

# Contents

<b>LIST OF FIGURES</b>	<b>xv</b>
<b>LIST OF TABLES</b>	<b>xvii</b>
<b>PREFACE</b>	<b>xix</b>
<b>DEFINITION OF SYMBOLS</b>	<b>xxiii</b>
<b>1 GEOMETRY OF LINEAR INEQUALITY SYSTEMS AND THE SIMPLEX METHOD</b>	<b>1</b>
1.1 CONVEXITY AND LINEAR INEQUALITY SYSTEMS . . . . .	1
1.1.1 Affine & Convex Combinations . . . . .	1
1.1.2 Two-dimensional Convex Regions . . . . .	3
1.1.3 Line Segments, Rays, and Half Lines . . . . .	5
1.1.4 General Convex Regions . . . . .	6
1.1.5 Hyperplanes and Half-Spaces . . . . .	7
1.1.6 Convexity of Half Spaces and Hyperplanes . . . . .	8
1.1.7 Convexity of the Set of Feasible Solutions of an LP . . . . .	9
1.1.8 Convex Polyhedrons, Polytopes, and Cones . . . . .	9
1.1.9 Separating Hyperplane . . . . .	11
1.2 SIMPLEX DEFINED . . . . .	13
1.3 GLOBAL MINIMUM, EXTREME POINTS, AND EDGES . . . . .	14
1.4 THE SIMPLEX METHOD VIEWED AS THE STEEPEST DE- SCENT ALONG EDGES . . . . .	20
1.5 THE SIMPLEX INTERPRETATION OF THE SIMPLEX METHOD	24
1.6 NOTES & SELECTED BIBLIOGRAPHY . . . . .	31
1.7 PROBLEMS . . . . .	31
<b>2 DUALITY AND THEOREMS OF THE ALTERNATIVES</b>	<b>43</b>
2.1 THE DUALITY THEOREM . . . . .	43
2.2 ADDITIONAL THEOREMS ON DUALITY . . . . .	47
2.2.1 Unboundedness Theorem . . . . .	47
2.2.2 Miscellaneous Theorems for the Standard Form . . . . .	48

2.3	COMPLEMENTARY SLACKNESS	49
2.4	THEOREMS OF THE ALTERNATIVES	50
2.4.1	Gordan's Theorem	51
2.4.2	Farkas's Lemma	52
2.4.3	Stiemke's Theorem	53
2.4.4	Motzkin's Transposition Theorem	54
2.4.5	Ville's Theorem	55
2.4.6	Tucker's Strict Complementary Slackness Theorem	56
2.5	NOTES & SELECTED BIBLIOGRAPHY	58
2.6	PROBLEMS	59
<b>3</b>	<b>EARLY INTERIOR-POINT METHODS</b>	<b>67</b>
3.1	VON NEUMANN'S METHOD	70
3.1.1	The von Neumann Algorithm	73
3.1.2	Improving the Rate of Convergence	81
3.1.3	Von Neumann Algorithm as a Variant of the Simplex Algorithm	83
3.2	DIKIN'S METHOD	84
3.2.1	Dikin's Algorithm	87
3.2.2	Convergence of Dikin's Algorithm	89
3.3	KARMAKAR'S METHOD	100
3.3.1	Development of the Algorithm	100
3.3.2	Proof of Convergence	105
3.3.3	The Algorithm Summarized	114
3.3.4	Converting a Standard LP to a Starting Form for the Algorithm	115
3.3.5	Computational Comments	116
3.3.6	Complexity of von Neumann versus Karmarkar Algorithms	118
3.4	NOTES & SELECTED BIBLIOGRAPHY	119
3.5	PROBLEMS	121
<b>4</b>	<b>INTERIOR-POINT METHODS</b>	<b>123</b>
4.1	NEWTON'S METHOD	123
4.2	THE LINEAR LEAST-SQUARES PROBLEM	127
4.3	BARRIER FUNCTION METHODS	128
4.3.1	The Logarithmic Barrier Function	128
4.3.2	Properties of Barrier Function Methods	130
4.4	THE PRIMAL LOGARITHMIC BARRIER METHOD FOR SOLVING LINEAR PROGRAMS	131
4.4.1	Details of the Method	131
4.4.2	Initial Feasible Solution	134
4.5	PRIMAL-DUAL LOGARITHMIC BARRIER METHODS	134
4.6	RECOVERING A BASIC FEASIBLE SOLUTION	137
4.7	COMPUTATIONAL COMMENTS	139
4.8	NOTES & SELECTED BIBLIOGRAPHY	140
4.9	PROBLEMS	146

