
The Supernetwork Sentinel

The Newsletter of the Virtual Center for Supernetworks

Fall 2004



Welcome to the Fall 2004 edition of **The Supernetwork Sentinel**, the newsletter of the Virtual Center for Supernetworks at the Isenberg School of Management, UMass-Amherst. **The Supernetwork Sentinel** is published in Fall, Winter, and Summer editions. Its purpose is to keep you informed of events, activities, and successes of the Virtual Center for Supernetworks and the Supernetwork Laboratory for Computation and Visualization. In this newsletter, we include news items, noteworthy recognitions, an essay based on the workshop on knowledge supernetworks conducted by Nagurney and Wakolbinger in London, England, and information regarding center activities.

Anna Nagurney
John F. Smith Memorial Professor
Director – Virtual Center for Supernetworks

Welcome New Associates!

The Center Director is pleased to announce new doctoral student associates: Patrick Qiang and Zugang "Leo" Liu. Patrick has a Masters in systems engineering from the University of Colorado and Leo has a Masters in transportation engineering from UMass-Amherst. A big welcome is also extended to our new undergraduate associate, Maxfield Reynolds, who is majoring in Operations Management!



Welcome Luncheon for New Associates

Inside

Knowledge Supernetworks Essay
Notable Achievements
New Dimensions in Networks Book
Center Associate News
Center Publications
Upcoming Events

Visit of Professor Patrizia Daniele from the University of Catania

The Virtual Center for Supernetworks hosted the visit of Professor Patrizia Daniele in July 2004 who also toured the Supernetwork Laboratory for Computation and Visualization and discussed her research on dynamic networks.



New Seminar Series Announced

The UMASS Amherst Student Chapter of INFORMS; <http://student.som.umass.edu/informs/> has organized the Fall 2004 seminar series in Operations Research / Management Science. with faculty from the Isenberg School of Management, the School of Engineering, and the Department of Resource Economics presenting their research this semester. The President of the Chapter is Center Associate Tina Wakolbinger and the Faculty Advisor is Professor Nagurney. Topics covered this Fall include: stochastic networks with applications to aging and driving safety, effective ways to produce food safety, optimal technology R&D in the face of uncertainty, and new paradigms for social networks. For more info on this interdisciplinary seminar series, see:
<http://supernet.som.umass.edu/informs/speakernew.html>



Professor Donald Fisher giving the Inaugural Seminar

For more photos of and information on the Center see: <http://supernet.som.umass.edu>

Supernetworks: An Introduction to the Concept and its Applications with a Specific Focus on Knowledge Supernetworks

Anna Nagurney and Tina Wakolbinger

1. Introduction

Networks in many different forms play an important role in our lives. Transportation networks enable us to move people and goods and their smooth functioning is essential for the well-being of our economies and societies. Due to their importance, traffic network equilibrium problems have been rigorously studied in the 20th century dating back to Pigou (1920), Knight (1924), the seminal book by Beckmann, McGuire, and Winsten (1956), and as early as the work of Kohl (1841). The study of transportation networks continues to be a topic of avid interest. For an overview of some of the fundamental contributions to transportation network modelling and analysis, see Boyce, Mahmassani, and Nagurney (2004).

As the methods in transportation research have become more and more refined, researchers and practitioners have realized the applicability of such network models and related mathematical and computational tools to many other fields. Among such applications that have directly benefited from transportation-based network research are: supply chain networks (cf. Nagurney, Dong, and Zhang (2002), Nagurney, Loo, Dong, and Zhang (2002), and Nagurney, Cruz, and Matsypura (2003)), financial networks (Nagurney and Siokos (1997), Nagurney and Ke (2001, 2003), Nagurney and Cruz (2003)), environmental networks (see, e.g., Nagurney and Toyasaki (2003)), and even energy/power networks (Nagurney and Matsypura (2004)). Indeed, the rigorous mathematical network approach that allows the computation of optimal flows of goods and prices has proven to be a valuable addition to such areas as: logistics, economics and finance, and energy.

Recently, network models have been further developed to create what we term "Supernetworks." Supernetworks depict how flows and prices evolve on two, three or more networks that are "connected" and how the flows on the different networks interact. Supernetworks can be multilevel as in the case of certain supply chain networks or multitiered as in the case of financial networks with intermediation. Decision-makers on supernetworks may be faced with multiple criteria and have the ability to weight them according to their preferences.

