

Lecture 05
Multi-variate Calculus

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REVIEW ASSIGNMENT

1. Problem Set 04 solutions are available on Github.
2. Any issues or problems **You** would like to discuss?

Topic: Multi-variate Calculus

OVERVIEW

1. Partial Derivatives
2. Higher Order Derivatives
3. Total Differentiation
4. Multi-variable Chain Rule
5. Implicit Function Theorem
6. Multi-variable Concavity

PRACTICE: PARTIAL DERV.

- Find $\frac{\partial f}{\partial x}$ and $\frac{\partial f}{\partial y}$ for $f(x, y) = 2xy + y^2 - \ln(x)$.
- Find $\frac{\partial f}{\partial x}$ and $\frac{\partial f}{\partial y}$ for $f(x, y) = 5^{xy} - e^{xy} + \frac{2+x}{xy}$.
- Find $\frac{\partial f}{\partial x}$, $\frac{\partial f}{\partial y}$ and $\frac{\partial f}{\partial z}$ for $f(x, y, z) = x^2y^{-1}z^{3/2} + e^y\ln(z) - \frac{x+y}{z}$

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Answer: [◀ Show Work](#)

$$f_x = 2xy^{-1}z^{3/2} - \frac{1}{z}$$

$$f_y = -y^{-2}x^2z^{3/2} + e^y \ln(z) - \frac{1}{z}$$

$$f_y = \frac{3}{2}x^2y^{-1}z^{1/2} + \frac{e^y}{z} + \frac{x+y}{z^2}$$

2. TOTAL DIFFERENTIATION

- ▶ **Total Derivative:** A function $f : \mathbb{R}^n \rightarrow \mathbb{R}$ expressing how f changes with the **simultaneous** change in x_1 through x_n .
- ▶ Note that we can sum the partial derivatives to estimate the **total** differential effect.
- ▶ We can approximate the actual change $\Delta f = f(x^* + \Delta x) - f(x^*)$ using the total differential:

$$\Delta f = \frac{\partial f}{\partial x_1}(x^*)\Delta x_1 + \cdots + \frac{\partial f}{\partial x_n}(x^*)\Delta x_n$$

DEMONSTRATION: TOTAL DIFFERENTIATION

Question:

$$u(t, r, s) = \frac{t^3 r^6}{s^2}$$

$$du = u_t dt + u_r dr + u_s ds$$

DEMONSTRATION: TOTAL DIFFERENTIATION

Question:

$$u(t, r, s) = \frac{t^3 r^6}{s^2}$$

Answer:

$$du = u_t dt + u_r dr + u_s ds$$

$$du = \frac{3t^2r^6}{s^2}dt + \frac{6t^3r^5}{s^2}dr - \frac{2t^3r^6}{s^3}ds$$

1. Differentiate $f(x, y, z) = \ln \left(\frac{xy^2}{z^3} \right)$
2. Differentiate $w(x, y, z) = \frac{x^4 z^8}{y}$

$$dw = \frac{4x^3z^8}{y}dx - \frac{x^4z^8}{y^2}dy + \frac{8z^7x^4}{y}dz$$

PRACTICE: TOTAL DIFF.

1. Differentiate $f(x, y, z) = \ln\left(\frac{xy^2}{z^3}\right)$
2. Differentiate $w(x, y, z) = \frac{x^4z^8}{y}$
3. Differentiate $g(a, b, c, d) = \frac{e^ab^2}{a} - \frac{d^{1/2}\ln(c)}{b}$

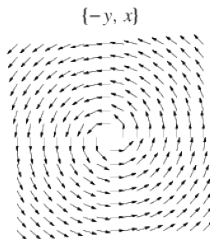
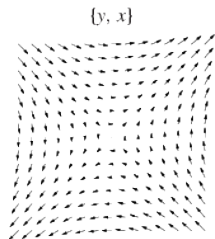
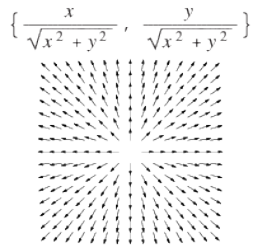
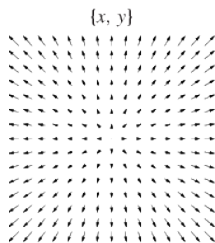
2. TOTAL DIFFERENTIATION

- ▶ The gradient ∇ is the direction that F increases most rapidly.
- ▶ E.g., a ‘directional derivative’.
- ▶ Commonly throughout econometrics (and popular in machine learning).
- ▶ The gradient of x^* can be written as a column vector.

