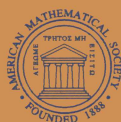


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Volume 18

Essentials of Brownian Motion and Diffusion

Frank B. Knight



American Mathematical Society

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To the memory of MY FATHER

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TABLE OF CONTENTS

Preface	xi
Introduction	1
Chapter 1. Definition, Existence, and Uniqueness of the Brownian Motion	
1. The Basic Concept	5
2. Construction by Gaussian Interpolation	6
3. Construction as a Limit of Random Walks	9
4. Construction by Trigonometric Series	12
5. Uniqueness Questions and Notation	14
Chapter 2. Initial Features of the Process	
1. Equivalence Transformations	19
2. Law of the Iterated Logarithm	22
3. Quadratic Variation	23
4. Modulus of Continuity	25
5. First Passage Times and Pointwise Recurrence	27
6. Hitting Probabilities ($r = 1$)	29
Chapter 3. General Markovian Methods	
3.1. Analytic Methods	31
1. Brownian Transition Densities and Semigroups	31
2. General Markov Semigroups	33
3. Infinitesimal Generators	35
4. Brownian Generators and Resolvents	36
3.2. Probabilistic Methods	38
1. Markov Properties	39
2. Stopping Times and Strong Markov Properties	42
3. Zero or One Laws	50
4. Hitting Times and Dynkin's Formula	52
5. Foreseeability of Stopping Times	55
6. Additive Functionals	57
Chapter 4. Absorbing, Killing, and Time Changing: The Classical Cases	
4.1. Absorption	61
1. Two Absorbing Points	61

2.	Space-Time Process and the Heat Equation	63
3.	The Dirichlet Problem in R'	66
4.	The Heat Equation in R'	68
5.	Moments of Passage Times	70
4.2.	Killing	71
1.	Killing at a Boundary	71
2.	Killing by a Continuous Additive Functional	73
3.	The Method of Kac and Rosenblatt	76
4.	Some Sojourn Time Distributions	82
4.3.	Time Changing	89
1.	Sectionally Continuous Coefficients	90
2.	The Corresponding Diffusions on (a, b)	91
3.	The Ornstein-Uhlenbeck Velocity Process	96
4.	Stochastic Differential Equations (Heuristic)	98
5.	Continuous State Branching Processes	100
6.	The Bessel Processes	102
7.	Transience, Neighborhood Recurrence, and Passage Times	103
Chapter 5.	Local Times, Excursions, and Absolute Sample Path Properties	
5.1.	Local Time: Extrinsic Construction	107
1.	The Skeletal Random Walk	107
2.	The Limit Diffusion	110
3.	Trotter's Theorem and Local Time as a Family of Additive Functionals	115
5.2.	Brownian Excursions	120
1.	The Brownian Flow	120
2.	The Normalized Excursion	122
3.	Probabilistic Structure of an Excursion	123
4.	Distribution of the Maximum	125
5.3.	The Zero Set and Intrinsic Local Time	127
1.	Distribution of the Zeros	127
2.	Construction of Process from Zeros and Excursions	128
3.	P. Lévy's Equivalence $(Y_1(t), M(t)) \equiv (B(t) , 2s(t, 0))$	130
4.	Passage Time Process as Subordinator	132
5.	The "Mesure du Voisinage" and Local Time	135
6.	The General Sojourn Density Diffusions	137
7.	Local Times of Diffusions	139
5.4.	Some Absolute Sample Path Properties	142
1.	Upper and Lower Classes Locally	142
2.	Lower Escape Rates	147
3.	Global Upper and Lower Moduli	148
4.	Measure of the Range ($r \geq 2$)	149

5. Total Path Variation ($r = 1$)	149
6. Absence of Differentiability or Times of Increase	150
Chapter 6. Boundary Conditions for Brownian Motion ($r = 1$)	
1. Brownian Motions on $[0, \infty)$: Generators	153
2. Construction of the Processes	157
3. Brownian Motions on $[0, 1]$	162
4. Green Functions and Eigenfunction Expansions	163
Chapter 7. Nonsingular Diffusion in R^1	
7.1. The Deductive Approach	169
1. First Passage Times and Semigroups	170
2. Local Infinitesimal Generators	173
7.2. The Constructive Approach	176
7.3. Conservative Boundary Conditions	181
7.4. Nonconservative Diffusion	186
1. The General Continuous Additive Functional	187
2. The General Killed Diffusion	191
Bibliography	195
Index	199
Errata	203

PREFACE

This work was first-drafted five years ago at the invitation of the editors of the *Encyclopedia of Mathematics and its Applications*. However, it was found to contain insufficient physical applications for that series, hence it has finally come to rest at the doorstep of the American Mathematical Society. The first half of the work is little changed from the original, a fact which may partly explain both the allusions to applications and the elementary approach. It was written to be understood by a reader having minimal familiarity with continuous time stochastic processes. The most advanced prerequisite is a discrete parameter martingale convergence theorem.

