipschitzian, metric regularity, and linear openness/covering properties of set-valued mappings, and to their applications to sensitivity analysis of parametric constraint and variational systems. First we show, based on variational principles and the generalized differentiation theory developed above, that the necessary coderivative conditions for these fundamental properties derived in Chap. 1 in arbitrary Banach spaces happen to be *complete characterizations* of these properties in the Asplund space setting. Moreover, the employed variational approach allows us to obtain verifiable formulas for computing the *exact bounds* of the corresponding moduli. Then we present detailed applications of these results, supported by generalized differential and SNC calculi, to sensitivity and stability analysis of parametric constraint and variational systems governed by perturbed sets of feasible and optimal solutions in problems of optimization and equilibria, implicit multifunctions, complementarity conditions, variational and hemivariational inequalities as well as to some mechanical systems.

Volume II “Applications” also consists of four chapters mostly devoted to applications of basic principles in variational analysis and the developed generalized differential calculus to various topics in constrained optimization and equilibria, optimal control of ordinary and distributed-parameter systems, and models of welfare economics.

Chapter 5 concerns constrained optimization and equilibrium problems with possibly nonsmooth data. Advanced methods of variational analysis

based on extremal/variational principles and generalized differentiation happen to be very useful for the study of constrained problems even with smooth initial data, since nonsmoothness naturally appears while applying penalization, approximation, and perturbation techniques. Our primary goal is to derive necessary optimality and suboptimality conditions for various constrained problems in both finite-dimensional and infinite-dimensional settings. Note that conditions of the latter – *suboptimality* – type, somehow underestimated in optimization theory, don't assume the existence of optimal solutions (which is especially significant in infinite dimensions) ensuring that “almost” optimal solutions “almost” satisfy necessary conditions for optimality. Besides considering problems with constraints of conventional types, we pay serious attention to rather new classes of problems, labeled as *mathematical problems with equilibrium constraints* (MPECs) and *equilibrium problems with equilibrium constraints* (EPECs), which are intrinsically nonsmooth while admitting a thorough analysis by using generalized differentiation. Finally, certain concepts of *linear subextremality* and *linear suboptimality* are formulated in such a way that the necessary optimality conditions derived above for conventional notions are seen to be *necessary and sufficient* in the new setting.

In *Chapter 6* we start studying problems of *dynamic optimization* and *optimal control* that, as mentioned, have been among the primary motivations for developing new forms of variational analysis. This chapter deals mostly with optimal control problems governed by *ordinary* dynamic systems whose state space may be infinite-dimensional. The main attention in the first part of the chapter is paid to the Bolza-type problem for evolution systems governed by constrained *differential inclusions*. Such models cover more conventional control systems governed by parameterized evolution equations with control regions generally dependent on state variables. The latter don't allow us to use control variations for deriving necessary optimality conditions. We develop the *method of discrete approximations*, which is certainly of numerical interest, while it is mainly used in this book as a direct vehicle to derive optimality conditions for continuous-time systems by passing to the limit from their discrete-time counterparts. In this way we obtain, strongly based on the generalized differential and SNC calculi, necessary optimality conditions in the extended Euler-Lagrange form for nonconvex differential inclusions in infinite dimensions expressed via our basic generalized differential constructions.

The second part of Chap. 6 deals with constrained optimal control systems governed by ordinary evolution equations of *smooth dynamics* in arbitrary Banach spaces. Such problems have essential specific features in comparison with the differential inclusion model considered above, and the results obtained (as well as the methods employed) in the two parts of this chapter are generally independent. Another major theme explored here concerns *stability* of the maximum principle under discrete approximations of nonconvex control systems. We establish rather surprising results on the *approximate maximum principle* for discrete approximations that shed new light upon both qualitative and

quantitative relationships between continuous-time and discrete-time systems of optimal control.

In *Chapter 7* we continue the study of optimal control problems by applications of advanced methods of variational analysis, now considering systems with *distributed parameters*. First we examine a general class of *hereditary systems* whose dynamic constraints are described by both delay-differential inclusions and linear algebraic equations. On one hand, this is an interesting and not well-investigated class of control systems, which can be treated as a special type of variational problems for *neutral functional-differential inclusions* containing time delays not only in state but also in velocity variables. On the other hand, this class is related to differential-algebraic systems with a linear link between “slow” and “fast” variables. Employing the method of discrete approximations and the basic tools of generalized differentiation, we establish a strong variational convergence/stability of discrete approximations and derive extended optimality conditions for continuous-time systems in both Euler-Lagrange and Hamiltonian forms.