A variety of applications of supernetworks have been identified; see, for example, Nagurney, Ke, Cruz, Hancock, and Southworth (2002),

Wakolbinger and Nagurney (2004), Nagurney, Wakolbinger, and Zhao (2004), Cruz, Nagurney, and Wakolbinger (2004), and Nagurney, Cruz, and Wakolbinger (2004), among them, being the application of *Knowledge Supernetworks* (Nagurney and Dong (2003)). Knowledge supernetworks allow for the formalization of the production processes of knowledge products. They enable decision-makers to optimize their resource allocations by taking several criteria; for example, costs, risk, and the timeliness of the different available production processes into consideration. They specifically consider the differences between the production processes associated with knowledge production as opposed to the production processes of physical goods.

In this essay, we give an overview of some of the work that has been done in the development and application of the supernetwork concept to-date and discuss where further extensions can prove to be valuable. The goal of this essay is to introduce the reader to the area of supernetworks, in general, and to knowledge supernetworks, in particular. For details of the models, we refer the reader to the different cited papers.

This essay is organized as follows. In Section 2, we provide an overview of networks, their role in our societies and economies, and their distinct features. In Section 3, we turn to the concept of "Supernetworks" as a tool for the modelling, analysis, and solution of decision-making problems in the Information Age. In Section 4, we first describe two applications of supernetworks in the integration of economic and social networks. We then consider dynamic knowledge organizations and demonstrate how the supernetwork framework can also be utilized to abstract decision-making in this context and to allow for multicriteria decision-making as well as the determination of the optimal production of the knowledge products through the optimal allocation of resources. Finally, in Section 5, we present our conclusions and suggestions for future research.

2. The Role of Networks in Our Societies and Economies

In this section, we describe the importance of networks in our societies and economies and illustrate some of the distinctive features of today's networks: their large-scale nature and complexity, increasing congestion, as well as interactions between the networks themselves. As discussed in Nagurney (2004), networks,

and, especially, transportation networks and communication networks, have played critical roles throughout history.

Nowadays, networks in different forms, such as physical networks: transportation and logistical networks, communication networks, energy and power networks, as well as more abstract networks, including: economic and financial networks, environmental networks, social, and knowledge networks build the backbones of our societies and economies.

Recent terrorist attacks and power blackouts impressively and dramatically demonstrated the vulnerability of our societies and economies when networks stop functioning not only because of *our dependence* on these networks but also because of *their interdependence*. Furthermore, these events have also showed how immense many networks are and that national borders seldom restrict them in their impacts.

With increasing size and utilization of networks, congestion is becoming a more and more important problem. The problem of congestion was originally only considered in transportation networks where it leads to an incredible amount of loss of productivity. Estimates for the US range at a value of 100 billion dollars lost annually. It is becoming increasingly apparent that in many other networks, for example, even in the Internet, congestion has become a major problem, as well. Tools from transportation are already proving to be valuable in the context of Internet congestion modelling and management (see, e.g., Boyce, Mahmassani, and Nagurney (2004) and the references therein). Indeed, tools from transportation provide not only the graph theoretic structures of networks in the form of nodes, connecting links, and paths, but, importantly, the impact of flows on associated costs (times) and the selection of the optimal paths by the users of the networks. Moreover, in such networks, decentralized decision-making in the case of users selecting their optimal routes of travel (as opposed to centralized decision-making) tends to be the principal behavioral concept (cf. also Wardrop (1952) and Nagurney (1999)).

Because of the strong interactions between many networks the growth of one network usually influences other networks as well. This can be observed in the case of the Internet. The Internet changed the way in which many people shop, conduct their financial transactions, work, and communicate with one another. Hence, the Internet has transformed many other networks, and has affected such networks as supply chain networks and financial networks, through electronic commerce and electronic finance, respectively. Moreover, it has impacted the usage of transportation networks. The fast growth of the Internet has attracted a lot of

attention, but its relationships with and impacts on other networks, including social networks, has only recently been receiving adequate research attention (cf. Nagurney and Dong (2002)).

