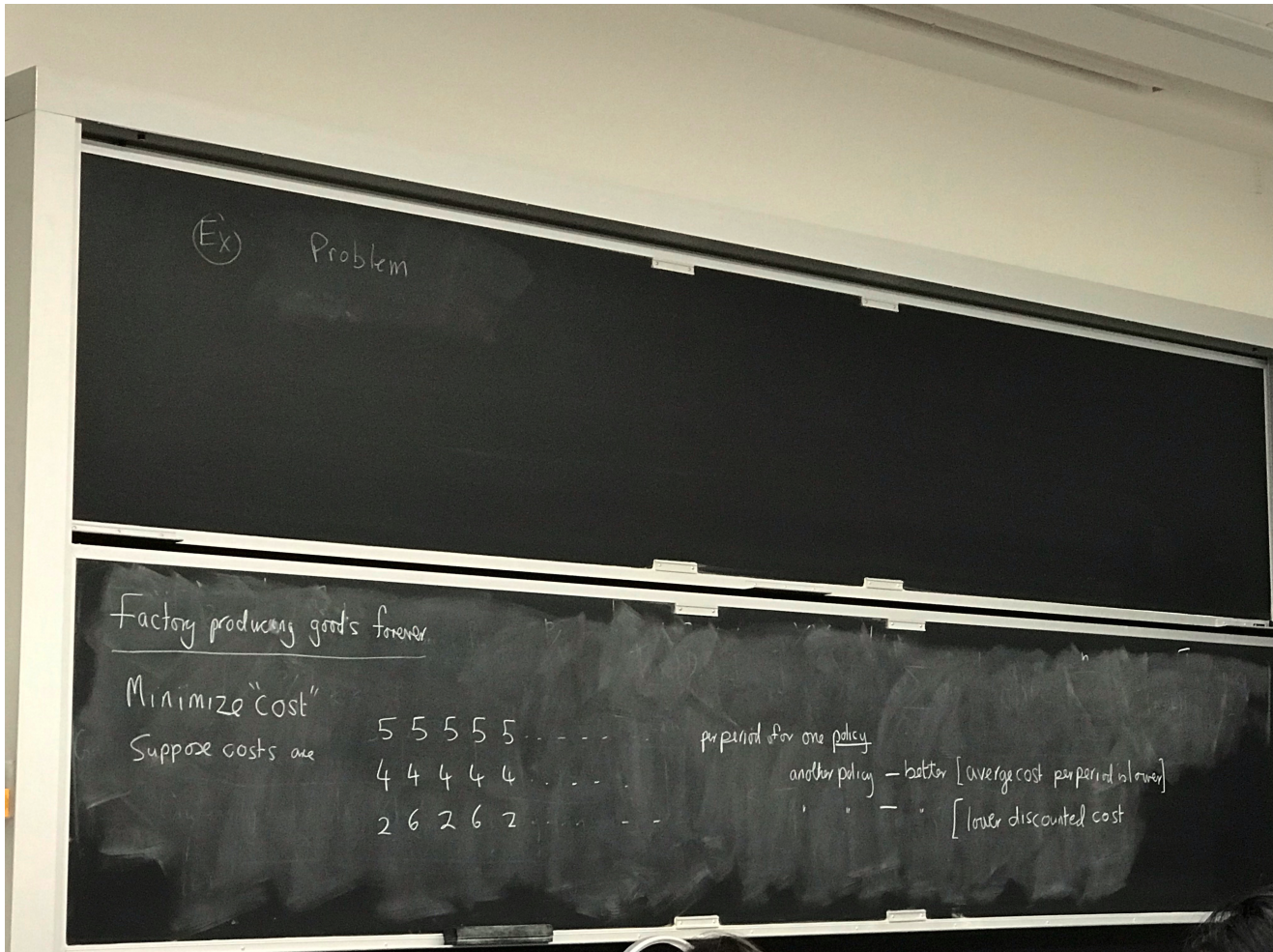


Subject: lecture notes

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Date: 