MATHEMATICAL METHODS IN ECONOMICS

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| Course code | *FUN105* |
| Compulsory in the programmes | *Economics and Politics* |
| Level of studies | *Undergraduate* |
| Number of credits | *6 ECTS (48 in-class hours + 2 hours of consultations + 2 hours of examination, 108 individual work hours)* |
| Course coordinator (title and name) | *Marius Kušlys* |
| Prerequisites | *Mathematical Analysis, Finite Mathematics* |
| Language of instruction | *English* |

**THE AIM OF THE COURSE**

This course aims to broaden the knowledge and skills in advanced mathematical analysis, which is usually applied in solution of various economic problems.

**MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex I), ASSESSMENT AND TEACHING METHODS**

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| Course level learning outcomes (objectives) | Learning objectives for BSc in Social Science | Assessment methods | Teaching methods |
| CLO1. To be acquainted with concepts and principles of advanced mathematical analysis | ELO1.1, ELO1.2 | Practice assignments, midterm exam, final exam | Lectures, seminars |
| CLO2. Be able to formulate, model, and solve static optimization problems | ELO1.1, ELO1.2 | Practice assignments, midterm exam | Lectures, seminars, individual work |
| CLO3. Be able to formulate, model, and solve dynamic optimization problems | ELO1.1, ELO1.2 | Practice assignments, final exam | Lectures, seminars, individual work |
| CLO4. Be able to analyze solved problems and make conclusions | ELO1.1, ELO4.1 | Midterm exam, final exam | Lectures, seminars, individual work |
| CLO5. Be able to convey information sequentially, logically, accurately and clearly, both in written and oral form | ELO4.3 | Midterm exam, final exam | Seminars, individual work |

**ACADEMIC HONESTY AND INTEGRITY**

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. With regard to remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

**COURSE OUTLINE**

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| **Topic** | **In-class hours** | **Readings [1]** |
| *Introduction to the course.*   1. **Linear algebra.** Vectors, linear independence. Rank of a matrix. Eigenvalues and eigenvectors. | 4 | 1.1-1.3; 1.5 |
| 1. **Multivariable calculus.** Gradient. Convex sets. Concavity of a function. | 4 | 2.1-2.5 |
| 1. **Static optimization.** Global and local extrema of multivariable function. Lagrange problem: equality constraints. | 6 | 3.2-3.4 |
| 1. **Static optimization.** Lagrange problem: inequality constraints. | 4 | 3.5-3.6 |
| 1. **Static optimization.** Lagrange problem: non-negativity constraints. | 4 | 3.8 |
| **MIDTERM EXAM** | 2 |  |
| 1. **First order differential equations.** Introduction. Separable equations. | 4 | 5.1; 5.3 |
| 1. **First order differential equations.** Linear equations. | 4 | 5.4 |
| 1. **Second order differential equations in the plane.** Introduction. Equations where x or t is missing. Homogeneous linear equations with constant coefficients. Nonhomogeneous linear equations with constant coefficients. Euler’s equation. Stability for linear equations. | 4 | 6.1-6.4 |
| 1. **Simultaneous equations in the plane.** Solution methods. Equilibrium points for linear systems, stability. | 4 | 6.5-6.7 |
| 1. **Calculus of variations.** Problem formulation. Terminal conditions. | 4 | 8 |
| 1. **Control theory.** Problem formulation. Terminal conditions. Variable final time. | 4 | 9.1-9.2; 9.3-9.8 |
|  | **Total: 48 hours** |  |
| CONSULTATION | 2 |  |
| FINAL EXAM | 2 |  |

**FINAL GRADE COMPOSITION**

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| --- | --- |
| **Type of assignment** | **%** |
| *Individual Components 100%* |  |
| Practice assignments | 10 |
| Midterm exam (topics 1-5) | 40 |
| Final exam (topics 6-11) | 50 |
| **Total:** | **100** |

**DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT**

1. Students must solve the assigned practice exercises, upload the solutions to the eLearning system by the specified deadline, and present them during the seminar if invited by the lecturer. **Practice assignments** are evaluated by the number of completed assignments. The highest score is given when all practice assignments have been completed. The practice assignments grade is reduced by 1 point for one uncompleted assignment. The grade is also reduced when the student refuses to present solutions or does not attend the seminar.
2. The **midterm exam** will count for the 40% of the final evaluation and will include questions on the topics 1-5. Only non-text calculators and provided formulas will be allowed. Duration of the exam – 120 minutes.
3. The **final exam** will count for the 50% of the final evaluation and will include questions on the topics 6-11. Only non-text calculators and provided formulas will be allowed. Duration of the exam – 120 minutes.

Precision of composite evaluations is left intact (up to 2 decimal places) until the end of the course and only the final evaluation will be subject to rounding.

**RETAKE POLICY**

Students who receive a failing final grade shall have the right to re-take the exams, which will comprise **90%** of the final grade and cover all topics of the course. Midterm exam and final exam results will be annulled. Only non-text calculators and provided formulas will be allowed. Duration of the retake exam – 120 minutes.

**REQUIRED READINGS**

1. K. Syds**æ**ter, P. Hammond, A. Seierstad, A. Str**ø**m (2008). Further mathematics for economic analysis. Prentice Hall.

**ADDITIONAL READINGS**

1. K. Aldošina, M. Kušlys. Statinio ir dinaminio optimizavimo ekonomikoje. Vilnius: ISM Vadybos ir ekonomikos universitetas, 2021.
2. Turckington, D.A. (2007). Mathematical Tools for Economics. Blackwell Publishing.
3. K. Syds**æ**ter, P. Hammond, A. Seierstad, A. Str**ø**m (2008). Essential mathematics for economic analysis. Prentice Hall.
4. Chiang, A. C. & Wainwright, K. (2005). *Fundamental methods of mathematical economics*. McGraw-Hill/Irwin.
5. Hoy, M., Livernois, J., McKenna, C., Rees, R. & Stengos, T. (2001). *Mathematics for economics*. The MIT Press.
6. Shone, R. (2001). *An introduction to economic dynamics*. Cambridge: Cambridge Univ. Press.

**ANNEX**

**DEGREE LEVEL LEARNING OBJECTIVES**

**Learning objectives for the Bachelor of Social Science**

*Programmes:*

*Economics and Data Analytics,*

*Economics and Politics*

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| **Learning Goals** | **Number of LO** | **Learning Objectives** |
| Students will be critical thinkers | ELO1.1. | Students will be able to understand core concepts and methods in the key economics disciplines |
| ELO1.2. | Students will be able to identify underlying assumptions and logical consistency of causal statements |
| Students will have skills to employ economic thought for the common good | ELO2.1. | Students will have a keen sense of ethical criteria for practical problem-solving |
| Students will be technology agile | ELO3.1. | Students will demonstrate proficiency in common business software packages |
| ELO3.2. | Students will be able to make decisions using appropriate IT tools |
| Students will be effective communicators | ELO4.1. | Students will be able to communicate reasonably in different settings according to target audience tasks and situations |
| ELO4.2. | Students will be able to convey their ideas effectively through an oral presentation |
| ELO4.3. | Students will be able to convey their ideas effectively in a written paper |