3. The Concept of Supernetworks

In a world determined by ever growing networks, new paradigms are necessary for decision-making. We believe that the concept of supernetworks is sufficiently general and yet elegantly compact to formalize such decision-making. "Supernetworks are networks that are "above and beyond" existing networks, which consist of nodes, links, and flows, with nodes corresponding to locations in space, links to connections in the form of roads, cables, etc., and flows to vehicles, data, etc. Supernetworks are conceptual in scope, graphical in perspective, and, with the accompanying theory, predictive in nature" (Nagurney (2004)).

The supernetwork framework provides us with tools to study interrelated networks; it allows for the application of efficient algorithms for computation, and it provides visual aids to see the dynamic changes. Tools that are applied in the network framework include: optimization theory, game theory, variational inequality theory, projected dynamical systems theory, and network visualization tools.

Supernetworks enable the formulation of a plethora of models of numerous economic situations. They can consist of supply chain networks, financial networks, social networks, transportation networks, and telecommunication networks, among others. The supernetwork models are mathematical representations of the behavior of distinct multicriteria decision-makers. The decision-makers can weight their individual criteria and optimize their behavior accordingly. The supernetwork models depict the interaction of the distinct decision-makers and the resulting flows and prices. In the models that we present, we take the synthetic approach promulgated by Nagurney and Dong (2002). Figure 1 shows a conceptualization of supernetworks. This conceptualization especially emphasizes the interdependence of distinct network systems.

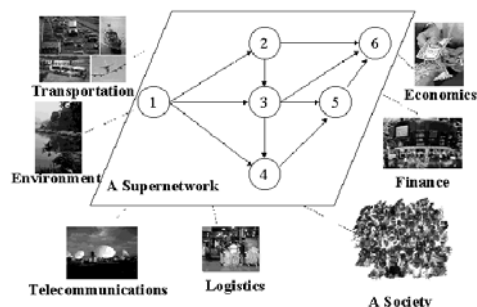


Figure 1: Conceptualization of a Supernetwork

4. Applications of the Supernetwork Concept

Supernetworks have a wide range of applications and only a small part of those applications has been explored thus far. Some specific applications of supernetworks are: supernetworks consisting of social networks interacting with supply chain networks, supernetworks consisting of social networks interacting with financial networks, and knowledge supernetworks.

We now give a short introduction to these three applications.

4.1 Supernetworks Integrating Social Networks and Economic Networks

Social networks play an important role in many economic transactions. A social network is typically defined as a set of actors, that is, decision-makers, that may have relationships with one another. Networks can have few or many actors (nodes), and one or more kinds of relations (edges) between pairs of actors.

As it is acknowledged by an increasing number of researchers nowadays, it is not so much what you know but whom you know that determines the success of many economic transactions. The importance of relationships in economic transactions is obvious in many everyday situations but still more research is necessary to quantifiably determine their influence. So far, the role of relationships in economic actions has been studied in the field of sociology, specifically, through embeddedness theory (cf. Granovetter (1985) and Uzzi (1996), among others), in economics (Williamson (1983), Joskow (1988), Crawford (1990), Vickers and Waterson (1991), and Muthoo (1998)) as well as in marketing, specifically, in the context of relationship marketing (cf. Ganesan (1994) and Bagozzi (1995)).

A strong strand of literature is dealing with the influence of relationships in financial transactions (Uzzi (1998) and Burt (2000)), especially the influence of relationships on lending, the influence of relationships on micro-financing, and in the realtor sector (see, e.g., Nagurney, Cruz, and Wakolbinger (2004) and Cruz, Nagurney, and Wakolbinger (2004) and the references therein).

In many economic and, of course, business transactions, the existence of a superior network of relationships can be a strong competitive advantage. Hence, it is important for organizations, including companies, to clearly define their goals and to strategically plan their relationship network accordingly. Certainly, relationship networks cannot be planned and set up like transportation networks. However, in a professional (and economic) context, relationships are certainly too important to be

left to the capriciousness of coincidence. Resources should be strategically allocated to support or create certain important relationships with other main decision-makers, including customers.

This problem is well-suited to be modeled in the supernetwork framework since this framework captures the different interacting networks in one model and since it allows one to compute optimal solutions under different scenarios and to test how the equilibrium will change when certain cost and benefit functions are changed or agents/decision-makers in the network are added or removed. The supernetwork framework, hence, clearly has the potential to help decision-makers understand the interactions of social networks and economic networks. Moreover, it allows for numerous sensitivity analysis exercises to be conducted with the effects of various changes being measured in a quantifiable manner.