In the first half (Chapters 1 to 4) some of the details are glossed over slightly in the interest of brevity. We are confident that they will be filled in quite easily, as we have filled them in while using the material as the basis for a course on stochastic processes. It may come as a surprise here that there are no stochastic integrals. However disappointing this may be to the applied student of the subject, at least it has the advantage of allowing the treatment to be carried out path by path, so to speak, without any intrinsic use of the term “almost surely”.

In the second half, by contrast, it may be found that too many details have been included. In fact, we at least sketch complete proofs of all the significant results. Our rationale for this, if it requires any, would have two bases. First, the material concerns local time, which is a more difficult topic than those treated earlier and in our view is essential to a real understanding of diffusion. Second, many of the basic concepts of current research in Markov processes find their prototypes in diffusion (as also, to some extent, in the theory of Markov chains). Therefore, it seems worthwhile to treat matters pertaining to the excursion measures and the inverse local times in some detail, since the intuition gained here may go far toward giving an understanding of more general situations.

We may now give a rapid chapter-by-chapter summary of what is covered. In Chapter 1 we construct the Brownian motion in three ways and prove a uniqueness assertion. In Chapter 2, we use these constructions to obtain some of

the most familiar results, such as the law of the iterated logarithm and the nonrecurrence in two dimensions. In Chapter 3, we place the process in the general setting of Markov semigroups and strong Markov properties. The machinery of infinitesimal generators and stopping times is developed, which is indispensable to all that follows. In Chapter 4, we begin with the probabilistic solutions of the Dirichlet problem and the heat equation, which are classical except for the results concerning the Dynkin generators. Then we develop the method of “killing” the process by a continuous additive functional, and apply this to obtain a form of the Kac-Rosenblatt method of finding the distributions of functionals (Wiener integrals). Finally, we define the time-changed processes of Brownian motion leading to generators $a(x)(d^2/dx^2) + b(x)(d/dx)$, and present a number of basic examples (Bessel processes, continuous state branching processes, etc.) which play a basic role in the sequel.

In Chapter 5, we first obtain the local time processes by a random walk approximation. This is not easy, but neither are the other known methods, and the present one seems most intuitive. We then develop the general theory of excursions and diffusion local times, and end by proving the basic 0-or-1 results on Brownian motion not included in Chapter 2. §§5.1–5.3 may be considered the key to Chapters 6 and 7. These last have undergone an evolution in which Chapter 6 became shorter as it was incorporated partly in Chapter 7. At present, Chapter 6 serves as an explicit example of the general results of Chapter 7, which are done abstractly. Thus it provides an introduction to the latter, and in a few instances it provides the proofs.

In Chapter 7 we characterize and construct all diffusions on an interval which are nonsingular in the interior. It should be observed that many of the methods and results obtained earlier for Brownian motion now extend directly to the general case. The problem of sifting out those diffusions of particular interest for which explicit formulas can be given for the various relevant probabilities is not attempted here. Presumably it is to be viewed as a topic for research. At present, relatively little is known beyond the examples at the end of Chapter 4, and our bibliography may be reasonably complete.

Confining to the one-dimensional case, one can still extend the scope in two directions. The theory of interior singular points, as outlined in [L.1, 4.8 and 4.9], is the most immediate extension, but perhaps not the most interesting. The other is the theory of discontinuous diffusion, including birth-and-death processes. This has a literature of its own and is not considered here. For the reader interested in extending in this direction, the general additive functionals of Chapter 7 could provide the basis. The outcome of the extension is surveyed very briefly in the papers of D. Ray [R.2] and S. Watanabe [W. 3].

Because of the many and various contributions to the present work by individuals other than the author, we make no attempt to list contributors or to

acknowledge help from individuals. As to institutions, the first thanks must go to the University of Strasbourg, where the work was begun in the fall of 1974. Second thanks is to the Institute for Advanced Study of Princeton, New Jersey, where the work was continued during the spring of 1975. And final thanks is to the University of Illinois at Champaign-Urbana where the work was revised and completed in the following years.

