EXISTENCE, STABILITY AND COMPUTATION OF STATIONARY DISTRIBUTIONS IN MONOTONE ECONOMIES

TAKASHI KAMIHIGASHI and JOHN STACHURSKY

This paper generalizes and extends the stability analysis for monotone economies developed by Hopenhayn and Prescott (Econometrica, 60, p. 1387–1406, 1992). We introduce a new order-theoretic mixing condition, and provide necessary and sufficient conditions for existence, uniqueness and stability of stationary distributions when this condition holds. Through this approach, we extend their method to a significantly larger class of problems, and develop new perspectives on the nature and causes of stability and instability. In addition, we show that the class of models they consider are in fact ergodic, and how this property can be used to compute stationary distributions.

KEYWORDS: Stochastic stability, order reversing, mixing conditions.

1. INTRODUCTION

Hopenhayn and Prescott’s (1992) theory of stability and stationary equilibria in monotone economies has become a fundamental tool for dynamic analysis. For example, Huggett (1993) used their results to study asset distributions in incomplete-market economies with infinitely-lived agents. The same methodology was applied to variants of Huggett’s model with features such as habit formation (Díaz et al., 2003), endogenous labor supply (Joseph and Weitzmblum, 2003; Pijoan-Mas, 2006), endogenous labor supply and capital accumulation (Marcet et al., 2007), and international trade (Portes, 2009). Hopenhayn and Prescott’s (1992) results have also been applied to the classical one-sector optimal growth model by Hopenhayn and Prescott (1992), to a stochastic endogenous growth model by de Hek (1999), and to a small open economy by Chatterjee and Shukayev (2010). They have been used in a wide range of OLG models with features such as credit rationing (Aghion and Bolton, 1997; Piketty, 1997), human capital (Owen and Weil, 1998; Lloyd-Ellis, 2000;

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aResearch Institute for Economics and Business Administration, Kobe University

bResearch School of Economics, Australian National University

1See Kam and Lee (2011) for a recent extension of Huggett’s (1993) analysis.
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Cardak, 2004; Couch and Morand, 2005; Cabrillana, 2009), international trade (Ranjan, 2001; Das, 2006), nonconcave production (Morand and Reffett, 2007), and occupational choice (Lloyd-Ellis and Bernhardt, 2000; Antunes and Cavalcanti, 2007; Antunes et al., 2008). Other well-known applications of their theory include variants of Hopenhayn and Rogerson’s (1993) model of job turnover (Cabrales and Hopenhayn, 1997; Samaniego, 2008) as well as variants of Hopenhayn’s (1993) model of entry and exit (Cooley and Quadrini, 2001; Samaniego, 2006).

The contributions of this paper are twofold. First, we show that the stability conditions of Hopenhayn and Prescott (1992) have an additional implication beyond existence, uniqueness and stability of stationary equilibria: They also imply ergodicity, in the sense that sample averages of time series converge with probability one to their corresponding expectations under the stationary distribution, independent of initial conditions. This is particularly important from a computational perspective, implying as it does that stationary cross-sectional probabilities can be calculated by time averages, where the time series is started from any point in the state space. In particular, we need no prior information about the stationary distribution to compute stationary outcomes via simulation.

Our second contribution is to generalize the stability result of Hopenhayn and Prescott (1992). We do this by first introducing a new mixing condition called “order reversing,” which is weaker than the mixing condition used by Hopenhayn and Prescott. We also relax the restriction that the state space be compact and order bounded. In this setting, our theorem provides general conditions for monotone, order reversing processes to attain global stability. In fact our conditions are also necessary, and hence we are able to characterize global stability for monotone, order reversing processes. Finally, we show that the ergodicity results discussed above are valid under these conditions.

One reason that Hopenhayn and Prescott’s (1992) theorem has not been extended until now is that their proof of the existence of a stochastic steady state uses the Knaster-Tarski fixed point theorem, and for more general state spaces this theorem typically cannot be applied, since a chain in the space of distributions need not have a supremum, and suprema of chains need not be fixed points. Our fixed point argument is new, combining order-theoretic and topological results to obtain existence of the stochastic steady state.

As discussed below, our results can be used to establish stability in a wider set
of applications. In addition, our results provide new perspectives on the problem of stability. For example, one feature of the previous literature was a restriction to compact state spaces, which in turn requires that shocks are bounded. This seems to suggest that small shocks are important for stability, or, conversely, that large shocks are destabilizing. Our results show that in many cases the opposite is true. Large shocks tend to be stabilizing because they generate mixing, and mixing is a key component of stochastic stability.\footnote{Mixing is recognized to be important in uniqueness and stability of stationary distributions, because it is used to rule out the possibility of multiple steady states (cf., e.g., Stokey et al., 1989, p. 380). In this paper, however, even our existence results depend heavily on mixing. See the comments following theorem 3.1.}

Concerning related literature, the research leading to Hopenhayn and Prescott’s theorem was given significant impetus by the seminal contribution of Razin and Yahav (1979). Razin and Yahav introduced a condition, now called the monotone mixing condition (MMC), and showed that the MMC implies global stability for monotone and suitably continuous Markov processes evolving on a closed interval of $\mathbb{R}$. Stokey, Lucas and Prescott (1989) generalized this result to multiple dimensions. Their result was in turn generalized by Hopenhayn and Prescott (1992), who showed, by an application the Knaster-Tarski fixed point theorem, that the continuity assumption can be dropped without changing the conclusion.

Regarding other literature, Meyn and Tweedie (2009) gives an excellent overview of the classical theory of discrete time Markov processes, based on irreducibility. For monotone Markov models, important contributions to the theory aside from those mentioned above were provided by Dubins and Freedman (1966), Bhattacharya and Lee (1988), Bhattacharya and Majumdar (2001) and Bhattacharya et al. (2010). These authors studied stability in the monotone setting via a “splitting condition,” defined in terms of an ordering on the state space. As shown in section 2.1, this condition is stricter than order reversing. At the same time, the literature on splitting contains many important results not treated in this paper.

Finally, a recent technical note due to Kamihigashi and Stachurski (2011) also studied monotone Markov chains. The result in that note was used as one part of the proof of our stability theorems (theorem 3.1 and theorem 3.2).

The rest of the paper is structured as follows: Section 2 reviews some basic definitions concerning Markov processes, and introduces the concept of order reversing.
Section 3 states the main results (theorems 3.1–3.4), and compares them to Hopenhayn and Prescott’s (1992) theorem. Section 4 provides sufficient conditions for order reversing, and other results useful for checking the conditions of theorems 3.1–3.4. Section 5 gives applications and section 6 concludes.

2. PRELIMINARIES

At each time \( t = 0, 1, \ldots \), the state of the economy is described by a point \( X_t \) in topological space \( S \). The space \( S \) is equipped with its Borel sets \( \mathcal{B} \) and a closed partial order \( \leq \). An order interval of \( S \) is a set of the form \([a, b] : = \{ x \in S : a \leq x \leq b \}\). A function \( f : S \to \mathbb{R} \) is called increasing if \( f(x) \leq f(y) \) whenever \( x \leq y \). A subset \( B \) of \( S \) is called order bounded if there exists an order interval \([a, b] \subset S\) with \( B \subset [a, b] \), and precompact if there exists a compact set \( K \subset S \) with \( B \subset K \). In addition, \( B \) is called increasing if its indicator function is increasing, and decreasing if its indicator function is decreasing.

The symbol \( \mathcal{P} \) will denote the set of probability measures on \((S, \mathcal{B})\). Furthermore, we let

- \( cbS \) be the continuous bounded functions from \( S \) to \( \mathbb{R} \), and
- \( ibS \) be the set of increasing bounded measurable functions from \( S \) to \( \mathbb{R} \).

We use inner product notation to represent integration, so that

\[
\langle \mu, h \rangle := \int h(x) \mu(dx) \quad \text{for } \mu \in \mathcal{P} \text{ and } h \in ibS \cup cbS.
\]

We adopt the standard definitions of convergence in distribution and stochastic domination: Given sequence \( \{\mu_n\}_{n=0}^{\infty} \) in \( \mathcal{P} \), we say that \( \mu_n \) converges to \( \mu \) and write \( \mu_n \to \mu_0 \) if \( \langle \mu_n, h \rangle \to \langle \mu_0, h \rangle \) for all \( h \in cbS \). We say that \( \mu_2 \) stochastically dominates \( \mu_1 \) and write \( \mu_1 \leq \mu_2 \) if \( \langle \mu_1, h \rangle \leq \langle \mu_2, h \rangle \) for all \( h \in ibS \).

Following Hopenhayn and Prescott (1992), we assume that \( S \) is a normally ordered polish space. Hopenhayn and Prescott assume in addition that \( S \) is a compact space with least element \( a \) and a greatest element \( b \). Since we wish to include more general state spaces such as \( \mathbb{R}^{n} \), we make the weaker assumption that a subset of \( S \) is compact if and only if it is closed and order bounded. This is obviously the case in Hopenhayn and Prescott’s setting, where all subsets of \( S \) are order bounded, and

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3A polish space is a separable and completely metrizable topological space. The space \((S, \leq)\) is normally ordered if, given any closed increasing set \( I \) and closed decreasing set \( D \) with \( I \cap D = \emptyset \), there exists an \( f \) in \( ibS \cap cbS \) such that \( f(x) = 0 \) for all \( x \in D \) and \( f(x) = 1 \) for all \( x \in I \).
any closed subset is compact. It also holds for \( S = \mathbb{R}^n \) with its standard partial order, since order boundedness is then equivalent to boundedness. In addition, it holds in common state spaces such as \( \mathbb{R}^n_+ \) or \( \mathbb{R}^n_{++} \), or in any set of the form \( I_1 \times \cdots \times I_n \subset \mathbb{R}^n \), where each \( I_i \) is an open, closed, half-open or half-closed interval in \( \mathbb{R}^n \).

Throughout the paper, we suppose that the model under consideration is time-homogeneous and Markovian. The dynamics of such a model can be summarized by a stochastic kernel \( Q \), where \( Q(x, B) \) represents the probability that the state moves from \( x \in S \) to \( B \in \mathcal{B} \) in one unit of time. As usual, we require that \( Q(x, \cdot) \in \mathcal{P} \) for each \( x \in S \), and that \( Q(\cdot, B) \) is measurable for each \( B \in \mathcal{B} \).

Given \( \mu \in \mathcal{P} \) and stochastic kernel \( Q \), an \( S \)-valued stochastic process \( \{X_t\} \) is called Markov-\( (Q, \mu) \) if \( X_0 \) has distribution \( \mu \) and \( Q(x, \cdot) \) is the conditional distribution of \( X_{t+1} \) given \( X_t = x \). If \( \mu \) is the probability measure \( \delta_x \in \mathcal{P} \) concentrated on \( x \in S \), we call \( \{X_t\} \) Markov-\( (Q, x) \). We call \( \{X_t\} \) Markov-\( Q \) if \( \{X_t\} \) is Markov-\( (Q, \mu) \) for some \( \mu \in \mathcal{P} \).

Example 2.1 Many economic models result in processes for the state variables represented by nonlinear, vector-valued stochastic difference equations. As a generic example, consider the \( S \)-valued process

\[
X_{t+1} = F(X_t, \xi_{t+1}), \quad \{\xi_t\} \overset{iid}{\sim} \phi,
\]

where \( \{\xi_t\} \) takes values in \( Z \subset \mathbb{R}^m \), the function \( F : S \times Z \to S \) is measurable, and \( \phi \) is a probability measure on the Borel sets of \( Z \). Let \( Q_F \) be the kernel

\[
Q_F(x, B) := \mathbb{P}\{F(x, \xi_t) \in B\} = \phi\{z \in Z : F(x, z) \in B\}.
\]

Then \( \{X_t\} \) in (1) is Markov-\( Q_F \).\(^6\)

For each \( t \in \mathbb{N} \), let \( Q^t \) be the \( t \)-th order kernel, defined by

\[
Q^1 := Q, \quad Q^t(x, B) := \int Q^{t-1}(y, B)Q(x, dy) \quad (x \in S, B \in \mathcal{B}).
\]

\(^4\)A simple example that does not satisfy our assumptions is \( S = (0, 1) \cup (2, 3) \). In this case the order interval \( [0.5, 2.5] \) is closed and order bounded but not compact.

\(^5\)More formally, \( \mathbb{P}\{X_{t+1} \in B | \mathcal{F}_t\} = Q(X_t, B) \) almost surely for all \( B \in \mathcal{B} \), where \( \mathcal{F}_t \) is the \( \sigma \)-algebra generated by the history \( X_0, \ldots, X_t \). Here and below, we take an underlying probability space \((\Omega, \mathcal{F}, \mathbb{P}) \) as given.

\(^6\)Although the process (1) is only first order, models including higher order lags of the state and shock process can be rewritten in the form of (1) by redefining the state variables.
The value \( Q^t(x, B) \) represents the probability of transitioning from \( x \) to \( B \) in \( t \) steps. A sequence \( \{\mu_n\} \subset \mathcal{P} \) is called tight if, for all \( \epsilon > 0 \), there exists a compact \( K \subseteq S \) such that \( \mu_n(K) \geq 1 - \epsilon \) for all \( n \). A stochastic kernel \( Q \) is called bounded in probability if \( \{Q^t(x, \cdot)\}_{t \geq 0} \) is tight for all \( x \in S \). Intuitively, \( Q \) is bounded in probability if, for any initial condition, the entire sequence of distributions is almost supported on a single compact set, and hence probability mass does not diverge as \( n \to \infty \).

For each \( Q \) we define two operators, sometimes called the left and right Markov operators. The left Markov operator maps \( \mu \in \mathcal{P} \) into \( \mu Q \in \mathcal{P} \), where

\[
(\mu Q)(B) := \int Q(x, B)\mu(dx) \quad (B \in \mathcal{B}).
\]

The right Markov operator maps bounded measurable function \( h: S \to \mathbb{R} \) into \( Qh \), where

\[
Qh(x) := \int h(y)Q(x, dy) \quad (x \in S).
\]

The interpretation of the left Markov operator \( \mu \mapsto \mu Q \) is that it shifts the distribution for the state forward by one time period. In particular, if \( \{X_t\} \) is Markov-\( (Q, \mu) \), then \( \mu Q^t \) is the distribution of \( X_t \). The interpretation of the right Markov operator \( h \mapsto Qh \) is that \( Q^t h(x) \) is the expectation of \( h(X_t) \) given \( X_0 = x \). If \( Q_F \) is the kernel in (2), then \( Q_F h(x) = \int h[F(x, z)]\phi(dz) \).

