Contents

Chapter 1 Mathematical Programming: An Overview 1

1.1 An introduction to management science 2
1.2 Model classification 3
1.3 Formulation of some examples 7
1.4 A geometrical preview 16
1.5 A classification of mathematical programming models 28

Chapter 2 Solving Linear Programs 48

2.1 Simplex method—A preview 49
2.2 Reduction to canonical form 55
2.3 Simplex method—A full example 62
2.4 Formal procedure 67
2.5 Transition from Phase I to Phase II 73
2.6 Linear programs with bounded variables 78

Chapter 3 Sensitivity Analysis 91

3.1 An example for analysis 92
3.2 Shadow prices, reduced costs, and new activities 94
3.3 Variations in the objective coefficients 98
3.4 Variations in the righthand-side values 102
3.5 Alternative optimal solutions and shadow prices 107
3.6 The computer output—An example 109
3.7 Simultaneous variations within the ranges 111
3.8 Parametric programming 116

Chapter 4 Duality in Linear Programming 157

4.1 A preview of duality 157
4.2 Definition of the dual problem 162

4.3 Finding the dual in general . . . 166
4.4 The fundamental duality properties . . . 170
4.5 Complementary slackness . . . 175
4.6 The dual simplex method . . . 178
4.7 Primal-dual algorithms . . . 181
4.8 Mathematical economics . . . 183
4.9 Game theory . . . 186

Chapter 5 Mathematical Programming in Practice **209**

5.1 The decision-making process . . . 209
5.2 Stages of formulation, solution, and implementation . . . 215
5.3 The role of the computer . . . 220
5.4 A simple example . . . 229

Chapter 6 Integration of Strategic and Tactical Planning in the Aluminum Industry **269**

6.1 The planning approach . . . 269
6.2 The aluminum industry and smelter operations . . . 270
6.3 Overview of the strategic planning model . . . 272
6.4 Mathematical formulation of the strategic planning model . . . 273
6.5 The tactical planning model . . . 277
6.6 Mathematical formulation of the tactical planning model . . . 283
6.7 Conclusion . . . 287

Chapter 7 Planning the Mission and Composition of the U.S. Merchant Marine Fleet **291**

7.1 Structure of the problem . . . 292
7.2 The linear-programming model . . . 295
7.3 Mathematical description of the model . . . 296
7.4 Basic findings . . . 298
7.5 Sensitivity analysis . . . 301
Summary and conclusions . . . 307

Chapter 8 Network Models **310**

8.1 The general network-flow problem . . . 310
8.2 Special network models . . . 313
8.3 The critical-path method . . . 320
8.4 Capacitated production—A hidden network . . . 324
8.5 Solving the transportation problem . . . 326
8.6 Additional transportation considerations . . . 336
8.7 The simplex method for networks . . . 340
8.8 Solving the minimum-cost flow problem . . . 345

Chapter 9 Integer Programming **366**

9.1 Some integer-programming models . . . 367
9.2 Formulating integer programs . . . 373

9.3 A sample formulation . . . 382
9.4 Some characteristics of integer programs—A sample problem . . . 385
9.5 Branch-and-bound . . . 387
9.6 Branch-and-bound for mixed-integer programs . . . 396
9.7 Implicit enumeration . . . 398
9.8 Cutting planes . . . 402

Chapter 10 Design of a Naval Tender Job Shop **425**

10.1 The problem description . . . 426
10.2 The aggregate model . . . 428
10.3 The detailed model . . . 433
10.4 Interaction between the aggregate and detailed models . . . 439
10.5 Implementing the model . . . 442
10.6 Description of the data . . . 447

Chapter 11 Dynamic Programming **453**

11.1 An elementary example . . . 453
11.2 Formalizing the dynamic-programming approach . . . 461
11.3 Optimal capacity expansion . . . 466
11.4 Discounting future returns . . . 471
11.5 Shortest paths in a network . . . 474
11.6 Continuous state-space problems . . . 479
11.7 Dynamic programming under uncertainty . . . 482

Chapter 12 Large-scale Systems **505**

12.1 Large-scale problems . . . 506
12.2 Decomposition method—A preview . . . 512
12.3 Geometrical interpretation of decomposition . . . 515
12.4 The decomposition algorithm . . . 517
12.5 An example of the decomposition procedure . . . 522
12.6 Economic interpretation of decomposition . . . 527
12.7 Decomposition theory . . . 530
12.8 Column generation . . . 540

Chapter 13 Nonlinear Programming **561**

13.1 Nonlinear programming problems . . . 561
13.2 Local vs. global optimum . . . 565
13.3 Convex and concave functions . . . 568
13.4 Problem classification . . . 572
13.5 Separable programming . . . 573
13.6 Linear approximations of nonlinear programs . . . 580
13.7 Quadratic programming . . . 589
13.8 Unconstrained minimization and SUMT . . . 593
13.9 One-dimensional optimization . . . 602

Chapter 14 A System for Bank Portfolio Planning 625

14.1 Overview of portfolio planning 626
14.2 Formulation of the BONDS model 631
14.3 Problem size and structure 637
14.4 Managing a hypothetical portfolio 641
14.5 Evaluating the performance of the model 646

Appendix A Vectors and Matrices 654

A.1 Vectors 654
A.2 Matrices 656
A.3 Linear programming in matrix form 659
A.4 The inverse of a matrix 661
A.5 Bases and representations 666
A.6 Extreme points of linear programs 671

Appendix B Linear Programming in Matrix Form 675

B.1 A preview of the revised simplex method 675
B.2 Formalizing the approach 680
B.3 The revised simplex method—An example 684
B.4 Computer considerations and the product form 688
B.5 Sensitivity analysis revisited 690
B.6 Parametric programming 694
B.7 Duality theory in matrix form 699
B.8 Resolving degeneracy in the simplex method 703

Appendix C A Labeling Algorithm for the Maximum-flow Network Problem 707

C.1 The maximal-flow problem 707
C.2 Maximal-flow algorithm—Formal statement 710
C.3 Sample solution 711
C.4 Verifying the algorithm—Max-flow/Min-cut 714

References R1

Index I1