Linear Algebra Exercises

Rayhan Momin

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Exercise 1

Let x be a given $n \times 1$ vector and consider the problem

$$v(x) = \max_{y,u} \{-y'Py - u'Qu\}$$

subject to the linear constraint

$$y = Ax + Bu$$

Here:

- P is an $n \times n$ matrix and Q is an $m \times m$ matrix
- A is an $n \times n$ matrix and B is an $n \times m$ matrix
- both P and Q are symmetric and positive semidefinite

One way to solve this problem is to form the Lagrangian

$$\mathcal{L} = -y'Py - u'Qu + \lambda' [Ax + Bu - y]$$

where λ is an $n \times 1$ vector of Lagrange multipliers
Show that these conditions imply that

1. $\lambda = -2Py$
2. The optimizing choice of u satisfies $u = -(Q + B'PB)^{-1}B'PAx$
3. The function v satisfies $v(x) = -x'\tilde{P}x$ where $\tilde{P} = A'PA - A'PB(Q + B'PB)^{-1}B'PA$

My Solution to Exercise 1

A) Answer to Problem 1(A) here.

i) Answer to Problem 1(A)(i) here.

ii) Answer to Problem 1(A)(ii) here.

iii) Answer to Problem 1(A)(iii) here.