Core I **7. Mathematical Methods for Economics I**

Course Description

This is the first of a compulsory two-course sequence. The objective of this sequence is to transmit the body of basic mathematics that enables the study of economic theory at the undergraduate level, specifically the courses on microeconomic theory, macroeconomic theory, statistics and econometrics set out in this syllabus. In this course, particular economic models are not the ends,but the means for illustrating the method of applying mathematical techniques to economic theoryin general. The level of sophistication at which the material is to be taught is indicated by the contents of the prescribed textbook.

Course Outcomes:

- To use mathematical techniques in analyzing economic problems
- To get a fair idea about the number system, set theory, and different types of functions.
- Evaluate and use the concept of derivative of functions involving single variables to link the total and marginal concepts in Economics.
- Understand major concepts of Linear Algebra

Unit I: **Preliminaries and Functions of One Real Variable**

Sets and set operations; Cartesian product; relations; functions and their properties; Number systems. Types of Functions: constant, polynomial, rational, exponential, logarithmic; Graphs and graphs offunctions; Limit and Continuity of functions; Limit theorems.

LO: This module will enable the students to know the theory of sets, ordered pairs, and Cartesian products; and learn the concepts of relation and function and limit and continuity of functions.

Unit II: Derivative of a Function

Rate of change and derivative; Derivative and slope of a curve; Continuity and differentiability of a function; Rules of differentiation for a function of one variable; Application- Relationship between total, average and marginal functions.

LO: This module will enable the students to know the concept of the derivative and the rules for derivatives; and about the economic applications of differentiation in establishing the relationship between total, marginal, and average functions in Economics.

Unit III: Functions of two or more Independent Variables

Partial differentiation techniques; Geometric interpretation of partial derivatives; Partial derivatives in Economics; Elasticity of a function – demand and cost elasticity, cross and partial elasticity.

LO: This module will enable the students to find out partial derivatives of multivariate functions; and calculate elasticities of multivariate functions.

Unit- IV: **Matrices and Determinants**

Matrices: concept, types, matrix algebra, transpose, inverse, rank; Determinants: concept, properties, solving problems using properties of determinants, solution to a system of equations - Crammer‘s rule and matrix inversion method.

LO: This module will enable the students to understand different types of matrices and determinants; and learn about the matrix operations and solve systems of linear equations using matrices.

Text Book:

- ✓ C. Chiang and K. Wainwright (2005): *Fundamental Methods of Mathematical Economics*, McGraw Hill International Edition

Reference Book:

- ✓ *K. Sydsaeter and P. J. Hammond (2002): Mathematics for Economic Analysis. PearsonEducational Asia*
- ✓ *Edward T Dowling (2004): Introduction to Mathematical economics, Tata McGeaw-Hill, Third Edition.*
- ✓ *Taro Yamane (1995): Mathematics foe Economists: An elementary survey. New Delhi Prentice Hall. Second Editio*