SM275 • Mathematical Methods for Economics

## Quiz 9 - 20 November 2019

**Instructions.** You have 15 minutes to complete this quiz. You may use your calculator. You may <u>not</u> use any other materials (e.g., notes, homework, books).

Show all your work. To receive full credit, your solutions must be completely correct, sufficiently justified, and easy to follow.

For this quiz, consider the following optimization problem:

minimize/maximize xyzsubject to 2x + 3y + z = 6

**Problem 1.** Write a system of equations whose solutions are the constrained critical points for this optimization problem. Do not solve the system of equations.

## Grading.

- I split Problem 2 into two parts:
  - a. Find the Hessian at the given constrained critical point (0, 0, 0, 6).
  - b. Classify this point as a constrained local minimum, constrained local maximum, or constrained saddle point.
- You received a score for each part: a + b.
- Each part has a weight of 1.

## Notes.

- This problem was based on problems 16.1b and 16.2b from the textbook, assigned for homework.
- Take a look at the solutions for those problems for guidance.

Problem	Weight	Score
1	1	
2	2	
Total		/ 30

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Here is the optimization problem again for your convenience:

minimize/maximize xyzsubject to 2x + 3y + z = 6

**Problem 2.** One of the constrained critical points for this optimization problem is  $(\lambda, x, y, z) = (0, 0, 0, 6)$ . Classify this point as a constrained local minimum, constrained local maximum, or constrained saddle point.