The rest of *Chap. 7* is devoted to optimal control problems governed by *partial differential equations* with *pointwise* control and state constraints. We pay our primary attention to evolution systems described by *parabolic* and *hyperbolic* equations with controls functions acting in the Dirichlet and Neumann boundary conditions. It happens that such *boundary control* problems are the most challenging and the least investigated in PDE optimal control theory, especially in the presence of pointwise state constraints. Employing approximation and perturbation methods of modern variational analysis, we justify variational convergence and derive necessary optimality conditions for various control problems for such PDE systems including *minimax* control under *uncertain disturbances*.

The concluding *Chapter 8* is on applications of variational analysis to *economic modeling*. The major topic here is *welfare economics*, in the general nonconvex setting with infinite-dimensional commodity spaces. This important class of competitive equilibrium models has drawn much attention of economists and mathematicians, especially in recent years when nonconvexity has become a crucial issue for practical applications. We show that the methods of variational analysis developed in this book, particularly the extremal principle, provide adequate tools to study Pareto optimal allocations and associated price equilibria in such models. The tools of variational analysis and generalized differentiation allow us to obtain extended nonconvex versions of the so-called “second fundamental theorem of welfare economics” describing marginal equilibrium prices in terms of minimal collections of generalized normals to nonconvex sets. In particular, our approach and variational descriptions of generalized normals offer new economic interpretations of market equilibria via “nonlinear marginal prices” whose role in nonconvex models is similar to the one played by conventional linear prices in convex models of the Arrow-Debreu type.

The book includes a Glossary of Notation, common for both volumes, and an extensive Subject Index compiled separately for each volume. Using the Subject Index, the reader can easily find not only the page, where some notion and/or notation is introduced, but also various places providing more discussions and significant applications for the object in question.

Furthermore, it seems to be reasonable to title all the statements of the book (definitions, theorems, lemmas, propositions, corollaries, examples, and remarks) that are numbered in sequence within a chapter; thus, in Chap. 5 for instance, Example 5.3.3 precedes Theorem 5.3.4, which is followed by Corollary 5.3.5. For the reader's convenience, all these statements and numerated comments are indicated in the List of Statements presented at the end of each volume. It is worth mentioning that the list of acronyms is included (in alphabetic order) in the Subject Index and that the common principle adopted for the book notation is to use lower case Greek characters for numbers and (extended) real-valued functions, to use lower case Latin characters for vectors and single-valued mappings, and to use Greek and Latin upper case characters for sets and set-valued mappings.

Our notation and terminology are generally consistent with those in Rockafellar and Wets [1165]. Note that we try to distinguish everywhere the notions defined *at* the point and *around* the point in question. The latter indicates *robustness/stability* with respect to perturbations, which is critical for most of the major results developed in the book.

The book is accompanied by the abundant bibliography (with English sources if available), common for both volumes, which reflects a variety of topics and contributions of many researchers. The references included in the bibliography are discussed, at various degrees, mostly in the extensive commentaries to each chapter. The reader can find further information in the given references, directed by the author's comments.

We address this book mainly to researchers and graduate students in mathematical sciences; first of all to those interested in nonlinear analysis, optimization, equilibria, control theory, functional analysis, ordinary and partial differential equations, functional-differential equations, continuum mechanics, and mathematical economics. We also envision that the book will be useful to a broad range of researchers, practitioners, and graduate students involved in the study and applications of variational methods in operations research, statistics, mechanics, engineering, economics, and other applied sciences.

Parts of the book have been used by the author in teaching graduate classes on variational analysis, optimization, and optimal control at Wayne State University. Basic material has also been incorporated into many lectures and tutorials given by the author at various schools and scientific meetings during the recent years.

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Boris Mordukhovich

Contents

Volume I Basic Theory

1	Generalized Differentiation in Banach Spaces	3
1.1	Generalized Normals to Nonconvex Sets	4
1.1.1	Basic Definitions and Some Properties	4
1.1.2	Tangential Approximations	12
1.1.3	Calculus of Generalized Normals	18
1.1.4	Sequential Normal Compactness of Sets	27
1.1.5	Variational Descriptions and Minimality	33
1.2	Coderivatives of Set-Valued Mappings	39
1.2.1	Basic Definitions and Representations	40
1.2.2	Lipschitzian Properties	47
1.2.3	Metric Regularity and Covering	56
1.2.4	Calculus of Coderivatives in Banach Spaces	70
1.2.5	Sequential Normal Compactness of Mappings	75
1.3	Subdifferentials of Nonsmooth Functions	81
1.3.1	Basic Definitions and Relationships	82
1.3.2	Fréchet-Like ε -Subgradients and Limiting Representations	87
1.3.3	Subdifferentiation of Distance Functions	97
1.3.4	Subdifferential Calculus in Banach Spaces	112
1.3.5	Second-Order Subdifferentials	121
1.4	Commentary to Chap. 1	132
2	Extremal Principle in Variational Analysis	171
2.1	Set Extremality and Nonconvex Separation	172
2.1.1	Extremal Systems of Sets	172
2.1.2	Versions of the Extremal Principle and Supporting Properties	174
2.1.3	Extremal Principle in Finite Dimensions	178
2.2	Extremal Principle in Asplund Spaces	180