<b>5</b>	<b>DEGENERACY</b>	<b>149</b>
5.1	EXAMPLES OF CYCLING . . . . .	149
5.2	ON RESOLVING DEGENERACY . . . . .	153
5.3	DANTZIG'S INDUCTIVE METHOD . . . . .	154
5.4	WOLFE'S RULE . . . . .	156
5.5	BLAND'S RULE . . . . .	158
5.6	KRISHNA'S EXTRA COLUMN RULE . . . . .	160
5.7	ON AVOIDING DEGENERATE PIVOTS . . . . .	164
5.8	NOTES & SELECTED BIBLIOGRAPHY . . . . .	166
5.9	PROBLEMS . . . . .	167
<b>6</b>	<b>VARIANTS OF THE SIMPLEX METHOD</b>	<b>173</b>
6.1	INTRODUCTION . . . . .	173
6.2	MAX IMPROVEMENT PER ITERATION . . . . .	176
6.3	DUAL-SIMPLEX METHOD . . . . .	179
6.4	PARAMETRIC LINEAR PROGRAMS . . . . .	183
6.4.1	Parameterizing the Objective Function . . . . .	183
6.4.2	Parameterizing the Right-Hand Side . . . . .	187
6.5	SELF-DUAL PARAMETRIC ALGORITHM . . . . .	188
6.6	THE PRIMAL-DUAL ALGORITHM . . . . .	191
6.7	THE PHASE I LEAST-SQUARES ALGORITHM . . . . .	197
6.8	NOTES & SELECTED BIBLIOGRAPHY . . . . .	200
6.9	PROBLEMS . . . . .	202
<b>7</b>	<b>TRANSPORTATION PROBLEM AND VARIATIONS</b>	<b>207</b>
7.1	THE CLASSICAL TRANSPORTATION PROBLEM . . . . .	207
7.1.1	Mathematical Statement . . . . .	208
7.1.2	Properties of the System . . . . .	208
7.2	FINDING AN INITIAL SOLUTION . . . . .	213
7.3	FINDING AN IMPROVED BASIC SOLUTION . . . . .	214
7.4	DEGENERACY IN THE TRANSPORTATION PROBLEM . . . . .	216
7.5	TRANSSHIPMENT PROBLEM . . . . .	219
7.5.1	Formulation . . . . .	219
7.5.2	Reduction to the Classical Case by Computing Minimum Cost Routes . . . . .	222
7.5.3	Reduction to the Classical Case by the Transshipment Pro- cedure . . . . .	222
7.6	TRANSPORTATION PROBLEMS WITH BOUNDED PARTIAL SUMS . . . . .	225
7.7	NOTES & SELECTED BIBLIOGRAPHY . . . . .	227
7.8	PROBLEMS . . . . .	228