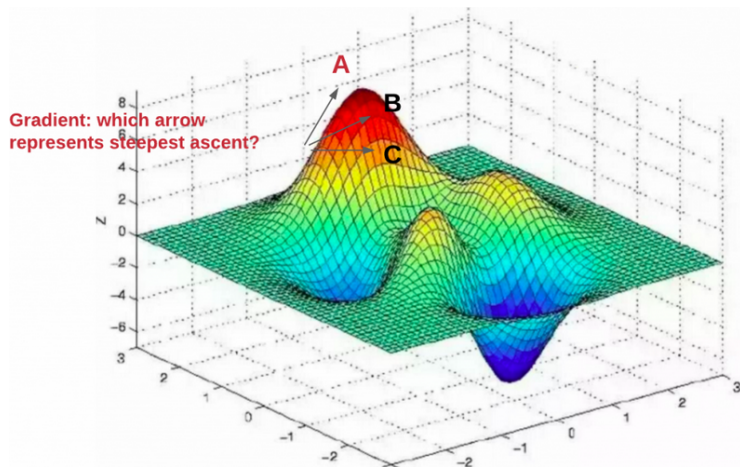
$$\nabla F(x^*) = \begin{pmatrix} \frac{\partial F}{\partial x_1}(x^*) \\ \vdots \\ \frac{\partial F}{\partial x_n}(x^*) \end{pmatrix}$$

- ▶ Jacobian is a collection (e.g., matrix) of gradients:
 - ▶ Gradient: 1 function, many parameters.
 - ▶ Jacobian: Many functions f_m , many parameters.

VECTOR FIELDS



GRADIENT ASCENT AND DESCENT

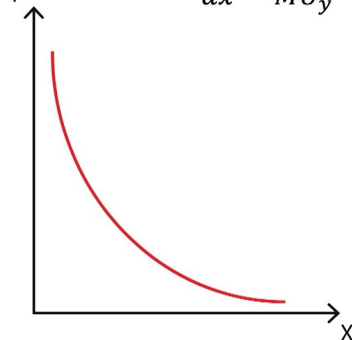


GRADIENTS AND MACHINE LEARNING



APPLICATION: MARGINAL RATES OF SUBSTITUTION

$$|MRS_{xy}| = \frac{dy}{dx} = \frac{MU_x}{MU_y}$$



$$U = x \cdot y$$

$$U'_x = y > 0$$

$$U'_y = x > 0$$

$$|MRS_{xy}| = \frac{y \downarrow}{x \uparrow} \downarrow$$

DEMONSTRATION: GRADIENT

Question:

$$f(x, y, z) = ze^{-xy}$$

Answer:

$$f_x = -yze^{-xy}$$

$$f_y = -xze^{-xy}$$

$$f_z = e^{-xy}$$

$$\nabla f = \langle -yze^{-xy}, -xze^{-xy}, e^{-xy} \rangle$$

DEMONSTRATION: GRADIENT

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PRACTICE: GRADIENTS

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PRACTICE: GRADIENTS

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Answer: [◀ Show Work](#)

$$\nabla f = \left\langle \frac{x}{x^2 + y^2}, \frac{y}{x^2 + y^2} \right\rangle$$

PRACTICE: GRADIENTS

1. Find ∇ for $f(x, y) = \ln(\sqrt{x^2 + y^2})$
2. Find ∇ for $g(x, y, z) = \frac{e^x 3^z}{y^2}$.

PRACTICE: GRADIENTS

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Answer: [◀ Show Work](#)

$$\nabla g = \left\langle \frac{e^x 3^z}{y^2}, \frac{-2e^x 3^z}{y^3}, \frac{\ln(3)e^x 3^z}{y^2} \right\rangle$$

PRACTICE: GRADIENTS

1. Find ∇ for $f(x, y) = \ln(\sqrt{x^2 + y^2})$
2. Find ∇ for $g(x, y, z) = \frac{e^x 3^z}{y^2}$.
3. Find ∇ for $f(x, y, z) = z^2 e^{x^2 + 4y} + \ln(\frac{xy}{z})$.

PRACTICE: GRADIENTS

1. Find ∇ for $f(x, y) = \ln(\sqrt{x^2 + y^2})$
2. Find ∇ for $g(x, y, z) = \frac{e^x 3^z}{y^2}$.
3. Find ∇ for $f(x, y, z) = z^2 e^{x^2+4y} + \ln(\frac{xy}{z})$.