2.2.1	Approximate Extremal Principle in Smooth Banach Spaces	180
2.2.2	Separable Reduction	183
2.2.3	Extremal Characterizations of Asplund Spaces	195
2.3	Relations with Variational Principles	203
2.3.1	Ekeland Variational Principle	204
2.3.2	Subdifferential Variational Principles	206
2.3.3	Smooth Variational Principles	210
2.4	Representations and Characterizations in Asplund Spaces	214
2.4.1	Subgradients, Normals, and Coderivatives in Asplund Spaces	214
2.4.2	Representations of Singular Subgradients and Horizontal Normals to Graphs and Epigraphs	223
2.5	Versions of Extremal Principle in Banach Spaces	230
2.5.1	Axiomatic Normal and Subdifferential Structures	231
2.5.2	Specific Normal and Subdifferential Structures	235
2.5.3	Abstract Versions of Extremal Principle	245
2.6	Commentary to Chap. 2	249
3	Full Calculus in Asplund Spaces	261
3.1	Calculus Rules for Normals and Coderivatives	261
3.1.1	Calculus of Normal Cones	262
3.1.2	Calculus of Coderivatives	274
3.1.3	Strictly Lipschitzian Behavior and Coderivative Scalarization	287
3.2	Subdifferential Calculus and Related Topics	296
3.2.1	Calculus Rules for Basic and Singular Subgradients	296
3.2.2	Approximate Mean Value Theorem with Some Applications	308
3.2.3	Connections with Other Subdifferentials	317
3.2.4	Graphical Regularity of Lipschitzian Mappings	327
3.2.5	Second-Order Subdifferential Calculus	335
3.3	SNC Calculus for Sets and Mappings	341
3.3.1	Sequential Normal Compactness of Set Intersections and Inverse Images	341
3.3.2	Sequential Normal Compactness for Sums and Related Operations with Maps	349
3.3.3	Sequential Normal Compactness for Compositions of Maps	354
3.4	Commentary to Chap. 3	361
4	Characterizations of Well-Posedness and Sensitivity Analysis	377
4.1	Neighborhood Criteria and Exact Bounds	378
4.1.1	Neighborhood Characterizations of Covering	378

- 4.1.2 Neighborhood Characterizations of Metric Regularity
and Lipschitzian Behavior 382
- 4.2 Pointbased Characterizations 384
 - 4.2.1 Lipschitzian Properties via Normal
and Mixed Coderivatives 385
 - 4.2.2 Pointbased Characterizations of Covering
and Metric Regularity 394
 - 4.2.3 Metric Regularity under Perturbations 399
- 4.3 Sensitivity Analysis for Constraint Systems 406
 - 4.3.1 Coderivatives of Parametric Constraint Systems 407
 - 4.3.2 Lipschitzian Stability of Constraint Systems 414
- 4.4 Sensitivity Analysis for Variational Systems 421
 - 4.4.1 Coderivatives of Parametric Variational Systems 422
 - 4.4.2 Coderivative Analysis of Lipschitzian Stability 436
 - 4.4.3 Lipschitzian Stability under Canonical Perturbations... 450
- 4.5 Commentary to Chap. 4 462

Volume II Applications

- 5 Constrained Optimization and Equilibria 3**
 - 5.1 Necessary Conditions in Mathematical Programming 3
 - 5.1.1 Minimization Problems with Geometric Constraints ... 4
 - 5.1.2 Necessary Conditions under Operator Constraints 9
 - 5.1.3 Necessary Conditions under Functional Constraints 22
 - 5.1.4 Suboptimality Conditions for Constrained Problems ... 41
 - 5.2 Mathematical Programs with Equilibrium Constraints 46
 - 5.2.1 Necessary Conditions for Abstract MPECs 47
 - 5.2.2 Variational Systems as Equilibrium Constraints 51
 - 5.2.3 Refined Lower Subdifferential Conditions
for MPECs via Exact Penalization 61
 - 5.3 Multiobjective Optimization 69
 - 5.3.1 Optimal Solutions to Multiobjective Problems 70
 - 5.3.2 Generalized Order Optimality 73
 - 5.3.3 Extremal Principle for Set-Valued Mappings 83
 - 5.3.4 Optimality Conditions with Respect
to Closed Preferences 92
 - 5.3.5 Multiobjective Optimization
with Equilibrium Constraints 99
 - 5.4 Subextremality and Suboptimality at Linear Rate 109
 - 5.4.1 Linear Subextremality of Set Systems 110
 - 5.4.2 Linear Suboptimality in Multiobjective Optimization .. 115
 - 5.4.3 Linear Suboptimality for Minimization Problems 125
 - 5.5 Commentary to Chap. 5 131