It is known (see, e.g., Stokey, Lucas and Prescott, 1989, p. 219) that the left and right Markov operators are adjoint, in the sense that, for any such \( h \) and any \( \mu \in \mathcal{P} \), we have \( \langle \mu, Qh \rangle = \langle \mu Q, h \rangle \). Also, given any \( x \in S, B \in \mathcal{B} \) and \( t \in \mathbb{N} \), the \( t \)-th order kernel and the left and right Markov operators are related by \( Q^t(x, B) = \delta_x Q^t(B) = Q^t \mathbb{1}_B(x) \). Here \( \mathbb{1}_B \) is the indicator function of \( B \).

If \( \mu^* \in \mathcal{P} \) and \( \mu^* Q = \mu^* \), then \( \mu^* \) is called stationary for \( Q \). If \( Q \) has a unique stationary distribution \( \mu^* \) in \( \mathcal{P} \), and, moreover, \( \mu Q^t \to \mu^* \) as \( t \to \infty \) for all \( \mu \in \mathcal{P} \), then \( Q \) is called globally stable. In this case, \( \mu^* \) is naturally interpreted as the long-run equilibrium of the economic system in question. If \( \mu^* \) is stationary, then any Markov-\( (Q, \mu^*) \) process \( \{X_t\} \) is strict-sense stationary with \( X_t \sim \mu^* \) for all \( t \).

If \( \mu \in \mathcal{P} \) and \( \mu Q \leq \mu \), then \( \mu \) is called excessive. If \( \mu \leq \mu Q \), then \( \mu \) is called deficient. If \( Q \) satisfies \( \mu Q \preceq \mu' Q \) whenever \( \mu \leq \mu' \), then \( Q \) is called increasing. It is in

\[
\text{In addition, if } \mu^* \text{ is also unique, then } \{X_t\} \text{ is ergodic in the sense that } \frac{1}{n} \sum_{i=1}^{n} h(X_i) \to \int h \, d\mu^* \text{ as } n \to \infty \text{ almost surely whenever } \int |h| \, d\mu^* \text{ exists.}
\]
fact sufficient to check that $Q(x, \cdot) \preceq Q(x', \cdot)$ whenever $x \leq x'$. A third equivalent condition is that $Qh \in ibS$ whenever $h \in ibS$\footnote{For example, suppose that $Qh \in ibS$ whenever $h \in ibS$. Pick any $\mu \in \mathcal{P}$. Fixing $h \in ibS$, we have $Qh \leq Q'h$. Integrating with respect to $\mu$ gives $\langle \mu, Qh \rangle \leq \langle \mu, Q'h \rangle$, or, equivalently, $\langle \mu Q, h \rangle \leq \langle \mu Q', h \rangle$. Since $h$ was an arbitrary element of $ibS$, we have shown that $\mu Q \preceq \mu Q$. The proof of the converse is also straightforward.} If, on the other hand, $Qh \in cbS$ whenever $h \in cbS$, then $Q$ is called Feller. Finally, if $Q$ and $Q'$ are two kernels with $\mu Q \preceq \mu Q'$ for all $\mu \in \mathcal{P}$, then we say that $Q'$ dominates $Q$ and write $Q \preceq Q'$. An equivalent condition is that $Qh \leq Q'h$ for all $h \in ibS$\footnote{If $g$ and $h$ are two real-valued functions on $S$, then $g \leq h$ means that $g(x) \leq h(x)$ for all $x \in S$.}

The notion of increasing kernels is particularly important in this paper. Many examples of models with increasing kernels were discussed in the introduction. Other examples not discussed there include various infinite horizon optimal growth models with features such as irreversible investment, renewable resources, distortions, and capital-dependent utility. Increasing kernels are also found in stochastic OLG models with features such as irreversible investment, renewable resources, distortions, and capital-dependent utility. Increasing kernels are also found in stochastic games.\footnote{See, for example, Amir (2002, 2005), Gong et al. (2010), Balbus et al. (2010), Olson (1989), Olson and Roy (2000), Datta et al. (2002) and Mirman et al. (2008).}

For a general discussion of increasing kernels in the context of dynamic optimizing models, see Hopenhayn and Prescott (1992). For an empirical test of the same property, see Lee et al. (2009).

**Remark 2.1** Let $Q$ be an increasing stochastic kernel. If $A$ is an increasing set, then $x \mapsto Q(x, A)$ is increasing. If $A$ is a decreasing set, then $x \mapsto Q(x, A)$ is decreasing.

**Remark 2.2** If $S$ has a least element $a$, then $\delta_a$ is deficient for any kernel $Q$, because $\delta_a \leq \mu$ for every $\mu \in \mathcal{P}$, and hence $\delta_a \leq \delta_a Q$. Similarly, if $S$ has a greatest element $b$, then $\delta_b$ is excessive for $Q$.

**Example 2.2** Let $F$ and $Q_F$ be as in example\footnote{The statement that $F(\cdot, z)$ is increasing means that $x, x' \in S$ with $x \leq x'$ and $z \in Z$ implies $F(x, z) \leq F(x', z)$. Since $Q_F h(x) = \int h[F(x,z)]\phi(dz)$, to prove that $Q_F$ is increasing, it suffices to show that if $x \leq x'$ and $h \in ibS$, then $\int h[F(x,z)]\phi(dz) \leq \int h[F(x',z)]\phi(dz)$. As $h \in ibS$ and $F(\cdot, z)$ is increasing for each $z$, this follows from monotonicity of the integral.} 2.1. If $x \mapsto F(x, z)$ is increasing, then $Q_F$ is increasing. If $x \mapsto F(x, z)$ is continuous, then $Q_F$ is Feller.
Example 2.3  Let $F$ and $Q_F$ be as in example 2.1 Consider a second process
\[ X_{t+1} = G(X_t, \xi_{t+1}), \quad \{\xi_t\} \sim \phi, \]
where $G: S \times Z \to S$ is measurable. Let $Q_G$ be the corresponding stochastic kernel.
If $G(x,z) \leq F(x,z)$ for all $(x,z) \in S \times Z$, then $Q_G \preceq Q_F$, since $h \in \mathcal{b}S$ implies
\[ Q_G h(x) = \int h[G(x,z)] \phi(dz) \leq \int h[F(x,z)] \phi(dz) = Q_F h(x) \]

2.1. Order Reversing Processes

In this paper we introduce a new order-theoretic mixing condition and illustrate its close relationship to stability. To state the condition, let
\[ \mathcal{G} := \text{graph}(\leq) := \{(y, y') \in S \times S : y \leq y'\}, \]
so that $y \leq y'$ iff $(y, y') \in \mathcal{G}$. Also, let $Q$ be a stochastic kernel on $S$, and consider the product kernel $Q \times Q$ on $S \times S$ defined by
\[ (Q \times Q)((x, x'), A \times B) = Q(x, A)Q(x', B) \]
for $(x, x') \in S \times S$ and $A, B \in \mathcal{B}^{12}$. The product kernel represents the stochastic kernel of the joint process $\{(X_t, X'_t)\}$ when $\{X_t\}$ and $\{X'_t\}$ are independent Markov-$Q$ processes. Using this notation, we say that $Q$ is order reversing if
\[ \forall x, x' \in S \text{ with } x' \leq x, \exists t \in \mathbb{N} \text{ such that } (Q \times Q)^t((x, x'), \mathcal{G}) > 0. \]
The definition is formulated to emphasize the fact that order reversing is a property of the kernel $Q$ alone (taking $S$ and $\leq$ as given). It can be stated more intuitively using different notation: $Q$ is order reversing if, given any $x$ and $x'$ in $S$ with $x' \leq x$, and given two independent Markov-$Q$ processes $\{X_t\}$ and $\{X'_t\}$ starting at the higher state $x$ and lower state $x'$ respectively, the initial ordering is reversed at some point in time with positive probability. In particular, $\mathbb{P}\{X_t \leq X'_t\} > 0$ for some $t$.

Remark 2.3  In verifying order reversing, it is clearly sufficient to check the existence of a $t$ with $(Q \times Q)^t((x, x'), \mathcal{G}) > 0$ for arbitrary pair $x, x' \in S$. Often this is just as easy, and much of the following discussion proceeds accordingly.

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12Sets of the form $A \times B$ with $A, B \in \mathcal{B}$ provide a semi-ring in the product $\sigma$-algebra $\mathcal{B} \otimes \mathcal{B}$ that also generates $\mathcal{B} \otimes \mathcal{B}$. Defining the probability measure $Q((x, x'), \cdot)$ on this semi-ring uniquely defines $Q((x, x'), \cdot)$ on all of $\mathcal{B} \otimes \mathcal{B}$. See, e.g., Dudley (2002, theorem 3.2.7).
2.4 Suppose we are studying a dynamic model of household wealth. Informally, the model is order reversing if, for two households receiving idiosyncratic shocks from the same distribution, the wealth of the first household is less than that of the second at some point in time with non-zero probability, regardless of initial wealth for each of the two households.

2.5 Consider the stochastic kernel \( Q(x, B) = \mathbb{P}\{\rho x + \xi_t \in B\} \) on \( S = \mathbb{R} \) associated with the linear AR(1) model

\[
X_{t+1} = \rho X_t + \xi_{t+1}, \quad \{\xi_t\} \text{ IID } N(0, 1).
\]

This kernel is order reversing. To see this, fix \( (x, x') \in \mathbb{R}^2 \), and take two independent Markov-\( Q \) processes

\[
X_{t+1} = \rho X_t + \xi_{t+1} \text{ with } X_0 = x, \quad X'_{t+1} = \rho X'_t + \xi'_{t+1} \text{ with } X'_0 = x',
\]

where \( \{\xi_t\} \) and \( \{\xi'_t\} \) are IID, standard normal, and independent of each other. We can see that \( \mathbb{P}\{X_t \leq X'_t\} > 0 \) is satisfied with \( t = 1 \), because

\[
\mathbb{P}\{X_1 \leq X'_1\} = \mathbb{P}\{\rho x + \xi_1 \leq \rho x' + \xi'_1\} = \mathbb{P}\{\xi_1 - \xi'_1 \leq \rho(x' - x)\}.
\]

Since \( \xi_1 - \xi'_1 \) is Gaussian, this probability is strictly positive.

2.6 Order reversing is weaker than the MMC of Razin and Yahav (1979), Stokey et al. (1989) and Hopenhayn and Prescott (1992). To see this, let \( S \) be a compact metric space with least element \( a \) and greatest element \( b \), and let \( Q \) be an increasing kernel on \( S \). In this setting, \( Q \) is said to satisfy the MMC whenever

\[
\exists \bar{x} \in S \text{ and } k \in \mathbb{N} \text{ such that } Q^k(a, [\bar{x}, b]) > 0 \text{ and } Q^k(b, [a, \bar{x}]) > 0.
\]

Under the MMC, \( Q \) is order reversing. The reason is that if we start independent Markov-\( Q \) process \( \{X^a_t\} \) and \( \{X^b_t\} \) at \( a \) and \( b \) respectively, then (6) implies the order reversal \( X^b_k \leq X^a_k \) at time \( k \) occurs with positive probability. Since \( Q \) is increasing, closer initial conditions only make this event more likely.\(^{13}\)

\(^{13}\)To be precise, let \( \bar{x} \) and \( k \) be as in (6). Fix \( x, x' \in S \) and let \( \{X^x_t\} \) and \( \{X'^x_t\} \) be independent, Markov-\( (Q, x) \) and Markov-\( (Q, x') \) respectively. By independence and \( \{X_k \leq \bar{x} \leq X^x_k\} \subset \{X_k \leq X'^x_k\} \), we have

\[
\mathbb{P}\{X_k \leq \bar{x}\} \mathbb{P}\{\bar{x} \leq X^x_k\} = \mathbb{P}\{X_k \leq \bar{x} \leq X^x_k\} \leq \mathbb{P}\{X_k \leq X'^x_k\}. \text{ But } \mathbb{P}\{\bar{x} \leq X^x_k\} = Q^k(x, [a, \bar{x}]) \text{ and } \mathbb{P}\{X_k \leq \bar{x}\} = Q^k(x, [\bar{x}, b]) \text{ are strictly positive by (6) and remark 2.1. Hence } Q \text{ is order reversing.}
2.7 Order reversing is weaker than the “splitting condition” used by Dubins and Freedman (1966), Bhattacharya and Lee (1988) and Bhattacharya and Majumdar (2001). Their environment consists of a sequence of IID random maps \( \{ \gamma_t \} \) from \( S \) to itself. The maps generate \( \{ X_t \} \) via \( X_t = \gamma_t(X_{t-1}) = \gamma_t \circ \cdots \circ \gamma_1(X_0) \). The corresponding stochastic kernel is \( Q(x, B) = \mathbb{P}\{ \gamma_1(x) \in B \} \). The splitting condition requires existence of a \( \bar{x} \in S \) and \( k \in \mathbb{N} \) such that

\[
\mathbb{P}\{ \gamma_k \circ \cdots \circ \gamma_1(y) \leq \bar{x}, \forall y \in S \} > 0 \quad \text{and} \quad \mathbb{P}\{ \gamma_k \circ \cdots \circ \gamma_1(y) \geq \bar{x}, \forall y \in S \} > 0.
\]

If the splitting condition holds, then \( Q \) is order reversing. To see this, let \( \bar{x} \) and \( k \) be the constants in the splitting condition, fix \( x, x' \in S \) and let \( \{ X_t \} \) and \( \{ X'_t \} \) be independent, Markov-\((Q, x)\) and Markov-\((Q, x')\) respectively. As in example 2.6, we have \( \mathbb{P}\{ X_k \leq X'_k \} \geq \mathbb{P}\{ x \leq \bar{x} \} \mathbb{P}\{ x \leq X'_k \} \). Moreover, both terms in this product are positive. For example, \( \mathbb{P}\{ X_k \leq \bar{x} \} > 0 \) because

\[
\mathbb{P}\{ X_k \leq \bar{x} \} = \mathbb{P}\{ \gamma_k \circ \cdots \circ \gamma_1(x) \leq \bar{x} \} \geq \mathbb{P}\{ \gamma_k \circ \cdots \circ \gamma_1(y) \leq \bar{x}, \forall y \in S \},
\]

and the final term is strictly positive by the splitting condition.