Two fundamental supernetwork models that integrate social networks with economic networks have been developed thus far. The first paper, by Wakolbinger and Nagurney (2004), describes a supernetwork that integrates social networks and supply chain networks. The second paper, co-authored by Nagurney, Wakolbinger, and Zhao (2004), proposes a supernetwork model consisting of a social network and a financial network. Both these supernetworks consist of three tiers of decision-makers: the manufacturers of products, the intermediaries, and the consumers in the first case (see Figure 2), and the sources of financial funds, the intermediaries, and the uses of funds (the demand markets) in the second case.

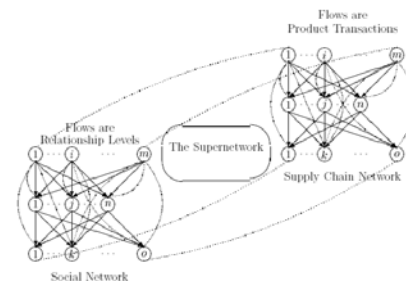


Figure 2: The Multilevel Supernetwork Structure of the Integrated Supply Chain / Social Network System

The agents/decision-makers in the different tiers are multicriteria decision-makers. They can decide about the relationship levels that they want to establish with the other agents/decision-makers in other tiers of the network as well as the amount of products/financial products that they want to trade. Relationship levels can take on a value from 0 to 1 where 0 means no relationship while 1 stands for the highest possible relationship. Besides caring about

maximizing profits and minimizing risk, decision-makers are also concerned about maximizing relationship value. The relationship value is a function of the relationship levels that the decision-makers establish with decision-makers in the other tiers of the network. Establishing relationship levels incurs some costs because the decision-makers have to spend money; for example, in form of presents or time, in order to establish those relationships. But increasing relationship levels also incur some benefits. Increasing relationship levels reduce transactional uncertainty and hence, can contribute to a reduction of transaction costs and risk as well as have some additional value for the decision-makers. We call this additional value the *relationship value*. Hence, the decision-makers try to find the optimal combination of transactions with the agents/decision-makers in the other tiers of the network as well as the optimal combination of relationship levels. Economic transactions as well as relationship levels influence each other. The solution of the supernetwork model yields the dynamic co-evolution of the flows on the social and the economic networks as well as the associated prices.

Recently, in Nagurney, Cruz, and Wakolbinger (2004) and Cruz, Nagurney, and Wakolbinger (2004), these models have been extended to an international setting. Please see Figure 3 for a representation of the multilevel supernetwork structure of the integrated global supply chain / social network system. For details, see Cruz, Nagurney, and Wakolbinger (2004).

In the future, further developments of the models that focus more strongly on the special characteristics of social networks can be expected.

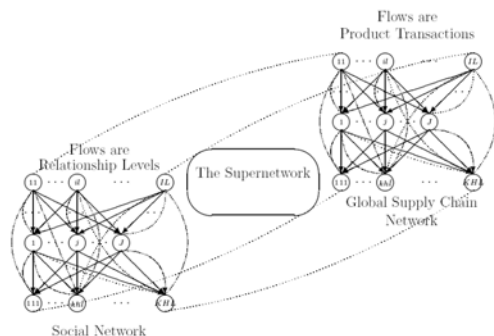


Figure 3: The Multilevel Supernetwork Structure of the Integrated Global Supply Chain / Social Network System

4.2. Using Supernetworks for the Formalization of Knowledge Production

Knowledge production and dissemination is playing a role of fundamental importance in our world today. At a time when competition is becoming fiercer and many organizations,

including companies, have to compete on a global scale, superior knowledge and its application are some of the determining factors for success. Many knowledge organizations, such as: news organizations, financial institutions, and intelligence agencies are in the "business" of producing knowledge products. In order to be competitive and to achieve their desired goals, such organizations have to determine how to best use their resources to most efficiently produce the knowledge products.

Various researchers, who coincidentally have also contributed to transportation research, have developed models to represent knowledge production (cf. Andersson and Karlqvist (1976), Batten, Kobayashi, and Andersson (1989), Beckmann (1993, 1994), Kobayashi (1995), and Nagurney (1999)).