09/04/2019 03:51 PM

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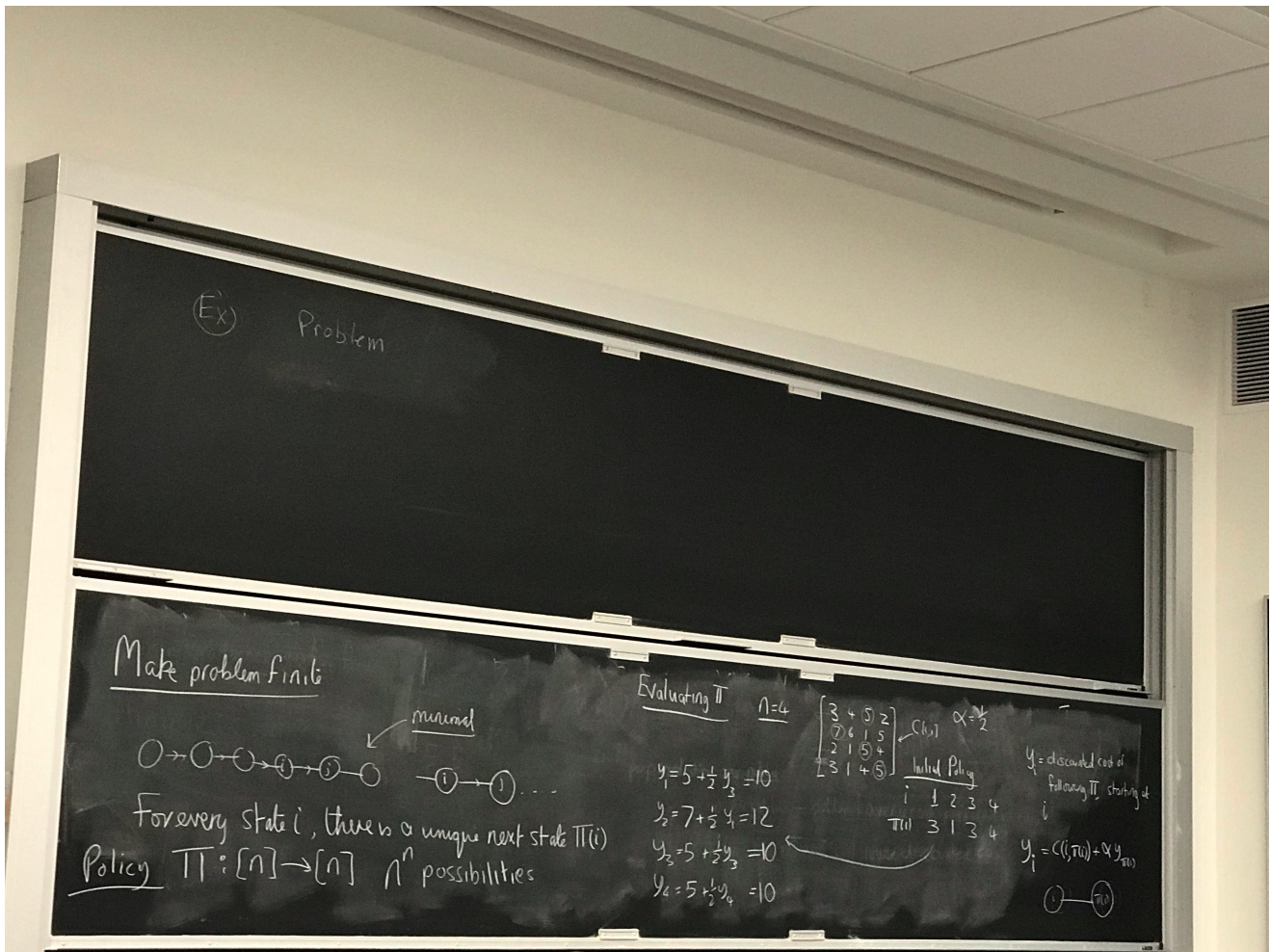