2.8 Order reversing is weaker than the order mixing condition introduced in Kamihigashi and Stachurski (2011). There, \( Q \) is called order mixing if, given any \( x, x' \in S \) and independent Markov-\((Q, x)\) and Markov-\((Q, x')\) processes \( \{ X_t \} \) and \( \{ X'_t \} \), we have \( \mathbb{P}\bigcup_{t=0}^{\infty} \{ X_t \leq X'_t \} = 1 \). Clearly this is stricter than order reversing, which requires only that \( \mathbb{P}\{ X_t \leq X'_t \} > 0 \) for some \( t \)\(^{14}\). In addition, order reversing is much easier to check in applications. (Techniques for checking order reversing are discussed in section 4.3.)

3. MAIN RESULTS

We can now state our main results, which concern stability and ergodicity of increasing, order reversing stochastic kernels.

3.1. Global Stability

Our first theorem generalizes a well-known result of Hopenhayn and Prescott (1992), and provides conditions both necessary and sufficient for global stability.

\(^{14}\)If \( \mathbb{P}\{ X_t \leq X'_t \} = 0 \) for all \( t \), then \( \mathbb{P}\bigcup_{t=0}^{\infty} \{ X_t \leq X'_t \} \leq \sum_t \mathbb{P}\{ X_t \leq X'_t \} = 0. \)
THEOREM 3.1  Let \( Q \) be a stochastic kernel that is both increasing and order reversing. \( Q \) is globally stable if and only if

1. \( Q \) is bounded in probability, and
2. \( Q \) has either a deficient or an excessive distribution.

REMARK 3.1  In terms of sufficient conditions for global stability, the order reversing assumption cannot be omitted, even for existence of a stationary distribution. In particular, there exist increasing kernels that are bounded in probability and possess an excessive or deficient measure, yet no stationary distribution exists.\(^{15}\)

There is no continuity requirement in theorem 3.1. However, in many applications the kernel \( Q \) will have the Feller property (see example 2.2). If \( Q \) is Feller, then condition 2 can be omitted. Since this result is likely to be useful, we state it as a second theorem.

THEOREM 3.2  Let \( Q \) be increasing, order reversing, and Feller. Then \( Q \) is globally stable if and only if \( Q \) is bounded in probability.

To see that the conditions of theorem 3.1 are weaker than those of Hopenhayn and Prescott (1992, theorem 2), suppose as they do that \( S \) is a compact metric space with least element \( a \) and greatest element \( b \), and \( Q \) is an increasing kernel satisfying the MMC. The conditions of theorem 3.1 then hold. First, \( Q \) is increasing by assumption. Second, \( Q \) is order reversing, as shown in example 2.6. Third, \( Q \) is bounded in probability, since \( S \) is compact and hence \( \{Q_t(x, \cdot)\} \) is always tight. Fourth, \( Q \) has a deficient measure because \( S \) has a least element (see remark 2.2).

To see that the conditions of theorem 3.1 are strictly weaker than those of Hopenhayn and Prescott (1992), consider the AR(1) model (5) with \( \rho \in [0, 1) \). Here the Gaussian shocks force us to choose the state space \( S = \mathbb{R} \), which is not compact, and Hopenhayn and Prescott’s theorem cannot be applied. On the other hand, all

\[^{15}\] An example is the kernel \( Q \) associated with the deterministic process on \( S = \mathbb{R}_+ \) defined by \( X_{t+1} = 1/2 + \sum_{n=1}^{\infty} \mathbb{1}\{n \leq X_t < n + 1\} [n + (X_t - n)/2] \). It is easy to check that \( X_{t+1} > X_t \) with probability one, and hence \( X_{t+1} \) and \( X_t \) can never have the same distribution. On the other hand, \( Q \) is increasing, bounded in probability (because each interval \([n, n+1]\) is absorbing) and has the deficient measure \( \delta_0 \).
the conditions of theorem \ref{thm:existence} are satisfied.\footnote{Of course the AR(1) model is a trivial example. Nontrivial applications are presented in section \ref{sec:applications}}

Regarding the proof of theorem \ref{thm:existence} boundedness in probability and existence of an excessive or deficient measure generalize Hopenhayn and Prescott’s assumption that \( S \) is compact and has a least and greatest element. As Hopenhayn and Prescott show, if \( S \) is compact and has a least and greatest element, then the Knaster-Tarski fixed point theorem implies that every increasing stochastic kernel has a stationary distribution. Adding the MMC then yields uniqueness and stability. In our setting, the same fixed point argument cannot be applied. As remark \ref{rem:fixed_point} shows, our mixing condition plays an essential role in the proof of existence, and the proof is fundamentally different to the Knaster-Tarski fixed point argument.

There are some advantages to our approach. Using a compact and order bounded state space is a technical requirement for applying the Knaster-Tarski fixed point theorem. However, these restrictions on the state space imply that shocks have bounded support. Restricting the support of the shock makes mixing conditions like the MMC and order reversing more difficult to verify. Put differently, large shocks promote mixing and mixing promotes stability. Theorem \ref{thm:existence} allows us to exploit this fact by providing an alternative fixed point argument. This will become clear when we look at applications in section \ref{sec:applications}. In these applications, globally stability cannot be proved using earlier results unless more structure is imposed.

As a final remark on theorem \ref{thm:existence} (and theorem \ref{thm:ergodicity}), one of the most attractive features of the MMC is that it is straightforward to check in applications when it holds. In section \ref{sec:order_reversing}, we provide conditions for order reversing that are also straightforward to verify when they hold.

### 3.2. Ergodicity

Let \( Q \) be a stochastic kernel on \( S \) with stationary distribution \( \mu^* \), and let \( h \) be a measurable function from \( S \) into \( \mathbb{R} \). We say that the pair \((Q, h)\) satisfies the strong law of large numbers if, for any \( x \in S \) and any Markov-\((Q, x)\) process \( \{X_t\} \), we have

\footnote{That the model is order reversing was shown in example \ref{ex:order_reversing}. Monotonicity follows from example \ref{ex:monotonicity}. Boundedness in probability is shown in example \ref{ex:boundedness} below. For existence of a \( \mu \) with \( \mu \preceq \mu Q \), we can take \( \mu = N(0, (1 - \rho^2)^{-1}) \).}
(7) \( \frac{1}{n} \sum_{t=1}^{n} h(X_t) \to \int h \, d\mu^* \) as \( n \to \infty \)

with probability one (i.e., \( \mathbb{P} \)-almost surely).

**Theorem 3.3** Let \( Q \) be increasing, order reversing and bounded in probability. If \( Q \) has a stationary distribution and \( h \in \text{ibS} \), then \((Q, h)\) satisfies the strong law of large numbers.

**Remark 3.2** In view of theorems 3.1 and 3.2, when \( Q \) is increasing, order reversing and bounded in probability, existence of a stationary distribution will be guaranteed whenever \( Q \) has an excessive or deficient measure, or when \( Q \) is Feller.

**Remark 3.3** Since finite intersections of probability one sets have probability one, if \( h_1, \ldots, h_k \) all satisfy (7), then \( h := \alpha_1 h_1 + \cdots + \alpha_k h_k \) satisfies (7) for any scalars \( \alpha_1, \ldots, \alpha_k \). As a result, the implications of theorem 3.3 extend to any \( h \) in the linear span of \( \text{ibS} \). For example, they extend to any bounded measurable decreasing function, and to any function of bounded variation when \( S \) is an interval of \( \mathbb{R} \).

The most significant aspect of theorem 3.3 is that the probability one convergence is valid for any initial condition \( x \in S \). This allows us to compute stationary probabilities and expectations by simulating time series from arbitrary initial conditions. Let us now consider the particular problem of computing the stationary distribution itself. To this end, note that theorem 3.3 concerns the behavior of the *empirical measure* \( \mu_n^X \) corresponding to the process \( \{X_t\} \), which is defined by

\[
\int h \, d\mu_n^X := \frac{1}{n} \sum_{t=1}^{n} h(X_t) \quad \text{for measurable } h : S \to \mathbb{R}.
\]

Ideally we would like the conditions of theorem 3.3 to imply that \( \mu_n^X \) converges to \( \mu^* \) with probability one, which is to say that the event \( \int h \, d\mu_n^X \to \int h \, d\mu^* \) for all \( h \in \text{cbS} \) has probability one. This is not implied by theorem 3.3. In fact we cannot even say that the event \( \int h \, d\mu_n^X \to \int h \, d\mu^* \) for all \( h \in \text{ibS} \) has probability one, because, for each choice of \( h \in \text{ibS} \), the probability one set on which \( \int h \, d\mu_n^X \to \int h \, d\mu^* \) holds depends on \( h \), and the function class \( \text{ibS} \) is uncountable.\(^{17}\) Nevertheless, with an

\(^{17}\)In fact \( \text{ibS} \) is not only uncountable, but typically non-separable. This is the essence of the problem.
additional restriction on \( S \), we are able to obtain the desired probability one convergence of \( \mu^X_n \) to \( \mu^* \). The new restriction strengthens our separability assumption for \( S \), and is satisfied for many common state spaces (e.g., when \( S \) is a cone in \( \mathbb{R}^m \) with the usual partial order):

**Assumption 3.1** There exists a countable subset \( A \) of \( S \) such that, given any \( x \in S \) and neighborhood \( U \) of \( x \), there are \( a, a' \in A \) such that \( a, a' \in U \) and \( a \leq x \leq a' \).

**Theorem 3.4** If the conditions of theorem 3.3 hold and assumption 3.1 is satisfied, then, for any \( x \in S \) and any Markov-\((Q, x)\) process \( \{X_t\} \), the corresponding empirical measure \( \mu^X_n \) satisfies \( \mu^X_n \rightarrow \mu^* \) as \( n \rightarrow \infty \) with probability one.

4. VERIFYING THE CONDITIONS

Theorem 3.1 requires that \( Q \) is increasing, order reversing, bounded in probability, and possesses an excessive or deficient measure. A sufficient condition for \( Q \) to be increasing was given in example 2.2. In this section, we present a number of sufficient conditions for the remaining properties. Throughout the following discussion, we use the simple AR(1) model for illustrative purposes. Nontrivial applications are deferred to section 5.

4.1. Boundedness in Probability

Boundedness in probability is a standard condition in the Markov process literature. In this section, we review some well-known techniques for checking boundedness in probability, and introduce a new one based on order-theoretic ideas.

Let \( Q \) be a stochastic kernel on \( S = \mathbb{R} \), and let \( \{X_t\} \) be Markov-\((Q, x)\) process. Then \( Q \) is bounded in probability when \( \sup_t \mathbb{E} |X_t| < \infty \) for any initial \( x \). The same statement is valid if we replace \( |X_t| \) with \( X_t^2 \). Intuitively, boundedness of these moments means that the process does not diverge.

To go beyond the case of \( S = \mathbb{R} \), recall that \( V: S \rightarrow \mathbb{R}_+ \) is called *coercive* if the sublevel sets \( L_a := \{ x \in S : V(x) \leq a \} \) are precompact for all \( a > 0 \)\(^{18}\). It is known

\(^{18}\)For example, if \( V(x) = \|x\| \) and \( S = \mathbb{R}^n \), then \( V \) is coercive, because \( L_a \) is the closed ball \( \bar{B}(0, a) = \{ x \in \mathbb{R}^n : x \leq a \} \). However, if \( S = \mathbb{R}^n_+ \), then \( V(x) = \|x\| \) is not coercive, because \( L_a = \mathbb{R}^n_{++} \cap \bar{B}(0, a) \), which is not compact. In essence, \( V \) is coercive if \( V(x_n) \rightarrow \infty \) whenever \( x_n \) “diverges” towards the “edges” of the state space.
that \( Q \) is bounded in probability if, for each \( x \in S \), there exists a coercive function \( V \) with

\[
\sup_t \int V(y) Q^t(x, dy) < \infty.
\]

Condition (8) is in fact equivalent to boundedness in probability. (See Meyn and Tweedie, 2009, lemma D.5.3.) It can sometimes be verified via a “drift” condition. For example, let \( Q_F \) be the kernel (2). Then (8) will be satisfied if there exist positive constants \( \alpha \) and \( \beta \) with \( \alpha < 1 \) and

\[
\mathbb{E} V[F(x, \xi_t)] \leq \alpha V(x) + \beta, \quad \forall x \in S.
\]

**Example 4.1** Consider the AR(1) process (5) with \( S = \mathbb{R} \). Here (9) is satisfied for \( V(x) := |x| \) whenever \( |\rho| < 1 \). Indeed, by the triangle inequality, \( \mathbb{E} |ho x + \xi_t| \leq |\rho| \cdot |x| + \mathbb{E} |\xi_t| \). This corresponds to (9) with \( \alpha := |\rho| \) and \( \beta := \mathbb{E} |\xi_t| \).

Examples of how to construct coercive functions satisfying (8) are given in section 5. Further examples can be found in Stachurski (2002), Nishimura and Stachurski (2005), Kamihigashi (2007), and Kristensen (2008) and Meyn and Tweedie (2009).

We now introduce a new result that can be used to check boundedness in probability, and also relates to our techniques for checking existence of deficient and excessive measures discussed in section 4.2 below. To begin,

**Proposition 4.1** Let \( Q_{\ell}, Q, Q_u \) be stochastic kernels on \( S \). If \( Q_{\ell} \preceq Q \preceq Q_u \) and both \( Q_{\ell} \) and \( Q_u \) are bounded in probability, then \( Q \) is bounded in probability.