<b>8 NETWORK FLOW THEORY</b>	<b>231</b>
8.1 THE MAXIMAL FLOW PROBLEM . . . . .	232
8.1.1 Decomposition of Flows . . . . .	233
8.1.2 The Augmenting-Path Algorithm for Maximal Flow . . . . .	234
8.1.3 Cuts in a Network . . . . .	239
8.2 SHORTEST ROUTE . . . . .	241
8.3 MINIMUM COST-FLOW PROBLEM . . . . .	242
8.4 NOTES & SELECTED BIBLIOGRAPHY . . . . .	243
8.5 PROBLEMS . . . . .	245
<b>9 GENERALIZED UPPER BOUNDS</b>	<b>251</b>
9.1 PROBLEM STATEMENT . . . . .	251
9.2 BASIC THEORY . . . . .	253
9.3 SOLVING SYSTEMS WITH GUB EQUATIONS . . . . .	253
9.4 UPDATING THE BASIS AND WORKING BASIS . . . . .	257
9.5 NOTES & SELECTED BIBLIOGRAPHY . . . . .	264
9.6 PROBLEMS . . . . .	264
<b>10 DECOMPOSITION OF LARGE-SCALE SYSTEMS</b>	<b>265</b>
10.1 WOLFE'S GENERALIZED LINEAR PROGRAM . . . . .	267
10.2 DANTZIG-WOLFE (D-W) DECOMPOSITION PRINCIPLE . . . . .	280
10.2.1 D-W Principle . . . . .	284
10.2.2 D-W Decomposition Algorithm and Variants . . . . .	289
10.2.2.1 The D-W Algorithm . . . . .	289
10.2.2.2 Variants of the D-W Algorithm . . . . .	290
10.2.3 Optimality and Dual Prices . . . . .	290
10.2.4 D-W Initial Solution . . . . .	291
10.2.5 D-W Algorithm Illustrated . . . . .	292
10.3 BENDERS DECOMPOSITION . . . . .	299
10.3.1 Dual of D-W Decomposition . . . . .	299
10.3.2 Derivation of Benders Decomposition . . . . .	300
10.4 BLOCK-ANGULAR SYSTEM . . . . .	306
10.5 STAIRCASE STRUCTURED PROBLEMS . . . . .	308
10.5.1 Using Benders Decomposition . . . . .	309
10.5.2 Using D-W Decomposition . . . . .	310
10.5.3 Using D-W Decomposition with Alternate Stages Forming the Subproblems . . . . .	312
10.6 DECOMPOSITION USED IN CENTRAL PLANNING . . . . .	313
10.7 NOTES & SELECTED BIBLIOGRAPHY . . . . .	315
10.8 PROBLEMS . . . . .	317

<b>11 STOCHASTIC PROGRAMMING: INTRODUCTION</b>	<b>323</b>
11.1 OVERVIEW	324
11.2 UNCERTAIN COSTS	326
11.2.1 Minimum Expected Costs	326
11.2.2 Minimum Variance	327
11.3 UNCERTAIN DEMANDS	329
11.4 NOTES & SELECTED BIBLIOGRAPHY	332
11.5 PROBLEMS	332
<b>12 TWO-STAGE STOCHASTIC PROGRAMS</b>	<b>335</b>
12.1 THE DETERMINISTIC TWO-STAGE LP PROBLEM	335
12.2 THE ANALOGOUS STOCHASTIC TWO-STAGE LP PROBLEM	336
12.3 LP EQUIVALENT OF THE STOCHASTIC PROBLEM (EQ-LP)	337
12.3.1 LP Equivalent Formulation	337
12.3.2 Geometric Description of Benders Decomposition Algorithm	338
12.3.3 Decomposition Algorithm	341
12.3.4 Theory behind the Algorithm	348
12.4 SOLVING STOCHASTIC TWO-STAGE PROBLEMS USING SAM- PLING	349
12.4.1 Overview	349
12.4.2 Naive Sampling	350
12.4.3 Sampling Methodology	351
12.4.4 Estimating Upper Bound $z_{UB}$ for Min $z$ given $x = x^k$	351
12.4.5 Estimating Lower Bound $z_{LB}$ for Min $z$	352
12.5 USE OF IMPORTANCE SAMPLING	354
12.5.1 Crude (Naive) Monte Carlo Methods	355
12.5.2 Monte Carlo Methods using Importance Sampling	356
12.6 NOTES & SELECTED BIBLIOGRAPHY	360
12.7 PROBLEMS	362
<b>A PROBABILITY THEORY: OVERVIEW</b>	<b>367</b>
A.1 BASIC CONCEPTS, EXPECTED VALUE, AND VARIANCE	367
A.2 NORMAL DISTRIBUTION AND THE CENTRAL LIMIT THEO- REM	370
A.3 CHI-SQUARE DISTRIBUTION, STUDENT'S $t$ -DISTRIBUTION, AND CONFIDENCE INTERVALS	373
A.3.1 Chi-Square Distribution	373
A.3.2 Student's $t$ -Distribution	375
A.3.3 Confidence Intervals	376
A.4 NOTES & SELECTED BIBLIOGRAPHY	377
<b>REFERENCES</b>	<b>379</b>
<b>INDEX</b>	<b>439</b>