Answer: [◀ Show Work](#)

$$\nabla f = \langle 2xz^2 e^{x^2+4y} + \frac{1}{x}, 4z^2 e^{x^2+4y} + \frac{1}{y}, 2ze^{x^2+4y} - \frac{1}{z} \rangle$$

3. HIGHER ORDER DERIVATIVES

- Consider the partial derivative for x_1 .

$$\frac{\partial f(x_1, \dots, x_n)}{\partial x_1} = f_1(x)$$

- We can get higher order gradients for n partial derivatives of $f_1(x)$.

$$\begin{aligned}\nabla f_1(x) &= \frac{\partial^2 f(x)}{\partial x_1 \partial x_1} + \frac{\partial^2 f(x)}{\partial x_1 \partial x_2} + \dots + \frac{\partial^2 f(x)}{\partial x_1 \partial x_n} \\ &= f_{11}(x) + f_{12}(x) + \dots + f_{1n}(x)\end{aligned}$$

3. HIGHER ORDER DERIVATIVES

- Hessian Matrix is a **symmetric** matrix of the second order derivatives.

$$D^2f_{x^*} \equiv \begin{bmatrix} \frac{\partial^2 f}{\partial x_1^2} & \frac{\partial^2 f}{\partial x_2 \partial x_1} & \cdots & \frac{\partial^2 f}{\partial x_n \partial x_1} \\ \frac{\partial^2 f}{\partial x_1 \partial x_2} & \frac{\partial^2 f}{\partial x_2^2} & \cdots & \frac{\partial^2 f}{\partial x_n \partial x_2} \\ \vdots & \vdots & \ddots & \vdots \\ \frac{\partial^2 f}{\partial x_1 \partial x_n} & \frac{\partial^2 f}{\partial x_2 \partial x_n} & \cdots & \frac{\partial^2 f}{\partial x_n^2} \end{bmatrix}$$

- Young's Theorem ensures the symmetry.

Young's Theorem

If $f : \mathbb{R}^n \rightarrow \mathbb{R}$ is $C^2 \in \mathbb{R}^n$, then $\forall x \in \mathbb{R}^n$ and each index pairs i, j :

$$\frac{\partial^2 f(x)}{\partial x_i \partial x_j} = \frac{\partial^2 f(x)}{\partial x_j \partial x_i}$$

DEMONSTRATION: HESSIAN MATRIX

Question:

Compute Hessian for $f(x, y) = x^3 - 2xy - y^6$.

Answer:

$$f_x = 3x^2 - 2y$$

$$f_y = -2x - 6y^5$$

$$\mathbf{H}f(x, y) = \begin{bmatrix} 6x & -2 \\ -2 & -30y^4 \end{bmatrix}$$

DEMONSTRATION: HESSIAN MATRIX

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4. MULTI-VARIABLE CHAIN RULE

- ▶ If $x(t) = (x_1(t), \dots, x_n(t))$ is a C^1 curve on an interval about t_0 , and f is a C^1 function on a ball about $x(t_0)$,
- ▶ Then $g(t) \equiv f(x_1(t), \dots, x_n(t))$ is a C^1 function at t_0 .
- ▶ This allows for the differentiation of t :

$$\frac{df}{dt}(t_0) = \frac{\partial f}{\partial x_1}(x(t_0))x'_1(t_0) + \dots + \frac{\partial f}{\partial x_n}(x(t_0))x'_n(t_0)$$

- ▶ Suppose $z = f(x(t), y(t))$. Then

$$\frac{\partial z}{\partial t} = \frac{\partial z}{\partial x} \frac{\partial x}{\partial t} + \frac{\partial z}{\partial y} \frac{\partial y}{\partial t}$$

APPLICATION: COURNOT & ENGEL AGGREGATION

Cournot Aggregation:

Budget share of goods weighted by own and cross price elasticities.

$$s_x \varepsilon_{x,p_x} + s_y \varepsilon_{y,p_x} = -s_x$$
$$s_x = \frac{p_x x}{m}$$

Engel Aggregation:

Budget share of goods interacted with their income elasticities.

$$\sum_{i=1}^n s_i \varepsilon(x_i, m) = 1$$

► For two goods:

$$s_1 \varepsilon(x_1, m) + s_2 \varepsilon(x_2, m) = 1$$
$$\frac{p_1 x_1}{m} \varepsilon(x_1, m) + \frac{p_1 x_1}{m} \varepsilon(x_2, m)$$

5. IMPLICIT FUNCTION THEOREM

- Consider a function with two variables x, y .

$$G(x, y(x)) = c$$

- We can use the implicit function theorem with respect to x about x_0 .