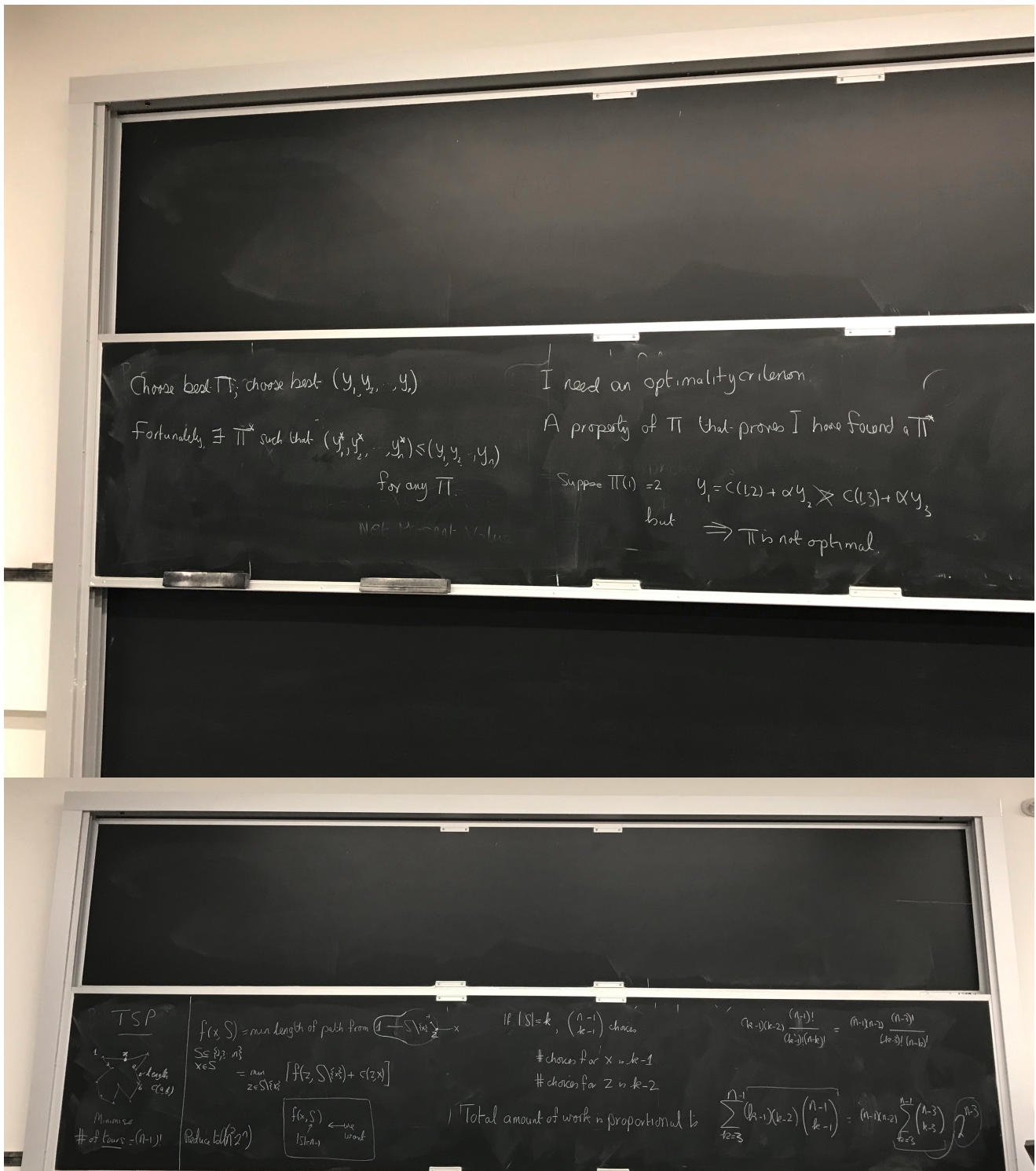
Suppose costs are c_1, c_2, c_3, \dots
 Discount factor α
 Total Discounted Cost = $c_1 + \alpha c_2 + \alpha^2 c_3 + \dots$
 Net Present Value

General Problem
 System has n states
 [Production problem: State = inventory at start of period]

Every time period we "change" state
 At state i , I decide what the next state is

Suppose sequence of states is $i_1, i_2, i_3, i_4, \dots$
 Problem: minimise $c(i_1, i_2) + \alpha c(i_2, i_3) + \alpha^2 c(i_3, i_4) + \dots$





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Rosie Chenchen Zhao