# List of Figures

1-1	Vector $(x_1, x_2)^T$ . . . . .	2
1-2	Examples of Two-Dimensional Convex Regions . . . . .	3
1-3	Additional Examples of Two-Dimensional Convex Regions . . . . .	3
1-4	Example of an Unbounded Two-Dimensional Convex Set and an Unbounded Three-Dimensional Convex Set . . . . .	4
1-5	Examples of Two-Dimensional Nonconvex Regions . . . . .	4
1-6	Points Common to Convex Sets . . . . .	5
1-7	Example of a Line Segment . . . . .	6
1-8	A Three-Dimensional Simplex . . . . .	13
1-9	Local and Global Minima . . . . .	14
1-10	Extreme Points . . . . .	15
1-11	Joining Extreme Points . . . . .	18
1-12	Geometrically the Iterates of the Simplex Algorithm Move Along the Edges of the Convex Set . . . . .	21
1-13	Geometric Picture of the Distance of a Point to a Boundary . . . . .	22
1-14	Movement of $\theta$ . . . . .	24
1-15	Geometrically a Linear Program is a Center-of-Gravity Problem . . . . .	26
1-16	Simplex Associated with an Iteration of the Simplex Algorithm ( $m = 2$ ) . . . . .	27
1-17	Geometry of the Simplex Algorithm for the Product Mix Problem . . . . .	28
1-18	Simplex Associated with an Iteration of the Simplex Algorithm ( $m = 3$ ) . . . . .	30
1-19	Hyperplane $H_j$ and Simplex $S$ . . . . .	40
2-1	Illustration of the Duality Gap . . . . .	45
2-2	Find Basic Feasible Solutions of Dual of Two Variable Primal . . . . .	63
3-1	The Two-Dimensional Center-of-Gravity Problem: Find a Simplex that Contains the Origin . . . . .	73
3-2	Finding an Improved Approximation . . . . .	74
3-3	Convergence under Existence of a Ball $\mathcal{B}$ . . . . .	77
3-4	Degenerate Two-Dimensional Case . . . . .	79
3-5	Decreasing $x_s^t$ to Improve the Rate of Convergence . . . . .	81
3-6	Ellipsoid Centered at $(1, 2)$ . . . . .	86
3-7	Ellipsoid Subproblem Centered at $y^t$ . . . . .	87

3-8	Comparison of a Move from a Point $\hat{x}^t$ Near the “Center” Versus a Point $\bar{x}^t$ Near the Boundary . . . . .	101
3-9	Bound for $\hat{c}^T y^{t+1}$ . . . . .	105
4-1	Barrier Function Method: Approach of $x^*(\mu)$ to $x^*$ . . . . .	129
7-1	Network Representation of the Transportation Problem . . . . .	209
7-2	Example of Standard Transportation Array . . . . .	209
7-3	Cycling in the Transportation Problem . . . . .	216
7-4	Perturbing the Transportation Problem . . . . .	217
7-5	Example of a Standard Transshipment Array . . . . .	219
7-6	The Transshipment Problem . . . . .	221
8-1	A Simple Directed Network . . . . .	232
8-2	Decomposition of Flows . . . . .	234
8-3	Original Network and Associated Network with $\theta$ Flow . . . . .	236
8-4	Example to Show Matching . . . . .	245
8-5	Data for a Max-Flow Problem . . . . .	246
10-1	Illustration of the Resolution Theorem . . . . .	283
12-1	Benders Decomposition Applied to EQ-LP . . . . .	339

# List of Tables

2-1	Tucker Diagram (Partitioned) . . . . .	54
5-1	Hoffman's Example of Cycling (Continued on the Right) . . . . .	150
5-2	Hoffman's Example of Cycling (Continued from the Left) . . . . .	151
5-3	Beale's Example of Cycling . . . . .	152
5-4	Inductive Method and Wolfe's Rule Applied to Beale's Example . . . . .	157
6-1	Primal-Dual Correspondences . . . . .	175
6-2	Primal-Simplex and Dual-Simplex Methods . . . . .	180
9-1	An Example of GUB Constraints and Key Basic Variables . . . . .	254
9-2	An Example of a Reordered Basis for GUB Constraints . . . . .	254
12-1	Data for the Grape Grower's Dilemma . . . . .	364
12-2	Data for Dinner Set Production Schedule . . . . .	364