### 4.2. Existence of Excessive and Deficient Measures

Condition 2 of theorem 3.1 requires existence either an excessive or a deficient distribution. In some cases this is easy to verify. For example, if \( S \) has a least element or a greatest element then the condition always holds (remark 2.2). However, there are many settings where \( S \) has neither (\( S = \mathbb{R}^n \) and \( S = \mathbb{R}^n_+ \) are obvious examples). In this case, one can work more carefully with the definition of the model to construct excessive and deficient distributions. One example is Zhang (2007), who constructs such measures for the stochastic optimal growth model.

However, identifying excessive and deficient measures may be nontrivial. For this reason, we now provide a sufficient condition which is relatively straightforward to check in applications.
Proposition 4.2 Let $Q$ be a stochastic kernel on $S$. If there exists another kernel $Q_u$ such that $Q_u$ is Feller, bounded in probability and $Q \preceq Q_u$, then $Q$ has an excessive distribution. Likewise, if $Q_\ell$ is Feller, bounded in probability and $Q_\ell \preceq Q$, then $Q$ has a deficient distribution.

Examples of how to use this result are provided in the applications. In addition, we note that propositions 4.1 and 4.2 can be combined with theorem 3.1 to obtain the following stability result:

Theorem 4.1 Suppose that $Q$ is increasing and order reversing. If there exist kernels $Q_\ell \preceq Q \preceq Q_u$ such that $Q_\ell$ and $Q_u$ are bounded in probability and at least one of them is Feller, then $Q$ is globally stable.

4.3. Order Reversing

In this section we give sufficient conditions for order reversing. To state them, we introduce two new definitions: We call kernel $Q$ on $S$ upward reaching if, given any $x$ and $c$ in $S$, there exists a $t \in \mathbb{N}$ such that $Q^t(x, \{y \in S : c \leq y\}) > 0$. We call $Q$ downward reaching if, given any $x$ and $c$ in $S$, there exists a $t \in \mathbb{N}$ such that $Q^t(x, \{y \in S : y \leq c\}) > 0$.

Example 4.2 The AR(1) process in (5) is both upward and downward reaching. For example, fix $x, c$ in $S = \mathbb{R}$, and take $t = 1$. We have

$$Q(x, \{y \in S : y \leq c\}) = \mathbb{P}\{\rho x + \xi_1 \leq c\} = \mathbb{P}\{\xi_1 \leq c - \rho x\},$$

which is positive because $\xi_t \sim N(0, 1)$. Hence $Q$ is downward reaching.

We can now present the main result of this section.

Proposition 4.3 Suppose that $Q$ is increasing and bounded in probability. If $Q$ is either upward or downward reaching, then $Q$ is order reversing.

Corollary 4.1 The statements in theorem 3.1 and theorem 3.2 remain valid if order reversing is replaced by either upward or downward reaching.

Using proposition 4.3 we can also provide more specialized results for the model in example 2.1. To simplify the exposition, we assume without loss of generality
that \( Z \) is the support of \( \phi \).

Suppose that, in addition to prior assumptions, the state space \( S \) is a Borel subset of \( \mathbb{R}^n \). Given vectors \( x \) and \( y \) in \( S \), we write \( x < y \) if \( x_i < y_i \) for all \( i \). Finally, as an additional point of notation, observe that each finite path of shock realizations \( \{ z_i \}_{i=1}^t \subset Z \) and initial condition \( X_0 = x \in S \) determines a path \( \{ x_i \}_{i=0}^t \) for the state variable up until time \( t \) via (1). Let \( F^t(x, z_1, \ldots, z_t) \) denote the value of \( x_t \) determined in this way.

\[ \text{PROPOSITION 4.4} \]

Suppose that \( x \mapsto F(x, z) \) is increasing for each \( z \in Z \), \( F \) is continuous on \( S \times Z \), and \( Q_F \) is bounded in probability. Then \( Q_F \) is globally stable if any one of the following three conditions holds:

1. \( \forall x, c \in S, \exists \{ z_i \}_{i=1}^k \subset Z \) such that \( F^k(x, z_1, \ldots, z_k) < c \)
2. \( \forall x, c \in S, \exists \{ z_i \}_{i=1}^k \subset Z \) such that \( F^k(x, z_1, \ldots, z_k) > c \)
3. \( \forall x, x' \in S, \exists \{ z_i \}_{i=1}^k \) and \( \{ z'_i \}_{i=1}^k \) with \( F^k(x, z_1, \ldots, z_k) < F^k(x', z'_1, \ldots, z'_k) \)

\[ \text{EXAMPLE 4.3} \]

Consider the AR(1) model \( F(x, z) = \rho x + z \) with \( 0 \leq \rho < 1 \). Clearly the model is increasing and continuous in the sense of proposition 4.4. We showed in example 4.1 that boundedness in probability holds. Thus, to show the model is order reversing, it remains to verify one of conditions 1–3 in proposition 4.4. Taking condition 1, fix \( x, c \in \mathbb{R} \). We need to choose a shock sequence that drives the process below \( c \) when it starts at \( x \). This can be done in one step, by choosing \( z_1 \) such that \( \rho x + z_1 < c \).

5. APPLICATIONS

We now turn to more substantial applications of the results described above.

5.1. Optimal Growth

The stochastic optimal growth model forms the basis of many studies, and the existence of ergodic, non-trivial stochastic equilibria is of fundamental importance when comparing predictions with data. While stability of the basic concave model with IID shocks and inelastic labor is well-known, stability of the many variations used in applications is more problematic.

\[ \text{Footnote 19} \]

That is, \( \phi(Z) = 1 \), and \( \phi(G) > 0 \) whenever \( G \subset Z \) is nonempty and open. \( Z \) can always be re-defined so that this assumption is valid.

\[ \text{Footnote 20} \]

Formally, \( F^1 := F \) and \( F^{t+1}(x, z_1, \ldots, z_{t+1}) := F(F^t(x, z_1, \ldots, z_t), z_{t+1}) \) for all \( t \in \mathbb{N} \).
Consider first the basic model, with consumption chosen in order to maximize \( \mathbb{E} \sum_{t=0}^{\infty} \delta^t u(c_t) \) subject to \( 0 \leq k_{t+1} + c_t \leq \xi_t f(k_t) \). All variables are nonnegative and \( \{\xi_t\} \overset{\text{IID}}{\sim} \phi \). For now, we assume that \( u \) is bounded with \( u'(0) > 0, u'' < 0, u'(0) = \infty \); while \( f(0) = 0, f' > 0, f'' < 0, f'(0) = \infty \) and \( f'(\infty) = 0 \). To study the dynamics of the optimal process, we take \( y_t = \xi_t f(k_t) \) as the state variable, and consider the income process \( y_{t+1} = \xi_t f(y_t - \sigma(y_t)) \), where \( \sigma(\cdot) \) is the optimal consumption policy. Let \( Q \) be the corresponding stochastic kernel. For the state space we take \( S = \mathbb{R}_{++} \). Zero is deliberately excluded from \( S \) so that any stationary distribution on \( S \) is automatically non-trivial.

Brock and Mirman (1972) were the first to prove global stability of this process, for the case where \( \xi_t \) has support \([a, b]\) for some \( 0 < a < b \). The case where \( \xi_t \) has unbounded support was treated by Stachurski (2002), Nishimura and Stachurski (2005) and Kamihigashi (2007), who replaced the assumption of bounded support with the small tail conditions \( \mathbb{E} \xi_t < \infty \) and \( \mathbb{E} (1/\xi_t) < \infty \), in addition to the assumption that \( \xi_t \) has a density that is continuous and everywhere positive. Zhang (2007) showed that global stability continues to hold when \( \xi_t \) has no density, provided that \( \mathbb{P}\{\xi_t \leq z\} > 0 \) for all \( z \in S \), or \( \mathbb{P}\{\xi_t \geq z\} > 0 \) for all \( z \in S \).

All of these global stability results, proved using a range of specialized arguments, can be obtained as special cases of either theorem 3.1 or theorem 3.2. It is well-known that under the stated assumptions \( Q \) is increasing, Feller and bounded in probability (cf., e.g., Stokey et al., 1989, p. 393; and Nishimura and Stachurski, 2005, proposition 4.4). Hence it suffices to show that \( Q \) is either order reversing, upward reaching or downward reaching (theorem 3.2 and corollary 4.1). For the bounded shock case, Hopenhayn and Prescott (1992) proved that MMC holds, which implies order reversing (cf., example 2.6). For the unbounded case, consider for example the conditions of Zhang (2007). Suppose in particular that \( \mathbb{P}\{\xi_t \leq z\} > 0 \) for all \( z \in S \). If we fix any \( x, c \in S \), then \( \mathbb{P}\{\xi_1 f(x - \sigma(x)) \leq c\} = \mathbb{P}\{\xi_1 \leq c/f(x - \sigma(x))\} > 0 \). Thus, \( Q \) is downward reaching \(^{22}\) and hence globally stable.

Since the conditions of theorems 3.3 and 3.4 apply, we can compute the stationary distribution at each set of parameters by simulating from an arbitrary initial condition. Figure 1 shows the stationary distribution of log income for a growth model

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\(^{21}\)See Hopenhayn and Prescott (1992), Olson and Roy (2006), Kamihigashi (2007) or Chatterjee and Shukayev (2008) for additional discussion of the case where \( \xi_t \) has bounded support.

\(^{22}\)Since \( S = \mathbb{R}_{++} \) and optimal consumption is interior, we have \( f(x - \sigma(x)) > 0 \).
with Gamma(2,2) shock distribution.\(^{23}\) The income distribution is represented as a histogram. For comparison, a fitted normal distribution is superimposed. The figure shows that the stationary distribution of log income is negatively skewed. This feature carries over to the growth rate of income.

The stability results presented in this section can be extended in many ways. For example, take again the conditions of Zhang (2007), but without the assumption that \(f\) is concave.\(^{24}\) Without concavity of \(f\), optimal consumption is not necessarily continuous, and \(Q\) is no longer Feller. Moreover, without additional assumptions, the MMC does not apply, \(Q\) is not irreducible, the splitting condition fails, the model is not an expected contraction and the standard Harris recurrence conditions are not satisfied.\(^{25}\) Indeed, to the best of our knowledge, global stability of \(Q\)—or even ex-

\(^{23}\)The utility function is of the CARA form \(u(c) = 1 - \exp(-\theta c)\), while production is \(f(k) = k^\alpha\). The parameters are \(\theta = 0.5\), \(\alpha = 0.5\) and \(\delta = 0.9\). The optimal policy is calculated with fitted value function iteration. To compute the stationary distribution we simulated a time series of length \(10^5\) from the process \(y_{t+1} = \xi_t f(y_t - \sigma(y_t))\), where \(\sigma(\cdot)\) is the computed policy.

\(^{24}\)In models of renewable resource exploitation, \(f\) is biologically determined, and often non-concave. For motivation and further discussion, see, for example, Dechert and Nishimura (1983), Majumdar, Mitra and Nyarko (1989), or Mitra and Roy (2006).

\(^{25}\)For a discussion of irreducibility, see Meyn and Tweedie (2009, ch. 4). On the splitting condition,
istence of a stationary distribution—cannot be established using any result in the existing literature.

On the other hand, theorem 3.1 can easily be applied. $Q$ is still increasing and bounded in probability (Nishimura and Stachurski, 2005). Existence of a excessive measure is not difficult to establish. Moreover, the downward reaching proof in the previous paragraph goes through unchanged. Hence theorem 3.1 applies, and $Q$ is globally stable.

**Remark 5.1** It is interesting to note that in order to prove stability we used order reversing, and to prove order reversing we relied on nonzero probability of arbitrarily bad productivity shocks. These shocks are stabilizing rather than destabilizing because the Inada conditions prevent divergence, and the large shocks promote mixing.

### 5.2. A Model of Wealth Distribution with Borrowing Constraints

Next we consider an OLG model of wealth distribution, which is a stochastic version of the small open economy studied by Matsuyama (2004). Agents live for two periods, consuming only when old. Households consist of one old agent and one child. There is a unit mass of such households indexed by $i \in [0,1]$. In each period $t$, the old agent of household $i$ provides financial support $b_i^t$ to her child. The child has the option to become an entrepreneur, investing one unit of the consumption good in a “project,” and receiving stochastic output of $\theta + \eta_{i,t+1}^i$ in period $t+1$. Let $k_{i,t+1}^i \in \{0,1\}$ be young agent $i$’s investment in the project. If the remainder $b_i^t - k_{i,t+1}^i$ is positive, then she invests this quantity at the world risk-free rate $R$. If it is negative then she borrows $k_{i,t+1}^i - b_i^t$ at the same risk-free rate. Independent of her investment

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**26** The closest result is Nishimura and Stachurski (2005, theorem 3.1). That result requires that $\xi_t$ has a density that is continuous and strictly positive everywhere on $S$.