$$\begin{aligned} \frac{dG}{dx}(x_0, y(x_0)) \cdot \frac{dx}{dx}(x_0) + \frac{dG}{dy}(x_0, y(x_0)) \cdot \frac{dy}{dx}(x_0) &= 0 \\ \implies y'(x_0) = \frac{dy}{dx}(x_0) &= - \frac{\frac{dG}{dx}(x_0, y(x_0))}{\frac{dG}{dy}(x_0, y(x_0))} \end{aligned}$$

5. IMPLICIT FUNCTION THEOREM

- Implicit Partial Differentiation:

$$\frac{\partial F}{\partial s}(F(x(s), y(s)), z(s)) = \frac{\partial F}{\partial x} \frac{\partial x}{\partial s} + \frac{\partial F}{\partial y} \frac{\partial y}{\partial s} + \frac{\partial F}{\partial z} \frac{\partial z}{\partial s}$$

DEMONSTRATION: IMPLICIT PARTIAL DIFF.

Question:

$$\frac{\partial}{\partial t}(f(x, y(t), t)) = xy^2 + x^2y = 3t$$

Answer:

$$\frac{\partial}{\partial t}(xy^2) + \frac{\partial}{\partial t}(x^2y) = \frac{\partial}{\partial t}(3t)$$

$$2xyf_t + x^2f_t = 3$$

$$f_t(2xy + x^2) = 3$$

$$f_t = \frac{3}{2xy + x^2}$$

PRACTICE: IMPLICIT PARTIAL DIFF.

1. $\frac{\partial}{\partial x} f(x, y(x)) = e^x y + \ln(y) = x$

PRACTICE: IMPLICIT PARTIAL DIFF.

1. $\frac{\partial}{\partial x} f(x, y(x)) = e^x y + \ln(y) = x$

Answer: [◀ Show Work](#)

$$f_x = \frac{1 - e^x y}{e^x + \frac{1}{y}}$$

PRACTICE: IMPLICIT PARTIAL DIFF.

1. $\frac{\partial}{\partial x}f(x, y(x)) = e^x y + \ln(y) = x$
2. $\frac{\partial}{\partial x}f(x(z), y, z) = 3xyz + x^2 y + \frac{z}{x}$

PRACTICE: IMPLICIT PARTIAL DIFF.

1. $\frac{\partial}{\partial x}f(x, y(x)) = e^x y + \ln(y) = x$
2. $\frac{\partial}{\partial x}f(x(z), y, z) = 3xyz + x^2y + \frac{z}{x}$

Answer: [◀ Show Work](#)

$$f_z = \frac{-3xy - \frac{1}{x}}{3yz + 2xy - zx^{-2}}$$

1. $\frac{\partial}{\partial x}f(x, y(x)) = e^x y + \ln(y) = x$
2. Question 2
3. $\frac{\partial}{\partial y}f(x(y), y) = e^{x+y} = e^{y^2 x^{-1}}$

6. MULTI-VARIABLE CONCAVITY

- ▶ Let f be a C^2 function on an open convex subset $D \in \mathbb{R}^n$.
- ▶ Then f is **concave** on D iff the Hessian matrix $D^2f(x)$ is **negative semidefinite** $\forall x \in D$.
- ▶ f is **convex** on D iff the Hessian matrix $D^2f(x)$ is **positive semidefinite** $\forall x \in D$.

DEMONSTRATION: NEGATIVE SEMIDEFINITE

Question:

Is this Hessian Negative semidefinite (e.g., Any value of $diag(\mathbf{H}(\cdot)) \leq 0$.

$$\mathbf{H}f(x, y, z) = \begin{bmatrix} 8x & -3 & -4xz \\ -3 & -5y^2 & 0 \\ -4xz & 0 & 2z \end{bmatrix}$$

Yes, because $-5y^2 \leq 0$.

6. MULTI-VARIABLE CONCAVITY

- Quasi-concavity: $\forall x, y \in D \subset \mathbb{R}^n$ and $\forall t \in [0, 1]$

$$f(tx + (1 - t)y) \geq \min\{f(x), f(y)\}$$
- With multiple variables, we can show quasi-concavity using the Hessian matrix D iff

$$f(y) \geq f(x) \implies Df(x)(y - x) \geq 0$$

Review

REVIEW OF MULTI-VARIATE CALCULUS

1. Partial Derivatives
2. Higher Order Derivatives
3. Total Differentiation
4. Multi-variable Chain Rule
5. Implicit Function Theorem
6. Multi-variable Concavity

