

Problem Set 1 - ECON 880

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Problem 1

(1a)

We can evaluate the polynomial as follow:

$$\begin{aligned}f(x, y) &= 83521y^8 + 578x^2y^4 - 2x^4 + 2x^6 - x^8 \\&= y^4(83521y^4 + 578x^2) + x^4(-2 + 2x^2 - x^4)\end{aligned}$$

(1b)

We estimate the order of magnitude (number of digits) of

$$83521y^8, \tag{1}$$

where $y = 2298912$. We can rewrite the expression as follows:

$$\begin{aligned}83521y^8 &= 83521 \cdot 2298912^8 \\&= 8.3521 \cdot 10^4 \cdot (2.298912 \cdot 10^6)^8\end{aligned}$$

Then, the digits can be estimated by using the following formula

$$\begin{aligned}1 + \lfloor \log_{10}(83521 \cdot 2298912^8) \rfloor &= 1 + \lfloor \log_{10}(83521 \cdot 2298912^8) \rfloor \\&= 1 + \lfloor \log_{10}(8.3521 \cdot 10^4 \cdot (2.298912 \cdot 10^6)^8) \rfloor \\&= 1 + \lfloor \log_{10} 8.3521 + \log_{10} 10^4 + \log_{10} 2.298912^8 + \log_{10} (10^6)^8 \rfloor \\&= 56\end{aligned}$$

Now, we compute the last digits of that term, by plugging in only the last digit of y into expression (1).

(1c)

test 2

Problem 2

In this exercise, we write an algorithm to determine the relative speeds of addition, multiplication, division, exponentiation, and the logarithmic function of our computer. The computer uses Intel(R) Core(TM) i5-1035G4 CPU @ 1.10GHz, 1.50 GHz with 64-bit operating system and 8.00 GB installed RAM. We proceed by generating two matrices A and B of size $10^4 \times 10^4$ using the `rand()` function in Matlab. Then, we use them in element-wise operations of addition ($A + B$), multiplication ($A * B$), division ($A./B$), exponentiation ($A.^B$), as well as the logarithmic function ($\log(A)$). The statements `tic` and `toc` are used around them to measure the computation time. This procedure is iterated 100 times, and the average computation time for each operation is computed. The results are as follows:

- Average computation time for variable initiation is 1.54030 seconds
- Average computation time for addition is 0.12073 seconds
- Average computation time for multiplication is 0.12083 seconds
- Average computation time for division is 0.11823 seconds
- Average computation time for exponentiation is 3.70586 seconds
- Average computation time for log function is 0.91528 seconds

Problem 3

In order to find our machine ε , we follow Ken Judd's definition[†] by writing a while loop to subtract (resp. add) progressively smaller numbers ϵ from (resp. to) 1 until the condition $1 + \epsilon > 1 > 1 - \epsilon$ is no longer satisfied. Repeat the exercise using 0.001 and 1000 instead of 1. We verify our results by comparing them with the epsilons delivered by the built-in Matlab function `eps(x)`, and the exponents with `log2(eps(x))`. The results are shown on Table 1.

x	$\varepsilon(x)$ - decimal	$\varepsilon(x)$ - exponential
0.001	2.16840434497101e-19	2^{-62}
1	2.22044604925031e-16	2^{-52}
1000	1.13686837721616e-13	2^{-43}

Table 1: Machine ε for diverse values of x

Comment: As x increases, the machine $\varepsilon(x)$ also does increase. This is to be expected, since $\varepsilon(x) \approx x\varepsilon(1)$. Thus, $\varepsilon(1000) > \varepsilon(1) > \varepsilon(0.001)$.

Problem 4

We wrote a loop to evaluate the convergence of the following sequences:

$$(4a) \quad x_k = \sum_{n=1}^k \frac{1}{2^n}, \text{ where } \lim_{k \rightarrow \infty} x_k = 1$$

$$(4b) \quad y_k = \sum_{n=1}^k \frac{1}{n}, \text{ where } \lim_{k \rightarrow \infty} y_k = \infty$$

[†]Kenneth L. Judd, 1998. "Numerical Methods in Economics," MIT Press Books, The MIT Press, p.30

We use absolute and relative convergence criteria, and tolerance distance $\delta \in \{10^{-2}, 10^{-4}, 10^{-6}\}$ as stopping rule. We limit the maximum number of iterations to 100,000. The number of iterations before convergence, as well the final guess are reported on Table 2 and 3 for x_k and y_k , respectively.

δ	10^{-2}	10^{-4}	10^{-6}
no. of iteration - absolute criteria	7	14	20
final guess - absolute criteria	0.992187500000000	0.999938964843750	0.999999046325684
no. of iteration - relative criteria	7	14	20
final guess - relative criteria	0.992187500000000	0.999938964843750	0.999999046325684

Table 2: Convergence for x_k

δ	10^{-2}	10^{-4}	10^{-6}
no. of iteration - absolute criteria	100	10,000	100,000
final guess - absolute criteria	5.18737751763962	9.78760603604435	12.0901461298633
no. of iteration - relative criteria	100	10,000	100,000
final guess - relative criteria	5.18737751763962	9.78760603604435	12.0901461298633

Table 3: Convergence for y_k

Comment: Table 2 shows that both absolute and relative convergence criteria lead to the same number of iterations for the sequence x_k . As tolerance distance δ lowers, the final guess for x_k approaches its true limit 1. Table 3 also shows that both absolute and relative criteria lead to the same number of iterations for the sequence y_k . Since y_k is a divergent sequence, the final guess will be higher (with no upper bound), the more we iterate. By lowering tolerance distance δ , the algorithm needs to iterate longer in order to satisfy the stopping rule, which in turn results in higher final guess. Since there is no upper bound for y_k , we can always make the tolerance distance δ even lower, and obtain even higher final guess for y_k .