Nagurney and Dong (2003) developed a knowledge supernetwork model. This model is able to incorporate various related elements into one structure and view the problem in a systematic way. It can support decision-makers that try to determine the optimal allocation of resources and schedule the activities by capturing the alternatives available of a graphical format and by providing the optimal allocation of activities as well as resources, their dynamic development as well as possible alternatives and their related benefits and costs.

Knowledge production in the context of that paper, which we also take on here, can be described as a process "by which standard resources, which are available in open markets are used and combined within the organizational context in order to produce" (Ciborra and Andreu (2001)) explicit knowledge goods that are of measurable value to certain target customers. Examples of knowledge goods are: news segments in the case of a news organization or pages of reports/studies in the case of an intelligence agency. The knowledge production processes are influenced by various factors inside as well as outside the organization. Decision-makers who try to optimize knowledge production are faced with a variety of challenges. These challenges include, but are not limited to, how to allocate the available resources efficiently and how to quickly respond to their customers' needs. In order to optimize their resource allocations amongst the available production processes, the use of information tools represents a valuable aid.

In the supernetwork model (for details, see Nagurney and Dong (2003)), the different possible ways to produce a knowledge product are represented by the different paths that consist of different links that are available. Those links may include: information processing links, telecommunication and/or transportation links, interface links, consolidation links, etc.

The decision-makers in the network are multicriteria decision-makers that try to minimize total cost as well as risk and time. They put a weight to each of these criteria depending on the importance that they assign to it. Using a link incurs some specific costs as well as specific risk and time. By being aware of these costs the decision-maker can optimize the production processes associated with the knowledge product. This model was developed for fixed as well as for elastic demand situations. Applications of this model that were identified by Nagurney and Dong (2003) are: the application to a news organization, to multinational research corporations, to global financial institutions, as well as to intelligence agencies. For a graphical representation of a simple knowledge network with multiple products see Figure 4.

Further studies in the field of knowledge supernetworks will certainly be necessary to more thoroughly understand the mechanisms that are present in this process. Suggested future directions for research include: the incorporation of competition into the framework, in which several knowledge organizations may share a subset of links; focusing more strongly on the special features of knowledge production; for example, by introducing uncertainty into the framework, and conducting empirical tests to validate the model.

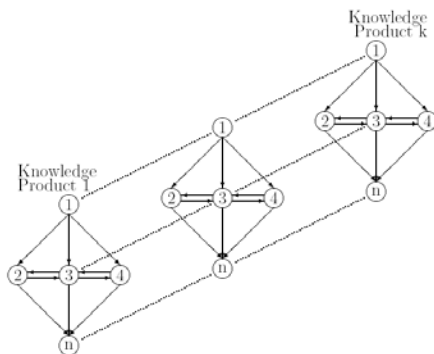


Figure 4: Example of a Knowledge Supernetwork

5. Summary and Conclusions

In this paper, we overviewed the concept of supernetworks. We described two applications of supernetworks consisting of integrated social and economic networks and discussed applications of a knowledge supernetwork model to knowledge organizations. Through these examples, we have attempted to demonstrate the power of the supernetwork framework which is determined by its ability to: incorporate various networks into one framework, view problems in a systematic way, incorporate multi-criteria into the decision-making process, provide tools to study interrelated networks, allow applying efficient algorithms for computation, and provide visual aids to see the dynamic changes. The applications that have

been developed thus far only constitute a beginning of this line of research and we hope that this paper will further encourage researchers and practitioners to use and apply this framework and its associated tools in many different areas. In addition, we note that actual empirical studies to validate results from the theoretical models would be especially beneficial and this is part of our ongoing research agenda.

Acknowledgments

The authors would like to thank the organizers of the Fourth International Conference on Knowledge, Culture, and Change in Organizations, held at the University of Greenwich, London, England, August 3-6, 2004. This essay is based on a workshop conducted by the authors at this venue. This research was supported by the National Science Foundation, NSF. Grant No. IIS-0002647. The authors acknowledge and are grateful for this support.

Bibliography

Andersson, A. E., and Karlqvist, A. (1976), "Population and Capital in Geographical Space. The Problem of General Equilibrium Allocation," in **Computing Equilibria: How and Why**, pp. 183-195, J. Los and W. Los, Editors, North-Holland, Amsterdam, The Netherlands.