**27** To do so we can use proposition 4.2. Since $f'(\infty) = 0$, we can choose positive constants $a,\beta$ with $aE\xi_t < 1$ and $f(x) \leq ax + \beta$ (Nishimura and Stachurski, 2005, proposition 4.3). Now take $G(x,z) := z(ax + \beta)$, so that $F(x,z) := zf(x - \sigma(x)) \leq zf(x) \leq G(x,z)$. Letting $Q_F$ and $Q_G$ be the corresponding kernels, the last inequality implies $Q_F \leq Q_G$. In view of proposition 4.2 it remains only to show that $Q_G$ is Feller and bounded in probability. Since $G(\cdot,z)$ is continuous, $Q_G$ is Feller. Using $aE\xi_t < 1$, condition (9) can be established for $V(x) = x + 1/x$, which is coercive on $S = \mathbb{R}^+$. Boundedness in probability then follows.
choice, she receives an endowment of $e_{t+1}$ units of the consumption good when old. Suppressing the $i$ superscript to simplify notation, her wealth at the beginning of period $t + 1$ is therefore

$$w_{t+1} = (\theta + \eta_{t+1})k_{t+1} - R(k_{t+1} - b_t) + e_{t+1}. \quad (10)$$

We assume that

$$e_{t+1} = \rho e_t + \epsilon_{t+1}, \quad 0 < \rho < 1. \quad (11)$$

The idiosyncratic shocks $\{\eta_t\}$ and $\{\epsilon_t\}$ are taken to be IID and nonnegative, and $\epsilon_t$ satisfies $\mathbb{P}\{\epsilon_t > z\} > 0$ for any $z \geq 0$. We also assume that $R < \theta$, which implies that becoming an entrepreneur is always profitable, even ex-post, and every agent would choose to do so absent additional constraint. Due to a credit market imperfection, however, each agent may borrow only up to a fraction $\lambda \in (0, 1)$ of $\theta + \rho e_t$, the minimum possible value of her old-age income. That is,

$$R(k_{t+1} - b_t) \leq \lambda(\theta + \rho e_t). \quad (12)$$

As becoming an entrepreneur is always profitable, young agents do so whenever feasible, implying

$$k_{t+1} = \kappa(b_t, e_t) := \mathbb{1}\{R(1 - b_t) \leq \lambda(\theta + \rho e_t)\}. \quad (13)$$

(Here $\mathbb{1}\{\cdot\}$ is an indicator function.) Letting $c$ denote consumption, young agents maximize $E_t[c_{t+1}^{\gamma}b_{t+1}^\gamma]$ subject to (10), (12), and the budget constraint $c_{t+1} + b_{t+1} = w_{t+1}$. Regarding the parameter $\gamma$ we assume that $\gamma R < 1$. Maximization of $c_{t+1}^{\gamma}b_{t+1}^\gamma$ subject to the budget constraint implies that $b_{t+1} = \gamma w_{t+1}$. Combining this equality, (10) and (11), we obtain

$$b_{t+1} = \gamma[(\theta + \eta_{t+1} - R)\kappa(b_t, e_t) + Rb_t + \rho e_t + \epsilon_{t+1}]. \quad (14)$$

Together, (11) and (14) define a Markov process with state vector $X_t := (b_t, e_t)$ taking values in state space $S := [0, \infty) \times [0, \infty)$. Let $Q$ denote the corresponding stochastic kernel.\footnote{We do not exclude $(0, 0)$ from the state space since it is not an absorbing state.}

Recalling that $R < \theta$ and observing that $\kappa(b_t, e_t)$ is increasing in $(b_t, e_t)$, we can see that $(b_{t+1}, \epsilon_{t+1})$ is increasing in $(b_t, \epsilon_t)$ when the values of the shocks are held
fixed. Hence $Q$ is increasing (cf., example 2.2). On the other hand, the law of motion is discontinuous, and hence $Q$ is not Feller.

As far as we are aware, no existing Markov process theory can be used to show that $Q$ is globally stable unless additional conditions are imposed. In contrast, global stability can be obtained in a straightforward way from theorem 3.1. To see this, let $m_\eta := \mathbb{E} \eta_t$ and $m_e := \mathbb{E} e_t$. To see that $Q$ is bounded in probability, note from (11) that

$$
(15) \quad \mathbb{E} e_t \leq m_e / (1 - \rho) + \rho^t e_0 \leq m_e / (1 - \rho) + e_0
$$

for all $t$. In addition, it follows from (14) that

$$
\mathbb{E} b_{t+1} \leq \gamma [\theta + m_\eta - R + R \mathbb{E} b_t + \bar{\nu}].
$$

Using $\gamma R < 1$, we obtain the bound

$$
(16) \quad \mathbb{E} b_t \leq \gamma [\theta + m_\eta - R + \bar{\nu}] / (1 - \gamma R) + b_0
$$

for all $t$. Together, (15) and (16) imply that $Q$ is bounded in probability. Since $\mathbb{P} \{\epsilon_t > \alpha\} > 0$ for any $\alpha \geq 0$, and since both $b_t$ and $e_t$ can be made arbitrarily large by choosing $\epsilon_t$ sufficiently large, it follows immediately that $Q$ is upward reaching, and thus order reversing by proposition 4.3. In view of these results and theorem 3.1, $Q$ will be globally stable whenever it has a deficient or excessive measure. Since $(0, 0)$ is a least element for $S$, remark 2.2 implies that $Q$ has a deficient measure, and we conclude that $Q$ is globally stable.

Since the conditions of theorems 3.3 and 3.4 apply, we can compute the stationary distribution at each set of parameters by simulating from an arbitrary initial condition. Figure 2 shows the marginal stationary distribution of wealth alone, at two different values of $\lambda$. This simulation shows how the stationary asset distribution can be qualitatively and quantitatively sensitive to the value of the borrowing constraint parameter $\lambda$.

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29 The function $V(b, e) = b + e$ is coercive on $S$, and equations (15) and (16) imply that $\sup_t \mathbb{E} [V(b_t, e_t)] \leq \sup_t \mathbb{E} [b_t] + \sup_t \mathbb{E} [e_t] < \infty$, which gives (8).

30 The other parameters are $\gamma = 0.2$, $R = 1.05$, $\theta = 1.1$ and $\rho = 0.9$. The shock $\epsilon$ is lognormal with parameters $\mu = -3$ and $\sigma = 0.1$. The shock $\eta$ is Bernoulli, with $\mathbb{P} \{\eta = 0\} = \mathbb{P} \{\eta = 0.1\} = 1/2$. The simulated time series are of length $10^5$ for each stationary distribution, and the distributions are calculated with nonparametric kernel density estimates instead of histograms.
5.3. Nonlinear Autoregression

Consider a general additive shock nonlinear autoregressive model of the form

\[ X_{t+1} = f(X_t) + \xi_{t+1}, \quad \{\xi_t\} \overset{\text{IID}}{\sim} \phi, \quad \mathbb{E} \|\xi_t\| < \infty, \]

where \( S = \mathbb{R}^n \), and \( f: \mathbb{R}^n \to \mathbb{R}^n \). Let \( Q \) be the stochastic kernel, defined by \( Q(x, B) = \mathbb{P}\{f(x) + \xi_t \in B\} \). We assume that (i) \( f \) is increasing, (ii) \( \mathbb{P}\{\xi_t \leq z\} \) is non-zero for all \( z \in \mathbb{R}^n \), and (iii) there exists an \( \alpha \in [0, 1] \) and \( L \geq 0 \) such that \( \|f(x)\| \leq \alpha \|x\| + L \) for all \( x \in \mathbb{R}^n \). The last assumption is a growth condition on \( f \). Global stability cannot hold without some restriction along these lines. The second assumption is used below to prove that \( Q \) is downward reaching. It can be replaced by: \( \mathbb{P}\{\xi_t \geq z\} \) is non-zero for all \( z \in \mathbb{R}^n \). If this condition holds then \( Q \) will be upward reaching.

We know of no previous results that can be used to prove global stability here without additional assumptions. On the other hand, a straightforward proof of global stability can be constructed via theorem 3.1 without additional assumptions. To begin, note that \( F(x, z) := f(x) + z \) is increasing in \( x \) for each \( z \) because \( f \) is increasing, and hence, by example 2.2 \( Q \) is increasing. Second, \( Q \) is bounded in probability, as can be shown by taking \( V(x) := \|x\| \) in (9).\(^{31}\) Third, \( Q \) is downward reaching by

\[ \text{By the triangle inequality, } \mathbb{E}\|f(x) + \xi_t\| \leq \|f(x)\| + \mathbb{E}\|\xi_t\| \leq \alpha \|x\| + L + \mathbb{E}\|\xi_1\|. \]

\(^{31}\)By the triangle inequality, \( \mathbb{E}\|f(x) + \xi_t\| \leq \|f(x)\| + \mathbb{E}\|\xi_1\| \leq \alpha \|x\| + L + \mathbb{E}\|\xi_1\|. \)
an argument similar to that of example 4.2. If we fix \( x, c \in S = \mathbb{R}^n \) and let \( E \) be the event \( \{ \xi_1 \leq c - f(x) \} \), then, by assumption, \( P(E) > 0 \). Moreover, if \( E \) occurs, then \( f(x) + \xi_1 \leq c \). Hence \( Q \) is downward reaching. In view of proposition 4.3, \( Q \) is also order reversing.

To complete the proof of global stability via theorem 3.1, it only remains to show existence of a deficient or excessive measure. For this purpose, we use proposition 4.2. To apply the proposition, we aim to find a kernel \( Q_u \) such that \( Q \preceq Q_u \) is Feller, bounded in probability, and satisfies \( Q \preceq Q_u \). To construct \( Q_u \), consider the process

\[
X_{t+1} = g(X_t) + \xi_{t+1}, \quad g(x) := a\|x\|1 + L1.
\]

Here \( 1 \) is the unit vector in \( \mathbb{R}^n \), and \( a \) and \( L \) are as given in the assumptions following (17). We let \( Q_u \) be the stochastic kernel corresponding to (18). \( Q_u \) is easily shown to be Feller and bounded in probability. Moreover, \( f(x) + z \leq g(x) + z \) for all \( x \) and \( z \), because if \( f_i(x) \) is the \( i \)-th component of \( f(x) \), then \( f_i(x) \leq |f_i(x)| \leq \|f(x)\| \leq a\|x\| + L \), and hence \( f(x) \leq a\|x\|1 + L1 = g(x) \). It now follows from example 2.3 that \( Q \preceq Q_u \). We conclude that the conditions of proposition 4.2 are satisfied, and the proof of global stability is done.

6. CONCLUSION

This paper considered global stability of monotone economies and time series models, based on a new mixing condition called order reversing. Our main theorems (theorem 3.1 and theorem 3.2) generalize earlier results based on monotone mixing due to Razin and Yahav (1979), Stokey et al. (1989), and Hopenhayn and Prescott (1992), significantly extending the range of possible applications, and shedding light on the interactions between shocks, structural dynamics and stochastic stability.

Other significant new results contained in the paper are propositions 4.1–4.4 and theorem 4.1. These results provide additional stability conditions and aid in verification of order reversing and other conditions of our main stability theorems. Their usefulness is illustrated in the applications discussed in section 5.

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32Since \( g \) is continuous, \( Q \) is Feller. In addition, \( Q \) is valid for the coercive function \( V(x) := \|x\|_\infty := \max_{i=1}^n |x_i| \), and hence boundedness in probability also holds.
7. PROOFS

Before proving theorem 3.1 we need some additional results and notation. To begin, let \( \Phi \) be any stochastic kernel on polish space \( D \), let \( x \in D \) and let \( D \)-valued stochastic process \( \{X_t\} \) be Markov-\((\Phi,x)\). The joint distribution of \( \{X_t\} \) over the sequence space \( D^\infty \) will be denoted by \( P_x \). For example, \( P_x \{X_t \in B\} = \Phi^t(x,B) \) for any \( B \subset D \), and \( P_x \cup_{t=0}^\infty \{X_t \in B\} \) is the probability that the process ever enters \( B \). Evidently \( P_x \) depends on \( \Phi \) as well as \( x \), but this dependence is suppressed in the notation.

For given kernel \( \Phi \), we say that Borel set \( B \subset D \) is

- **Strongly accessible** if \( P_x \cup_{t=0}^\infty \{X_t \in B\} = 1 \) for all \( x \in D \), and
- **C-accessible** if, for all compact \( K \subset D \), there exists an \( n \in \mathbb{N} \) with \( \inf_{x \in K} \Phi^n(x,B) > 0 \).

The following lemma is fundamental to our results, although the proofs are delayed to maintain continuity.

**Lemma 7.1** Let \( B \) be a Borel subset of \( D \). If \( \Phi \) is bounded in probability and \( B \) is C-accessible, then \( B \) is strongly accessible.

Let \( Q \) be a given kernel on \( S \), and let \( Q \times Q \) be the product kernel \( \square \). For given pair \((x,x') \in S \times S\), let \( \{X_t\} \) and \( \{X'_t\} \) be Markov-\((Q,x)\) and Markov-\((Q,x')\) respectively, and also independent of each other. As discussed in section 2.1, the bivariate process \( \{(X_t, X'_t)\} \), which takes values in \( S \times S \), is Markov-\((Q \times Q,(x,x'))\). Its joint distribution over the sequence space \( (S \times S)^\infty \) is denoted by \( P_{x,x'} \). In this notation, \( Q \) is order reversing if

\[
\forall x, x' \in S \text{ with } x \geq x', \exists k \geq 0 \text{ such that } P_{x,x'} \{X_k \leq X'_k\} > 0.
\]

In addition, recall from example 2.8 that \( Q \) is called order mixing if \( P_{x,x'} \cup_{t=0}^\infty \{X_t \leq X'_t\} = 1 \) for all \( x, x' \in S \). Put differently, \( Q \) is order mixing if \( G := \{(y,y') \in S \times S : y \leq y'\} \) is strongly accessible for the product kernel \( Q \times Q \).

**Lemma 7.2** If \( Q \) is bounded in probability, then so is the product kernel \( Q \times Q \).

**Lemma 7.3** If \( Q \) is increasing and bounded in probability, then \( \{\mu Q^t\} \) is tight for all \( \mu \in \mathcal{P} \).

**Lemma 7.4** If \( Q \) is increasing and order reversing, then \( G \) is C-accessible for \( Q \times Q \).

Proofs are given at the end of this section.

Let us now turn to the proof of theorem 3.1. The proof proceeds as follows: First we show that under the conditions of the theorem, \( Q \) is order mixing. Using order mixing, we then go on to prove existence of a stationary distribution, and global stability.
LEMMA 7.5  If \( Q \) is increasing, bounded in probability and order reversing, then \( Q \) is order mixing.

PROOF: To show that \( Q \) is order mixing we need to prove that \( \mathcal{G} \) is strongly accessible for \( Q \times Q \) under the conditions of theorem 3.1. Since \( Q \) is bounded in probability, \( Q \times Q \) is also bounded in probability (lemma 7.2), and hence, by lemma 7.1, it suffices to show that \( \mathcal{G} \) is \( C \)-accessible for \( Q \times Q \). This follows from lemma 7.4. Q.E.D.

We now prove global stability, making use of order mixing. In the sequel, we define \( \text{icb} S \) to be the bounded, increasing and continuous functions from \( S \) to \( \mathbb{R} \) (i.e., \( \text{icb} S = \text{ib} S \cap \text{cb} S \)).

LEMMA 7.6  Let \( \mu, \mu', \mu_n \in \mathcal{P} \).