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INDEX

- Absolute properties, 19, 142
- Accessible endpoint, 92, 171, 182
- Additive functional, 57
 - local time representation, 140
 - of a diffusion, 187
 - perfect, 59
- Adjoint operator, 70, 114

- Bessel process, 102
 - bridge, 123
 - escape rate, 147
 - hitting probabilities, 103
 - local time of, 141
 - representation of local time, 114
 - upper and lower classes, 144
- Bochner extension theorem, 9, 175
- Borel sets, 32
- Boundary classification, 182
- Boundary conditions
 - for Brownian motion, 155, 162
 - for diffusion, 184, 192
- Branching process
 - continuous state, 100, 111, 120
- Brownian motion, 16
 - absorbed at 0, 41, 124
 - absorbed in (a, b) , 61
 - bridge, 20
 - elastic, 158
 - escape rates, 147
 - excursions, 122
 - flow, 120
 - in space-time, 63
 - nondifferentiability, 150
 - reflected, 157
 - upper and lower classes, 144
 - with two reflecting barriers, 186

- Cameron and Martin's formula, 83
- Cauchy density, 28
- Chapman-Kolmogorov equation, 33

- Ciesielski formula, 8
- Closed operators, 37
 - extension of Laplacian, 37
- Compact operators, 165
- Completion of $\mathfrak{S}^0(t+)$ and $\mathfrak{S}^0(T)$, 50, 52
- Conditional
 - density of Brownian motion, 6
 - expectation, 40
 - probabilities, 38

- Determining set, 47
- Diffusion process, 90
 - conservative nonsingular, 169, 186
 - with boundary conditions, 184, 186
 - with sectionally continuous coefficients, 91
- Dirichlet problem, 66
- Domain of infinitesimal generator, 35, 92, 157, 162, 184, 192
- Doob's martingale convergence theorem, 10, 55
 - representation of the Brownian bridge, 20, 115
 - solution of heat equation, 64
 - definition of singular boundary point, 66
- Drift (constant drift process), 105
- Dynkin's formula, 53
 - generator, 54

- Eigenfunction
 - expansion of covariance, 13
 - expansion of transition density, 164, 166
- Einstein, A., 3
- Entrance boundary, 102, 182, 187, 191
- Equivalence transformations, 19
- Excursions
 - of Brownian motion, 123, 128
 - of diffusion, 127
- Exit boundary, 172

- Feller's Brownian motions, 157
 approach to diffusion, 169
 Flow, 120
 Fourier expansion, 12, 62, 163
- Gaussian process, 12, 13, 97
 Generator (see Infinitesimal generator)
 Global absolute properties, 22, 148
 Green density, 179, 186
 function, 71, 82, 92, 164, 166
 operator, 37
 Green's Theorem, 80
- Heat equation
 in R^1 , 63, 162, 166
 in R^r , 68
 with killing, 82
 Hitting probabilities, 29, 67, 95
 Hitting times (see also Passage times), 52
- Independent increments, 5, 132
 Infinitesimal generator, 35
 as local operator, 78, 173, 185
 for a stochastic differential equation, 99
 of a killed process in R^r , 77
 of diffusion with general speed measure, 176
 of nonsingular conservative diffusion, 183
 of diffusion with killing, 192
 with sectionally continuous coefficients, 90
 Ito and McKean's local time representation, 169, 187
- Killed process
 at exit from D , 71
 for a continuous additive functional, 74, 161
 Killing
 measure, 191
 of conservative, nonsingular diffusion, 191
 time (see also Lifetime), 73
- Law of the iterated logarithm, 22
 Levy, P.
 Construction of Brownian motion, 6
 Equivalence of local time, 130
 Inequality, 11
 Mesure du voisinage, 135
 Holder continuity of Brownian paths, 25
 Projective invariance, 20
 Lifetime (see also Killing time), 74, 90
 Local absolute properties, 21
 Local time, 107
 as a diffusion, 120, 137
 of a diffusion, 139
 of a Bessel process, 141
 of Brownian motion, 107
 of conservative diffusion, 190
 of diffusion with killing, 191
- Martingale, 116, 119
 of Brownian motion, 55
 submartingale, 10, 111
 Markov
 process, 41
 property, 39
 semigroup, 33
 strong Markov process, 46
 Maximum
 of Brownian excursion, 125
 of Brownian motion, 21
 of local time process, 117
 Measurability, 40
 universal, 58
 Modulus of continuity, 25
 Multiple points, 149
- Natural boundary point, 182
 Nonsingular diffusion in R^1 , 169
 Normal (Gaussian) distribution, 6, 7
- Occupation times (see Sojourn times)
 Ornstein-Uhlenbeck velocity process, 96
 r -dimensional, 144
- Paley and Wiener's construction, 12
 Passage times, 28
 for an interval, 62, 85, 104, 125, 172
 for a sphere, 88
 moments of, 70, 145
 Poisson
 equation, 71, 73
 process, 77
 Positive definiteness (of resolvents), 166
 Probabilistic properties, 19, 61
 Projective invariance of Brownian motion, 20
 Projective limit space, 9
- Quadratic variation (of Brownian motion), 23
- Random
 variable, 5
 walk construction, 9, 21, 107, 110
 Range (of Brownian motion in R^r), 149
 Ray, D.
 theorem on first passage times, 172
 theorem on local times, 114, 120
 Recurrence
 pointwise, 27
 neighborhood, 103
 Reflection principle, 42
 Regular boundary point, 182