ASSIGNMENT

- ▶ Readings on Matrices before Lecture 06:
 - ▶ MWG Appendix M.D. & M.M.
- ▶ Assignment:
 - ▶ Problem Set 05 (PS05)
 - ▶ Solution set will be available this weekend.
- ▶ Struggling?
 1. Read the 'Encouraged Reading'
 2. Review 'Supplementary material'
 3. Reach out directly

PARTIAL DERV. QUESTION 2 ANSWER:

◀ QUESTION

$$f_x = y \ln(x) 5^{xy} - y e^{xy} + (1)(xy)^{-1} + (2+x)(-1)(xy)^{-2}(y)$$

$$f_x = y(\ln(x) 5^{xy} - e^{xy}) - \frac{2y}{(xy)^2}$$

$$f_y = x \ln(y) 5^{xy} - x e^{xy} + (2+x)(-1)(xy)^{-2}(x)$$

$$f_y = x(\ln(y) 5^{xy} - e^{xy}) - \frac{x(2+x)}{(xy)^2}$$

PARTIAL DERV. QUESTION 3 ANSWER:

◀ QUESTION

$$f_x = 2xy^{-1}z^{3/2} - \frac{1}{z}$$

$$f_y = -y^{-2}x^2z^{3/2} + e^y \ln(z) - \frac{1}{z}$$

$$f_z = \frac{3}{2}x^2y^{-1}z^{1/2} + \frac{e^y}{z} + \frac{x+y}{z^2}$$

TOTAL DIFF. QUESTION 1 ANSWER:

◀ QUESTION

$$df = \frac{1}{x} + \frac{1}{y^2}(2y) + \frac{1}{z^3}(3z)$$

$$df = \frac{1}{x}dx + \frac{2}{y}dy - \frac{3}{z}dz$$

TOTAL DIFF. QUESTION 2 ANSWER:

◀ QUESTION

$$dw = \frac{4x^3z^8}{y}dx - \frac{x^4z^8}{y^2}dy + \frac{8z^7x^4}{y}dz$$

TOTAL DIFF. QUESTION 3 ANSWER:

◀ QUESTION

$$\begin{aligned} dg = & \left(\frac{b^2 e^a}{a} \right) \left(1 + \frac{1}{a} \right) da \\ & + \left(\frac{2be^a}{a} + \frac{d^{1/2} \ln(c)}{b^2} \right) db \\ & - \left(\frac{d^{1/2}}{cd} \right) dc - \left(\frac{\ln(c)}{2bd^{1/2}} \right) dd \end{aligned}$$

GRADIENTS QUESTION 1 ANSWER:

◀ QUESTION

$$\nabla f = \left\langle \frac{x}{x^2 + y^2}, \frac{y}{x^2 + y^2} \right\rangle$$

GRADIENTS QUESTION 2 ANSWER:

◀ QUESTION

$$\nabla g = \left\langle \frac{e^x 3^z}{y^2}, \frac{-2e^x 3^z}{y^3}, \frac{\ln(3)e^x 3^z}{y^2} \right\rangle$$

GRADIENTS QUESTION 3 ANSWER:

[◀ QUESTION](#)

$$\nabla f = \left\langle 2xz^2e^{x^2+4y} + \frac{1}{x}, 4z^2e^{x^2+4y} + \frac{1}{y}, 2ze^{x^2+4y} - \frac{1}{z} \right\rangle$$

IMPLICIT PARTIAL DIFF. QUESTION 1 ANSWER:

[◀ QUESTION](#)

$$e^x y + e^x f_x + \frac{1}{y} f_x = 1$$

$$f_x = \frac{1 - e^x y}{e^x + \frac{1}{y}}$$

IMPLICIT PARTIAL DIFF. QUESTION 2 ANSWER:

◀ QUESTION

$$3yzf_z + 3xy + 2xyf_z + \frac{1}{x} - x^{-2}zf_z = 0f_z = \frac{-3xy - \frac{1}{x}}{3yz + 2xy - zx^{-2}}$$

IMPLICIT PARTIAL DIFF. QUESTION 3 ANSWER:

◀ QUESTION

$$e^x e^y e^{xy} f_y + e^x e^y e^{xy} f_y = x^{-1} e^{y^2 x^{-1}} 2y - y^2 e^{y^2 x^{-1}} x^{-2} f_y$$

$$f_y (2x^{x+y+xy} + \frac{y^2}{x^2} e^{y^2 x^{-1}}) = e^{y^2 x^{-1}}$$

$$f_y = \frac{e^{y^2 x^{-1}}}{x(2x^{x+y+xy} + \frac{y^2}{x^2} e^{y^2 x^{-1}})}$$