1. \( \mu \preceq \mu' \iff \langle \mu, h \rangle \leq \langle \mu', h \rangle \) for all \( h \in \text{icb} S \),
2. \( \mu = \mu' \iff \langle \mu, h \rangle = \langle \mu', h \rangle \) for all \( h \in \text{icb} S \), and
3. \( \mu_n \to \mu \iff \{ \langle \mu_n, h \rangle \} \) is tight and \( \langle \mu_n, h \rangle \to \langle \mu, h \rangle \) for all \( h \in \text{icb} S \).

PROOF OF THEOREM 3.1: We begin by showing that if \( Q \) is globally stable, then conditions 1–2 of the theorem hold. Regarding condition 1, fix \( x \in S \). Global stability implies that \( \{ \mu Q t \} \) is convergent for each \( \mu \in \mathcal{P} \), and hence \( \{ Q t (x, \cdot) \} = \{ \delta x Q t \} \) is convergent. Since convergent sequences are tight (Dudley, 2002, proposition 9.3.4) and \( x \in S \) was arbitrary, we conclude that \( Q \) is bounded in probability, and condition 1 is satisfied. Condition 2 is trivial, because global stability implies existence of a stationary distribution, and every stationary distribution is both deficient and excessive.

Next we show that if \( Q \) is increasing, order reversing and conditions 1–2 hold, then \( Q \) has at least one stationary distribution. By lemma 7.5, \( Q \) is order mixing, and hence, by Kamihigashi and Stachurski (2011, theorem 3.1), for any \( \nu \) and \( \nu' \) in \( \mathcal{P} \) we have

\[
\lim_{t \to \infty} |\langle \nu Q t, h \rangle - \langle \nu' Q t, h \rangle| = 0, \quad \forall h \in \text{ib} S.
\]

Now let \( \{ \mu Q t \} \) be a tight and \( \preceq \)-monotone sequence, existence of which is guaranteed by conditions 1–2 and lemma 7.3. We suppose without loss of generality that \( \{ \mu Q t \} \) is \( \preceq \)-increasing, since the other case changes nothing in what follows except the direction of the inequalities.

By Prohorov’s theorem (Dudley, 2002, theorem 11.5.4), tightness implies existence of a subsequence of \( \{ \mu Q t \} \) converging to some \( \psi^* \in \mathcal{P} \). Since \( \{ \mu Q t \} \) is \( \preceq \)-increasing, it follows that, for any given \( h \in \text{icb} S \), the entire sequence \( \langle \mu Q t, h \rangle \) converges up to \( \langle \psi^*, h \rangle \). Because \( \{ \mu Q t \} \) is tight, part 3 of lemma 7.6 implies that \( \mu Q t \to \psi^* \).
In addition to $\mu Q^t \to \psi^*$, we also have $\mu Q^t \preceq \psi^*$ for all $t \geq 0$, because for any $h \in i cbS$ and $t \geq 0$ we have

$$\langle \mu Q^t, h \rangle \leq \sup_{t \geq 0} \langle \mu Q^t, h \rangle = \lim_{t \to \infty} \langle \mu Q^t, h \rangle = \langle \psi^*, h \rangle.$$ 

The inequality $\mu Q^t \preceq \psi^*$ now follows from part 1 of lemma 7.6.

Next, we claim that $\psi^* \preceq \psi^* Q$. To see this, pick any $h \in i cbS$. Since $\mu Q^t \preceq \psi^*$ for all $t$, and since $Qh \in i bS$,

$$\langle \mu Q^t, Qh \rangle \leq \langle \psi^*, Qh \rangle = \langle \psi^* Q, h \rangle.$$ 

Using this inequality and the fact that $h \in c bS$, we obtain

$$\langle \psi^*, h \rangle = \lim_{t \to \infty} \langle \mu Q^t, h \rangle = \lim_{t \to \infty} \langle \mu Q^t, Qh \rangle \leq \langle \psi^* Q, h \rangle.$$

Hence $\langle \psi^*, h \rangle \leq \langle \psi^* Q, h \rangle$ for all $h \in i cbS$, and $\psi^* \preceq \psi^* Q$ as claimed. Iterating on this inequality we obtain $\psi^* \preceq \psi^* Q^t$ for all $t$.

To summarize our results so far, we have $\mu Q^t \preceq \psi^* \preceq \psi^* Q \preceq \psi^* Q^t$ for all $t \geq 0$, and hence

$$\langle \mu Q^t, h \rangle \leq \langle \psi^*, h \rangle \leq \langle \psi^* Q, h \rangle \leq \langle \psi^* Q^t, h \rangle \text{ for all } h \in i cbS.$$ 

Applying (19), we obtain $\langle \psi^*, h \rangle = \langle \psi^* Q, h \rangle$ for all $h \in i cbS$. By lemma 7.6, this implies that $\psi^* = \psi^* Q$. In other words, $\psi^*$ is stationary for $Q$.

It remains to show that $Q$ is globally stable. Fixing $\mu \in P$ and applying (19) again, we have

$$\langle \mu Q^t, h \rangle \to \langle \psi^*, h \rangle, \quad \forall h \in i bS.$$ 

Since $i cbS \subset i bS$ and $\{\mu Q^t\}$ is tight (cf., lemma 7.3), this implies that $\mu Q^t \to \psi^*$ (lemma 7.6, part 3). Finally, uniqueness is also immediate, because if $\mu$ is also stationary, then by (20) we have $\langle \mu, h \rangle = \langle \psi^*, h \rangle$ for all $h \in i cbS$. By lemma 7.6, we then have $\mu = \psi^*$.

Q.E.D.

PROOF OF THEOREM 3.2: Under the conditions of the theorem, $Q$ is order mixing, as proved in lemma 7.5. In addition, boundedness in probability and the Feller property guarantee the existence of a stationary distribution by the Krylov-Bogolubov theorem (see, e.g., Meyn and Tweedie, 2009, proposition 12.1.3 and lemma D.5.3). Given existence of a stationary distribution $\psi^*$, the proof that $Q$ is globally stable is now identical to the proof of the same claim given for theorem 3.1 (see the discussion surrounding equation (20)). Q.E.D.
Next we turn to the proof of theorem 3.3. As above, \( S^\infty \) is the space of \( S \)-valued sequences, and \( \mathcal{B}^\infty \) is the product \( \sigma \)-algebra. If \( \{ X_t \} \) is Markov-\( (Q, x) \) then \( \mathbf{P}_x^Q \) denotes its distribution on \( (S^\infty, \mathcal{B}^\infty) \), and \( \mathbf{E}_x^Q \) is the corresponding expectation. When convenient, we take the underlying probability space to be \( (\Omega, \mathcal{F}, \mathbf{P}) = (S^\infty, \mathcal{B}^\infty) \), and \( X_t \) to be the \( t \)-th projection of \( S^\infty \) onto \( S \), so that \( X_t(\omega) = X_t(x_0, x_1, \ldots) = x_t \). The shift operator \( \theta \) is defined as usual by \( \theta(x_0, x_1, \ldots) = (x_1, x_2, \ldots) \). For any random variable \( H \) we set \( \theta H(\omega) = H(\theta \omega) \). We say that \( H \) is shift-invariant if \( \theta H = H \). We make use of the strong Markov property, which states (cf., Meyn and Tweedie, 2009, p. 66) that if \( \tau \) is a stopping time and \( \mathcal{F}_\tau \) is the induced \( \sigma \)-algebra, then \( \mathbf{E}_x^Q [\theta^\tau H \mid \mathcal{F}_\tau] = \mathbf{E}_{X_\tau}^Q H \) on the set \( \{ \tau < \infty \} \). Finally, we say that a bounded measurable function \( f \) is harmonic if \( Q f = f \).

**Lemma 7.7** Let \( Q \) be any stochastic kernel, let \( H \) be a bounded random variable, and let \( f(x) := \mathbf{E}_x^Q H \). If \( H \) is shift-invariant, then \( f \) is harmonic. If, in addition, \( \tau \) is a stopping time satisfying \( \mathbf{P}_x^Q \{ \tau < \infty \} = 1 \), then \( \mathbf{E}_x^Q f(X_\tau) = f(x) \) for all \( x \in S \).

**Proof:** The first assertion follows from the second by choosing \( \tau \equiv 1 \). Regarding the second assertion, fix \( x \in S \). The strong Markov property and the law of iterated expectations give \( \mathbf{E}_x^Q f(X_\tau) = \mathbf{E}_x^Q \mathbf{E}^Q_{X_\tau} H = \mathbf{E}_x^Q \mathbf{E}^Q_{X_\tau} [\theta^\tau H \mid \mathcal{F}_\tau] = \mathbf{E}_x^Q \theta^\tau H = \mathbf{E}_x^Q H = f(x) \). Q.E.D.

**Lemma 7.8** Let \( Q \) be any stochastic kernel and let \( f : S \to \mathbb{R}_+ \). If \( f \) is harmonic, then the set \( \{ x \in S : f(x) = 0 \} \) is absorbing.

**Proof:** Let \( F := \{ x \in S : f(x) = 0 \} \). The claim is that \( Q(x, F) = 1 \) for all \( x \in F \). To see this, fix \( x \in F \) and observe that \( 0 = f(x) = Q f(x) = \mathbf{E}_x^Q f(X_1) = \mathbf{E}_x^Q f(X_1) \mathbb{1} \{ f(X_1) > 0 \} \). It follows that \( \mathbf{P}_x^Q \mathbb{1} \{ f(X_1) > 0 \} = 0 \), or \( Q(x, F) = \mathbf{P}_x^Q \mathbb{1} \{ f(X_1) = 0 \} = 1 \). Q.E.D.

The following lemma is also relatively straightforward, although the proof is delayed until the end of this section:

**Lemma 7.9** Let \( Q \) be order mixing and let \( D \) be a Borel set. If \( D \) is nonempty, decreasing and absorbing, then \( D \) is strongly attracting.

We endow the set \( S^\infty \) with the pointwise order inherited from \( (S, \leq) \). In particular, we say that \( \{ x_t \} \leq \{ x'_t \} \) if \( x_t \leq x'_t \) in \( S \) for all \( t \). We let \( \text{ib} S^\infty \) be the set of bounded measurable increasing functions from \( S^\infty \) to \( \mathbb{R} \), and for probability measures \( \nu \) and \( \nu' \) on \( (S^\infty, \mathcal{B}^\infty) \) we write \( \nu \hat{\leq} \nu' \) if \( \int h d\nu \leq \int h d\nu' \) for all \( h \in \text{ib} S^\infty \).

**Theorem 7.1** (Kamae et al., 1977, proposition 2, theorem 2) If \( Q \) is an increasing stochastic kernel on \( S \) and \( x, y \in S \) with \( x \leq y \), then \( \mathbf{P}_x^Q \preceq \mathbf{P}_y^Q \).
Theorem 7.2 (Herández-Lerma and Lasserre, 2003, corollary 2.5.2) If $Q$ is a stochastic kernel on $S$ with stationary distribution $\mu^*$ and $h: S \to \mathbb{R}$ satisfies $\int |h| \, d\mu^* < \infty$, then there exists a set $R \in \mathcal{B}$ such that

1. $\mu^*(R) = 1$, and
2. $n^{-1} \sum_{t=1}^{n} h(X_t) \to \int h \, d\mu^*$ almost surely whenever $x \in R$ and $\{X_t\}$ is Markov-$(Q, x)$.

Theorem 7.2 is important from a theoretical perspective, but of limited practical value, since the set $R$ typically depends on $h$ and is difficult to identify. However, if the conditions of theorem 3.3 are satisfied, then $R$ is all of $S$, as we now show.

Proof of Theorem 3.3: Let $Q$ be an increasing, order reversing kernel that is bounded in probability, and has stationary distribution $\mu^*$. Note that $Q$ is order mixing by lemma 7.5. We claim that $(Q, h)$ satisfies the strong law of large numbers whenever $h \in ibS$. To see this, fix $h \in ibS$. Without loss of generality we can assume that $\langle \mu^*, h \rangle = 0$, so the claim is that, for all $x \in S$, we have $n^{-1} \sum_{t=1}^{n} h(X_t) \to 0$ almost surely whenever $\{X_t\}$ is Markov-$(Q, x)$.

To prove this claim, we define

$$G := \mathbb{1} \left\{ \limsup_{n \to \infty} \frac{1}{n} \sum_{t=1}^{n} h(X_t) > 0 \right\} \quad \text{and} \quad \alpha(x) := \mathbb{E}_x^Q G.$$

The random variable $G$ is bounded and shift-invariant, so lemma 7.7 applies to $\alpha$. In addition, the function $\alpha$ is increasing on $S$. To see this, observe that $G$ can be written as $G = g(\{X_t\})$ where $g(\{x_t\}) = \mathbb{1} \{ \limsup n^{-1} \sum_{t=1}^{n} h(x_t) > 0 \}$. Since $h \in ibS$, we have $g \in ibS^\infty$.

Taking $x \leq x'$ and applying theorem 7.1, we obtain

$$\alpha(x) = \mathbb{E}_x^Q G = \int g \, d\mathbb{P}_x^Q \leq \int g \, d\mathbb{P}_{x'}^Q = \alpha(x').$$

Now let $D := \{ x \in S : \alpha(x) = 0 \}$. Since $\alpha$ is increasing, the set $D$ is decreasing. By theorem 7.2, there exists a set $R$ with $\pi^*(R) = 1$ and $R \subset D$. In particular, $D$ is nonempty. By lemmas 7.7 and 7.8, the set $D$ is absorbing. Giving that $Q$ is order mixing, lemma 7.9 now implies that $D$ is strongly attracting.