- Regular point (see Singular point)
- Resolvent, 34
 - identities, 35, 36
 - of Brownian motion, 37, 164
- Scale (natural scale), 91, 176
- Semigroup, 32
- Shift operator (translation operator), 39
- Singular point
 - for diffusion, 153
 - for Dirichlet problem, 66
- Sojourn
 - times, 82, 139
 - densities (see also Local time), 137
- Space-time process, 63
- Speed measure, 125, 176, 188
- Spherical symmetry, 16
- Stationary processes, 97, 114, 120
- Stochastic
 - differential equation, 99
 - process, 5
- Stopping time, 46
 - equivalence of, 57
 - foreseeable (predictable), 55
 - maxima and minima, 56
- Strong
 - continuity of semigroups, 34
 - Markov process, 47
 - Sturm-Liouville systems, 163
- Subordinator
 - representation of inverse local time, 137
 - representation of inverse maximum, 132
- Tied-down Brownian motion, 20
- Time change, 89
 - of conservative diffusion, 187, 189
- Time lag, 10
- Total variation of Brownian paths, 149
- Transition
 - densities, 31, 96, 166
 - function, 47
- Trotter's Theorem, 115
- Weak continuity, 34
- Zero-one Law, 50
 - Kolmogorov's, 29
 - global, 51
- Zero set of Brownian motion, 130

Errata

Page	Line Number	Currently	Should be
52	-6	...whenever we have continuous paths. For general...	whenever we have continuous paths and $X_0 \notin D$. For general...
56	1	$M = \prod_{k=1}^n f_k(t_k)$	$M = \prod_{k=1}^n f_k(B(t_k))$
66	25–26	in such a way that $E^y u(B_r(T_{D^c})) = u(y)$ for $y \in D_n$	in such a way that $E^y u(B_r(T_{D_n^c})) = u(y)$ for $y \in D$
66	-14	martingale for each $y \in D$	p^y -martingale for each $y \in D_n$
67	-8	if $\partial 0 \cap \partial D$ is a finite set	if $\partial \underline{0} \cap \partial D$ is a finite set
82	19 (end of equation)	$I_{\{t < T_D\}} dt$	$I_{\{t < T_{D^c}\}} dt$
89	16	[W.1, p. 79, (4)]	[W.4, p. 79, (4)]
147	7–8	upper class for $k > 2$ but not for $k \leq 2$	upper class for $k > r$ but not for $k \leq r$
169	-6	Remark. We have... ...likewise $T(x-) \geq T(x)$...	Remark. When $X(0) \leq x$, we have... ...likewise for $T(x-) \geq T(x)$...

The book aims to develop the topic of what is loosely called Brownian motion and diffusion theory in such a way as to make the fundamentals accessible to a nonspecialist in the field and to provide a sound basic grasp of the subject without going into the most refined of the technicalities. The intent has been to select and emphasize those results which either have an immediate observational meaning or which seem to contribute most to a general understanding of the subject.

The first part of the book presents general properties of the Brownian motion, including the definition, probabilistic and analytic properties, general Markov methods, generalizations, and applications. The second part contains the study of local times (in particular, the Trotter theorem) and various types of boundary conditions for Brownian motion.

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