6	Optimal Control of Evolution Systems in Banach Spaces . . .	159
6.1	Optimal Control of Discrete-Time and Continuous-time Evolution Inclusions	160
6.1.1	Differential Inclusions and Their Discrete Approximations	160
6.1.2	Bolza Problem for Differential Inclusions and Relaxation Stability	168
6.1.3	Well-Posed Discrete Approximations of the Bolza Problem	175
6.1.4	Necessary Optimality Conditions for Discrete-Time Inclusions	184
6.1.5	Euler-Lagrange Conditions for Relaxed Minimizers . . .	198
6.2	Necessary Optimality Conditions for Differential Inclusions without Relaxation	210
6.2.1	Euler-Lagrange and Maximum Conditions for Intermediate Local Minimizers	211
6.2.2	Discussion and Examples	219
6.3	Maximum Principle for Continuous-Time Systems with Smooth Dynamics	227
6.3.1	Formulation and Discussion of Main Results	228
6.3.2	Maximum Principle for Free-Endpoint Problems	234
6.3.3	Transversality Conditions for Problems with Inequality Constraints	239
6.3.4	Transversality Conditions for Problems with Equality Constraints	244
6.4	Approximate Maximum Principle in Optimal Control	248
6.4.1	Exact and Approximate Maximum Principles for Discrete-Time Control Systems	248
6.4.2	Uniformly Upper Subdifferentiable Functions	254
6.4.3	Approximate Maximum Principle for Free-Endpoint Control Systems	258
6.4.4	Approximate Maximum Principle under Endpoint Constraints: Positive and Negative Statements	268
6.4.5	Approximate Maximum Principle under Endpoint Constraints: Proofs and Applications	276
6.4.6	Control Systems with Delays and of Neutral Type	290
6.5	Commentary to Chap. 6	297
7	Optimal Control of Distributed Systems	335
7.1	Optimization of Differential-Algebraic Inclusions with Delays	336
7.1.1	Discrete Approximations of Differential-Algebraic Inclusions	338
7.1.2	Strong Convergence of Discrete Approximations	346

7.1.3	Necessary Optimality Conditions for Difference-Algebraic Systems	352
7.1.4	Euler-Lagrange and Hamiltonian Conditions for Differential-Algebraic Systems	357
7.2	Neumann Boundary Control of Semilinear Constrained Hyperbolic Equations	364
7.2.1	Problem Formulation and Necessary Optimality Conditions for Neumann Boundary Controls	365
7.2.2	Analysis of State and Adjoint Systems in the Neumann Problem	369
7.2.3	Needle-Type Variations and Increment Formula	376
7.2.4	Proof of Necessary Optimality Conditions	380
7.3	Dirichlet Boundary Control of Linear Constrained Hyperbolic Equations	386
7.3.1	Problem Formulation and Main Results for Dirichlet Controls	387
7.3.2	Existence of Dirichlet Optimal Controls	390
7.3.3	Adjoint System in the Dirichlet Problem	391
7.3.4	Proof of Optimality Conditions	395
7.4	Minimax Control of Parabolic Systems with Pointwise State Constraints	398
7.4.1	Problem Formulation and Splitting	400
7.4.2	Properties of Mild Solutions and Minimax Existence Theorem	404
7.4.3	Suboptimality Conditions for Worst Perturbations	410
7.4.4	Suboptimal Controls under Worst Perturbations	422
7.4.5	Necessary Optimality Conditions under State Constraints	427
7.5	Commentary to Chap. 7	439
8	Applications to Economics	461
8.1	Models of Welfare Economics	461
8.1.1	Basic Concepts and Model Description	462
8.1.2	Net Demand Qualification Conditions for Pareto and Weak Pareto Optimal Allocations	465
8.2	Second Welfare Theorem for Nonconvex Economies	468
8.2.1	Approximate Versions of Second Welfare Theorem	469
8.2.2	Exact Versions of Second Welfare Theorem	474
8.3	Nonconvex Economies with Ordered Commodity Spaces	477
8.3.1	Positive Marginal Prices	477
8.3.2	Enhanced Results for Strong Pareto Optimality	479
8.4	Abstract Versions and Further Extensions	484
8.4.1	Abstract Versions of Second Welfare Theorem	484
8.4.2	Public Goods and Restriction on Exchange	490
8.5	Commentary to Chap. 8	492

References	477
List of Statements	543
Glossary of Notation	565
Subject Index	569