Pick any $x \in S$. Let $\{X_t\}$ be Markov-$(Q, x)$, and let $\tau := \inf\{ t \geq 0 : X_t \in D \}$. Because $D$ is strongly attracting, $\tau$ is finite with probability one. As a result, lemma 7.7 applies, and we have $\alpha(x) = \mathbb{E}_x^Q \alpha(X_\tau)$. This expectation is zero, since $X_\tau \in D$ by definition. We conclude that $\alpha(x) = 0$ for any given $x \in S$. In other words,

$$\mathbb{P}_x^Q \left\{ \limsup_{n \to \infty} \frac{1}{n} \sum_{t=1}^{n} h(X_t) > 0 \right\} = 0 \quad \text{for all} \ x \in S.$$
A symmetric argument shows that
\[ P^Q_x \left\{ \liminf_{n \to \infty} \frac{1}{n} \sum_{t=1}^{n} h(X_t) < 0 \right\} = 0 \quad \text{for all } x \in S. \]

Hence \((Q, h)\) satisfies the strong law of large numbers as claimed. \(Q.E.D.\)

Now we turn to the proof of theorem 3.4. In the proof, we let \(ic(S, [0, 1])\) be the functions in \(icbS\) taking values in \([0, 1]\). As usual, \(\mu_n \to \mu\) means that \(\langle \mu_n, f \rangle \to \langle \mu, f \rangle\) for all \(f \in cbS\). Also, we require the following definition: Letting \(\mathcal{G}\) and \(\mathcal{H}\) be sets of bounded measurable functions, we say that \(\mathcal{H}\) is monotonically approximated by \(\mathcal{G}\) if, for all \(h \in \mathcal{H}\), there exist sequences \(\{g^n_1\}\) and \(\{g^n_2\}\) in \(\mathcal{G}\) with \(g^n_1 \uparrow h\) and \(g^n_2 \downarrow h\). The proofs of the next two lemmas are given at the end of this section.

**Lemma 7.10** If \(\mathcal{H}\) is monotonically approximated by \(\mathcal{G}\), then \(\mathcal{G}\) is convergence determining for \(\mathcal{H}\), in the sense that if \(\{v_n\}\) and \(v\) are probability measures on \(S\), and \(\langle v_n, g \rangle \to \langle v, g \rangle\) for all \(g \in \mathcal{G}\), then \(\langle v_n, h \rangle \to \langle v, h \rangle\) for all \(h \in \mathcal{H}\).

**Lemma 7.11** If assumption 3.1 holds and \(Q\) satisfies the conditions of theorem 3.4, then there exists a countable class \(\mathcal{G}\) such that \((Q, g)\) satisfies the strong law of large numbers for every \(g \in \mathcal{G}\), and, moreover, \(ic(S, [0, 1])\) is monotonically approximated by \(\mathcal{G}\).

**Proof of Theorem 3.4** Fix \(x \in S\). Let \(\{X_t\}\) be Markov-\((Q, x)\), and let \(\mu_n\) be the associated empirical measure. Let \(\mathcal{G}\) be as in lemma 7.11. Since \(\mathcal{G}\) is countable and the law of large numbers holds for every element of \(\mathcal{G}\), there exists a probability one set \(F\) such that, for each \(\omega \in F\), we have \(\langle \mu_n^\omega, g \rangle \to \langle \mu^*, g \rangle\) for all \(g \in \mathcal{G}\). Fix \(\omega \in F\). Since \(ic(S, [0, 1])\) is monotonically approximated by \(\mathcal{G}\), lemma 7.10 implies that \(\langle \mu_n^\omega, f \rangle \to \langle \mu^*, f \rangle\) for all \(f \in ic(S, [0, 1])\). It immediately follows that \(\langle \mu_n^\omega, f \rangle \to \langle \mu^*, f \rangle\) for all \(f \in icbS\) in view of lemma 7.6. We then have \(\langle \mu_n^\omega, f \rangle \to \langle \mu^*, f \rangle\) for all \(f \in cbS\), provided that \{\(\mu_n^\omega\}\} is tight. We now show that \{\(\mu_n^\omega\}\} is tight with probability one, concluding the proof of theorem 3.4.

To see that \{\(\mu_n^\omega\}\} is tight with probability one, fix \(\epsilon > 0\), and let \(K\) be a compact subset of \(S\) with \(\mu^*(K) \geq 1 - \epsilon\). Since compact subsets of \(S\) are order bounded, we have \(a, b \in S\) with \(K \subset [a, b]\). Let \(I := \{y \in S : y \geq a\}\) and \(J := \{y \in S : y \leq b\}\). Note that both of these sets are increasing, and \([a, b] = I \setminus J\). Appealing to theorem 3.3, we let \(F_a \subset \Omega\) with \(\mathbb{P}(F_a) = 1\) and \(\mu_n^\omega(I) \to \mu^*(I)\) whenever \(\omega \in F_a\); and \(F_b \subset \Omega\) with \(\mathbb{P}(F_b) = 1\) and \(\mu_n^\omega(J) \to \mu^*(J)\) whenever \(\omega \in F_b\). Picking arbitrary \(\omega \in F := F_a \cap F_b\), we have
\[
\mu_n^\omega([a, b]) = \mu_n^\omega(I) - \mu_n^\omega(J) \to \mu^*(I) - \mu^*(J) = \mu^*([a, b]) \geq \mu^*(K) \geq 1 - \epsilon
\]

\(^{33}\)If \(f \in icbS\), then there exists a \(g \in ic(S, [0, 1])\) and constants \(a, b\) such that \(f = a + bg\).
Since closed order intervals are compact by assumption, it follows that \( \{ \mu_n^\infty \} \) is tight on the probability one set \( F \).

**Proof of Proposition 4.1.** Pick any \( x \in S \) and fix \( \epsilon > 0 \). Let \( K \) be a compact set such that \( Q_t^f(x, K) \geq 1 - \epsilon \) for all \( t \). Compact sets are order bounded by assumption, so there exists an \( x_t \in S \) with \( K \subset I := \{ y \in S : y \geq x_t \} \). As a result, \( Q_t^f(x, I) \geq 1 - \epsilon \) for all \( t \). Since \( Q_t \leq Q \), and since \( I \) is an increasing set, we have \( Q_t^f \leq Q^f 1_I \), and hence

\[
1 - \epsilon \leq Q_t^f(x, I) = Q_t^f 1_I(x) \leq Q^f 1_I(x) = Q^f(x, \{ y \in S : y \geq x_t \}) .
\]

Applying similar reasoning to \( Q \leq Q_n \),

\[
\exists x_u \in S \text{ such that } 1 - \epsilon \leq Q^f(x, \{ y \in S : y \leq x_u \}) \text{ for all } t \geq 0 .
\]

Combining these bounds, we obtain \( Q^f(x, [x_t, x_u]) \geq 1 - 2\epsilon \) for all \( t \). Evidently \( [x_t, x_u] \) is order bounded. Moreover, since the partial order \( \leq \) is assumed to be closed, \( [x_t, x_u] \) is also compact. We have now shown that \( \{ Q^f(x, \cdot) \} \) is tight, and, as \( x \in S \) was arbitrary, \( Q \) is bounded in probability. Q.E.D.

**Proof of Proposition 4.2.** Suppose that \( Q_t \) is Feller and bounded in probability with \( Q_t \leq Q \). By the Krylov-Bogolubov theorem (Meyn and Tweedie, 2009, proposition 12.1.3 and lemma D.5.3), \( Q_t \) has at least one stationary distribution \( \mu \). For this \( \mu \) we have \( \mu = \mu Q_t \leq \mu Q \). In other words, \( \mu \) is deficient for \( Q \). A similar argument shows that if \( Q_n \) is Feller and bounded in probability with \( Q \leq Q_n \) then \( Q \) has an excessive distribution. Q.E.D.

**Proof of Proposition 4.3.** Let \( Q \) be increasing and bounded in probability. Suppose first that \( Q \) is upward reaching. Pick any \( (x, x') \in S \times S \). Let \( \{ X_t \} \) and \( \{ X'_t \} \) be independent, Markov-\( (Q, x) \) and Markov-\( (Q, x') \) respectively. We need to prove existence of a \( k \in \mathbb{N} \) such that \( \mathbb{P}\{ X_k \leq X'_k \} > 0 \).

Since \( Q \) is bounded in probability, there exists a compact \( C \subset S \) with \( \mathbb{P}\{ X_t \in C \} > 0 \) for all \( t \geq 0 \). Since compact sets are assumed to be order bounded, we can take an order interval \([a, b]\) of \( S \) with \( C \subset [a, b] \). For this \( a, b \) we have \( \mathbb{P}\{ a \leq X_t \leq b \} > 0 \) for all \( t \geq 0 \). As \( Q \) is upward reaching, there is a \( k \in \mathbb{N} \) such that \( \mathbb{P}\{ b \leq X'_k \} > 0 \). Using independence, we now have

\[
\mathbb{P}\{ X_k \leq X'_k \} \geq \mathbb{P}\{ X_k \leq b \leq X'_k \} = \mathbb{P}\{ X_k \leq b \} \mathbb{P}\{ b \leq X'_k \} > 0 ,
\]

as was to be shown. The proof for the downward reaching case is similar. Q.E.D.

**Proof of Corollary 4.1.** We discuss only theorem 3.1 since the discussion for theorem 3.2 is almost identical. To begin, observe that if \( Q \) is globally stable then \( Q \) is bounded in
probability and has an excessive measure, as shown in the proof of theorem 3.1. Conversely, suppose that $Q$ is increasing, upward reaching, bounded in probability and has either a deficient or an excessive measure. By proposition 4.3, $Q$ is order reversing. Theorem 3.1 now implies that $Q$ is globally stable. The proof of the downward reaching case is similar. Q.E.D.

**Proof of Proposition 4.4** Let $\{x_t\}$ and $\{z'_t\}$ be IID draws from $\phi$ and independent of each other. Consider first condition 3. We claim that $Q_F$ is order reversing. Fix $x, x' \in S$. Let $\{z_t\}_{t=1}^k$ and $\{z'_t\}_{t=1}^k$ be as in the statement of the proposition. Define the constant

$$\gamma := P\{F(x, z_1, \ldots, z_k) < F(x', z'_1, \ldots, z'_k)\}.$$

We need only show that $\gamma > 0$. By hypothesis, $F(x, z_1, \ldots, z_k) < F(x', z'_1, \ldots, z'_k)$. By continuity of $F$, there exist open neighborhoods $N_t$ of $z_t$ and $N'_t$ of $z'_t$ such that $z_t \in N_t$ and $z'_t \in N'_t$ for $t \in \{1, \ldots, k\} \implies F(x, z_1, \ldots, z_k) < F(x', z'_1, \ldots, z'_k)$.

This leads to the estimate

$$\gamma \geq P \cap_{t=1}^n \{x_t \in N_t \text{ and } z'_t \in N'_t\} = \prod_{t=1}^n \phi(N_t) \phi(N'_t).$$

Since $Z$ is the support of $\phi$, this last term is positive, and $\gamma > 0$. Thus, $Q_F$ is order reversing. Since $Q_F$ is also Feller, increasing and bounded in probability, theorem 3.2 implies that $Q_F$ is globally stable.

The proof of the corollary will be complete if conditions 1–2 of the corollary imply that $Q_F$ is upward and downward reaching respectively (see proposition 4.3). The arguments are very similar to the proof just completed and hence we omit them. Q.E.D.

Finally, we complete the proof of all remaining lemmas stated in this section.

**Proof of Lemma 7.1** Let $B$ be a $C$-accessible subset of $D$. To prove the lemma, it suffices to show that $P_x \cup t \{X_t \in B\} = 1$ whenever $\{\Phi^t(x, \cdot)\}$ is tight. To this end, fix $x \in D$, and assume that $\{\Phi^t(x, \cdot)\}$ is tight. Let $\tau := \inf\{t \geq 0 : X_t \in B\}$. Evidently we have $\cup_{t=0}^\infty \{X_t \in B\} = \{\tau < \infty\}$. Thus, we need to show that $P_x\{\tau < \infty\} = 1$.

Fix $\epsilon > 0$. Since $\{\Phi^t(x, \cdot)\}$ is tight, there exists a compact set $C$ such that

$$\inf_t P_x\{X_t \in C\} = \inf_t \Phi^t(x, C) \geq 1 - \epsilon.$$

Since $B$ is $C$-accessible, there exists an $n \in \mathbb{N}$ and $\delta > 0$ such that $\inf_{y \in C} \Phi^n(y, B) \geq \delta$. For $t \in \mathbb{N}$, define $p_t := P_x\{\tau \leq tn\}. We wish to obtain a relationship between $p_t$ and $p_{t+1}$. To
We estimate the last expectation as follows:

\[ \mu \left\{ \tau \leq (t + 1)n \right\} = \mu \left\{ \tau \leq tn \right\} + \mu \left\{ \tau > tn \right\} \mu \left\{ \tau \leq (t + 1)n \right\} \]
\[ \geq \mu \left\{ \tau \leq tn \right\} + \mu \left\{ \tau > tn \right\} \mu \left\{ X_{(t+1)n} \in B \right\} \]
\[ \geq \mu \left\{ \tau \leq tn \right\} + \mu \left\{ \tau > tn \right\} \mu \left\{ X_{tn} \in C \right\} + \mu \left\{ X_{(t+1)n} \in B \right\}. \]

Taking expectations yields

\[ p_{t+1} \geq p_t + E_x \left[ \tau > tn \right] \mu \left\{ X_{tn} \in C \right\} + \mu \left\{ X_{(t+1)n} \in B \right\}. \]

We estimate the last expectation as follows:

\[ E_x \left[ \tau > tn \right] \mu \left\{ X_{tn} \in C \right\} + \mu \left\{ X_{(t+1)n} \in B \right\} \]
\[ = E_x \left[ \tau > tn \right] \mu \left\{ X_{tn} \in C \right\} E_x \left[ \mu \left\{ X_{(t+1)n} \in B \right\} | \mathcal{F}_{tn} \right] \]
\[ = E_x \left[ \tau > tn \right] \mu \left\{ X_{tn} \in C \right\} \Phi^0 (X_{tn}, B) \]
\[ \geq E_x \left[ \tau > tn \right] \mu \left\{ X_{tn} \in C \right\} \delta \]
\[ = E_x \left[ (1 - \mu \left\{ \tau \leq tn \right\}) \right] \mu \left\{ X_{tn} \in C \right\} \delta \]
\[ = E_x \left[ X_{tn} \in C \right] \delta - E_x \left[ \tau \leq tn \right] \mu \left\{ X_{tn} \in C \right\} \delta \]
\[ \geq (1 - \epsilon) \delta - E_x \left[ \tau \leq tn \right] \mu \left\{ X_{tn} \in C \right\} \delta \]
\[ = (1 - \epsilon) \delta - p_t \delta. \]

\[ \therefore \quad p_{t+1} \geq p_t + (1 - \epsilon) \delta - p_t \delta = (1 - \delta) p_t + (1 - \epsilon) \delta. \]

The unique, globally stable fixed point of \( q_{t+1} = (1 - \delta) q_t + (1 - \epsilon) \delta \) is \( 1 - \epsilon \), so

\[ 1 - \epsilon \leq \lim_{t \to \infty} p_t = P_x \left\{ \tau < \infty \right\} \leq 1 \]

Since \( \epsilon \) was arbitrary, we obtain \( P_x \left\{ \tau < \infty \right\} = 1 \).

**Q.E.D.**

**Proof of Lemma 7.2**: Fix \( x, x' \in S \) and \( \epsilon > 0 \). Since \( Q \) is bounded in probability, we can choose compact sets \( C \) and \( C' \) such that

\[ Q(x, C) \geq (1 - \epsilon)^{1/2} \quad \text{and} \quad Q'(x', C') \geq (1 - \epsilon)^{1/2} \quad \text{for all } t. \]

\[ \therefore \quad (Q \times Q)^t((x, x'), C \times C') = Q^t(x, C)Q^t(x', C') \geq 1 - \epsilon \quad \text{for all } t. \]

Since \( C \times C' \) is compact in the product space, \( Q \times Q \) is bounded in probability.

**Q.E.D.**

**Proof of Lemma 7.3**: Fix \( \mu \in \mathcal{P} \) and \( \epsilon > 0 \). Since individual elements of \( \mathcal{P} \) are tight (Dudley, 2002, theorem 11.5.1), we can choose a compact set \( C_\mu \subset S \) with \( \mu(C_\mu) \geq 1 - \epsilon \). By assumption, we can take an order interval \([a, b]\) of \( S \) with \( C_\mu \subset [a, b] \). For this \( a, b \), we have

\[ \mu([a, b]') = \mu(S \setminus [a, b]) \leq \epsilon. \]
Combining (21) and (23), we now have

\[ a \leq x \implies Q^t(x, I_a) \geq Q^t(a, I_a) \geq 1 - \epsilon, \]

and, by a similar argument,

\[ x \leq b \implies Q^t(x, D_\beta) \geq Q^t(b, D_\beta) \geq 1 - \epsilon. \]

In view of remark 2.1 and (22), we have

\[ Q^t(a, I_a) \geq 1 - \epsilon \quad \text{and} \quad Q^t(b, D_\beta) \geq 1 - \epsilon \quad \text{for all } t. \]

Since \( [a, \beta] := \{ x \in S : a \leq x \leq \beta \} = I_a \cap D_\beta, \) we have

\[ Q^t(x, [a, \beta]^-) = Q^t(x, D_\beta \cup I_a^c) \leq 2 - Q^t(x, D_\beta) - Q^t(x, I_a^c). \]

This leads to the estimate

\[ a \leq x \leq b \implies Q^t(x, [a, \beta]^-) \leq 2 \epsilon. \]

Combining (21) and (23), we now have

\[ \mu Q^t([a, \beta]^-) = \int Q^t(x, [a, \beta]^-) \mu(dx) \]

\[ = \int_{[a, \beta]} Q^t(x, [a, \beta]^-) \mu(dx) + \int_{[a, \beta]} Q^t(x, [a, \beta]^-) \mu(dx) \]

\[ \leq \int_{[a, \beta]} 2 \epsilon \mu(dx) + \mu([a, \beta]^-) \leq 3 \epsilon. \]

Since \([a, \beta]\) is compact and \( t \) is arbitrary, we conclude that \( \{ \mu Q^t \} \) is tight.

**Q.E.D.**

**Proof of Lemma 7.4.** Let \( C \) be any compact subset of \( S \times S. \) We need to prove existence of an \( n \in \mathbb{N} \) and \( \delta > 0 \) such that \( (Q \times Q)^n((x, x'), G) \geq \delta \) whenever \( (x, x') \in C. \) To do so, we introduce the function

\[ \psi_n(x, x') := (Q \times Q)^n((x, x'), G) = P_{x,x'}\{X_n \leq X_n'\}. \]

where \( (X_n, X_n') \) is Markov-\((Q \times Q, (x, x'))\). Intuitively, since \( Q \) is increasing, the event \( \{X_n \leq X_n'\} \) becomes less likely as \( x \) rises and \( x' \) falls, and hence \( \psi_n(x, x') \) is decreasing in \( x \) and increasing in \( x' \) for each \( n. \) A routine argument confirms this is the case.
Since $C \subset S \times S$ is compact, we can take an order interval $[a, b]$ of $S$ with $C \subset [a, b] \times [a, b].$ Moreover, since $Q$ is order reversing, we can take $n \in \mathbb{N}$ such that $\delta := \psi_n(b, a) > 0.$ Observe that

$$(x, x') \in C \implies (x, x') \in [a, b] \times [a, b] \implies x \leq b \text{ and } x' \geq a.$$

:. $$(x, x') \in C \implies (Q \times Q)^n((x, x'), G) = \psi_n(x, x') \geq \psi_n(b, a) = \delta.$$ In other words, $G$ is $C$-accessible for $Q \times Q.$ Q.E.D.

**Proof of Lemma 7.6** The statement $\mu \leq \mu'$ iff $\langle \mu, h \rangle \leq \langle \mu', h \rangle$ for all $h \in icbS$ holds for every normally ordered space, as shown by Whitt (1980, Theorem 2.6). Moreover, since $\leq$ is a partial order on $\mathcal{P}$ (cf., Kamae and Krengel, 1978, theorem 2), and hence antisymmetric, it follows that $\mu = \mu'$ iff $\langle \mu, h \rangle = \langle \mu', h \rangle$ for all $h \in icbS.$ Regarding the third assertion of the lemma, observer first that if $\mu_n \to \mu,$ then since $S$ is polish the sequence $\{\mu_n\}$ is tight (Dudley, theorem 11.5.3). The statement $\langle \mu_n, h \rangle \to \langle \mu, h \rangle$ whenever $h \in icbS$ is obvious. To prove the converse, suppose that $\{\mu_n\}$ is tight and $\langle \mu_n, h \rangle \to \langle \mu, h \rangle$ for all $h \in icbS.$ Take any subsequence $\{\mu_n\}_{n \in \mathbb{N}_1}$ of $\{\mu_n\}.$ By tightness and Prohorov’s theorem (Dudley, 2002, theorem 11.5.4), this subsequence has a subsubsequence converging to some $\nu \in \mathcal{P}:$

$$\exists N_2 \subset \mathbb{N}_1 \text{ such that } \lim_{n \in \mathbb{N}_2} \langle \mu_n, h \rangle = \langle \nu, h \rangle \text{ for all } h \in icbS.$$ Since $\langle \mu_n, h \rangle \to \langle \mu, h \rangle$ for all $h \in icbS,$ we now have $\lim_{n \in \mathbb{N}_2} \langle \mu_n, h \rangle = \langle \nu, h \rangle = \langle \mu, h \rangle$ for all $h \in icbS,$ and hence $\nu = \mu.$ We have now shown that every subsequence of $\{\mu_n\}$ has a subsubsequence converging to $\mu,$ and hence the entire sequence also converges to $\mu.$ Q.E.D.

**Proof of Lemma 7.9** Pick any $x \in S.$ Since $D$ is nonempty we can choose some $x^d \in D.$ We let $\{X_t\}$ and $\{X^d_t\}$ be independent and Markov-$(Q, x)$ and $(Q, x^d)$ respectively, defined on some common probability space $(\Omega, \mathcal{F}, \mathbb{P}).$ Define $\tau := \inf\{t \geq 0 : X_t \leq X^d_t\}.$ Since $Q$ is order mixing, $\mathbb{P}\{\tau < \infty\} = 1.$ Since $D$ is absorbing and $x^d \in D,$ the set $\{X^d_t \in D\}$ is also probability one. Therefore $\mathbb{P}\{X^d_t \in D\} \cap \{\tau < \infty\} = 1.$ Moreover, since $D$ is decreasing and, by definition, $X_t \leq X^d_t$ on $\{\tau < \infty\},$ we have

$$\{X^d_t \in D\} \cap \{\tau < \infty\} \subset \{X_t \in D\} \cap \{\tau < \infty\} \subset \bigcup_{t=0}^{\infty} \{X_t \in D\}$$

It now follows that $\mathbb{P}\bigcup_{t=0}^{\infty} \{X_t \in D\} = 1.$ As $x$ was arbitrary, we conclude that $D$ is strongly attracting. Q.E.D.

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34To see this, let $K$ be a compact subset of $S$ with $C \subset K \times K.$ (Such a $K$ can be obtained by projecting $C$ onto the first and second axis, and defining $K$ as the union of these projections.) Since $K$ is order bounded in $S$ by assumption, we just choose $a, b \in S$ with $K \subset [a, b].$
PROOF OF LEMMA 7.10. Let \( \{v_n\} \) and \( \nu \) be probability measures on \( S \), and suppose that \( \langle v_n, g \rangle \to \langle v, g \rangle \) for all \( g \in \mathcal{G} \subset bS \). We claim that \( \langle v_n, h \rangle \to \langle v, h \rangle \) for all \( h \in \mathcal{H} \subset bS \). To see this, pick any \( h \in \mathcal{H} \), and choose sequences \( \{g^1_n\} \) and \( \{g^2_n\} \) in \( \mathcal{G} \) with \( g^1_n \uparrow h \) and \( g^2_n \downarrow h \). Clearly
\[
\liminf_n \langle v_n, h \rangle \geq \liminf_n \langle v_n, g^1_k \rangle = \langle v, g^1_k \rangle \quad \text{for all } k
\]
\[
\therefore \liminf_n \langle v_n, h \rangle \geq \sup_k \langle v, g^1_k \rangle = \lim_k \langle v, g^1_k \rangle = \langle v, h \rangle.
\]
A symmetric argument applied to \( \{g^2_n\} \) yields \( \lim sup_n \langle v_n, h \rangle \leq \langle v, h \rangle \). Q.E.D.

PROOF OF LEMMA 7.11. Let \( A \) be the countable dense subset of \( S \) in assumption 3.1. For \( a \in A \), let \( I_a := \{ y \in S : y \geq a \} \). Let \( \mathcal{L} \) be the set of functions \( \ell = rI_a \) for some \( r \in \mathbb{Q} \cap [0, 1] \) and \( a \in A \). Let \( \mathcal{G}_1 \) be all functions \( g = \sup_{\ell \in \mathcal{L}} \ell \) where \( F \subset \mathcal{L} \) is finite. Clearly \( \mathcal{G}_1 \) is countable, and, by theorem 3.3, every element of \( \mathcal{G}_1 \) satisfies the strong law of large numbers. We claim that for each \( f \in ic(S, [0, 1]) \) there exists a sequence \( \{g_n\} \) in \( \mathcal{G}_1 \) converging up to \( f \). To verify this claim it suffices to show that
\[
\text{(24) } \sup \{ \ell(x) : \ell \in \mathcal{L} \text{ and } \ell \leq f \} = f(x) \quad \text{for any } x \in S
\]
Indeed, if (24) is valid, then take \( \{\ell_k\} \) to be an enumeration of all \( \ell \in \mathcal{L} \) with \( \ell \leq f \) and choose \( g_n = \sup_{1 \leq k \leq n} \ell_k \).

To establish (24), fix \( x \in S \) and \( \epsilon > 0 \). By continuity of \( f \) and assumption 3.1, we can find an \( a \in A \) with \( a \leq x \) and \( f(x) - \epsilon < f(a) \). Let \( r \in \mathbb{Q} \) be such that \( f(x) - \epsilon < r < f(a) \) and let \( \ell(x) := rI_a \). Since \( \ell \leq f(a)I_a \) and \( f \) is increasing we have \( \ell \leq f \). On the other hand, \( f(x) - \epsilon < r = \ell(a) \leq \ell(x) \). Since \( \epsilon \) was arbitrary we conclude that (24) is valid.

To complete the proof of lemma 7.11, we show existence of a class of functions \( \mathcal{G}_2 \) such that \( \mathcal{G}_2 \) is countable, every element of \( \mathcal{G}_2 \) satisfies the strong law of large numbers, and, for each \( f \in ic(S, [0, 1]) \), there exists a sequence \( \{g_n\} \) in \( \mathcal{G}_2 \) converging down to \( f \). The claim in lemma 7.11 is then satisfied with \( \mathcal{G} := \mathcal{G}_1 \cup \mathcal{G}_2 \).

To construct \( \mathcal{G}_2 \), let \( D_a := 1 \{ y \in S : y \leq a \} \), and let \( \mathcal{L} \) be the set of functions \( \ell : S \to [0, 1] \) with \( \ell(x) = 1 - rD_a \) for some \( r \in \mathbb{Q} \cap [0, 1] \) and \( a \in A \). Let \( \mathcal{G}_2 \) be all functions \( g = \inf_{\ell \in \mathcal{L}} \ell \) where \( F \subset \mathcal{L} \) is finite. The set \( \mathcal{G}_2 \) is countable and every element satisfies the LLN. We claim that for each \( f \in ic(S, [0, 1]) \) there exists a sequence \( \{g_n\} \) in \( \mathcal{G}_2 \) converging down to \( f \). To verify this claim it suffices to show that
\[
\text{(25) } \inf \{ \ell(x) : \ell \in \mathcal{L} \text{ and } \ell \geq f \} = f(x) \quad \text{for any } x \in S
\]
To establish (25), fix \( x \in S \) and \( \epsilon > 0 \). By continuity of \( f \) and assumption 3.1, we can find an \( a \in A \) with \( x \leq a \) and \( f(a) < f(x) + \epsilon \). Let \( r \in \mathbb{Q} \) be such that \( f(a) < 1 - r < f(x) + \epsilon \)
and let \( \ell(x) := 1 - rD_a. \) It is now easy to check that \( \ell \geq f \) and \( \ell(x) < f(x) + \epsilon. \) Since \( \epsilon \) was arbitrary we conclude that (25) is valid. \( \text{Q.E.D.} \)

REFERENCES