Bagozzi, R. P. (1995), "Reflections on Relationship Marketing in Consumer Markets," *Journal of the Academy of Marketing Science* 23, 272-277.

Batten, D., Kobayashi, K., and Andersson, A. E. (1989), "Knowledge, Nodes, and Networks: An Analytical Perspective, in **Knowledge and Industrial Organization**, pp. 31-46, A. E. Andersson, D. F. Batten, and D. Karlsson, Editors, Springer-Verlag, Berlin, Germany.

Beckmann, M. J. (1993), "Knowledge Networks: The Case of Scientific Interaction at a Distance," *The Annals of Regional Science* 27, 5-9.

Beckmann, M. J. (1994), "On Knowledge Networks in Science: Collaboration Among Equals," *The Annals of Regional Science* 28, 233-242.

Beckmann, M. J., McGuire, C. B., and Winsten, C. B. (1956), **Studies in the Economics of Transportation**, Yale University Press, New Haven, Connecticut.

Boyce, D. E., Mahmassani, H. S., and Nagurney, A. (2004), A Retrospective on Beckmann, McGuire, and Winsten's **Studies in the Economics of Transportation**, forthcoming in *Papers in Regional Science*.

Burt, R. S. (2000), "The Network Structure of Social Capital," in **Research in Organizational**

- Behavior**, Volume 22, pp. 345-423, R. I. Sutton and B. M. Staw, Editors, JAI Press, Greenwich, Connecticut.
- Ciborra, C., and Andreu, R. (2001), "Sharing Knowledge Across Boundaries," *Journal of Information Technology* 16, 73-81.
- Crawford, V. P. (1990), "Relationship-Specific Investment," *The Quarterly Journal of Economics* 105, 561-572.
- Cruz, J. M., Nagurney, A., and Wakolbinger, T. (2004), "Financial Engineering of the Integration of Global Supply Chain Networks and Social Networks with Risk Management," see: <http://supernet.som.umass.edu>
- Ganesan, S. (1994), "Determinants of Long-Term Orientation in Buyer-Seller Relationships," *Journal of Marketing* 58, 1-19.
- Granovetter, M. (1985), "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91, 481-510.
- Joskow, P. L. (1988), "Asset Specificity and the Structure of Vertical relationships: Empirical Evidence," *Journal of Law, Economics, and Organization* 4, 95-117.
- Knight, F. H. (1924), "Some Fallacies in the Interpretation of Social Cost," *Quarterly Journal of Economics* 38, 582-606.
- Kobayashi, K. (1995), "Knowledge Network and Market Structure: An Analytical Perspective," in **Networks in Action**, pp. 127-158, D. Batten, J. Casti, and R. Thord, Editors, Springer-Verlag, Berlin, Germany.
- Kohl J. E. (1841), "Der Verkehr and die Ansiedelungen der Menschen in Ihrer Abhangigkeit von der Gestaltung der Erdorberflache," Dresden, Peipzig, Germany.
- Muthoo, A. (1998), "Sunk Costs and the Inefficiency of Relationship-Specific Investment," *Economica* 65, 97-106.
- Nagurney, A. (1999), **Network Economics: A Variational Inequality Approach**, Second and Revised Edition, Kluwer Academic Publishers, Dordrecht, The Netherlands.
- Nagurney, A. (2004), "**Supernetworks: Paradoxes, Challenges, and New Opportunities**," in **Transforming Enterprise**, W. Dutton, B. Kahin, R. O'Callaghan, and A. Wyckoff, Editors, MIT Press, Cambridge, Massachusetts, in press.
- Nagurney, A., and Cruz, J. (2003), "International Financial Networks with Intermediation: Modeling, Analysis, and Computation," *Computational Management Science* 1, 31-58.
- Nagurney, A., Cruz, J., and Matsypura, D. (2002), "Dynamics of Global Supply Chain Supernetworks," *Mathematical and Computer Modelling* 37, 963-983.
- Nagurney, A., Cruz, J., and Wakolbinger, T. (2004), "The Co-Evolution and Emergence of Integrated International Financial Networks and Social Networks: Theory, Analysis, and Computations," see: <http://supernet.som.umass.edu>
- Nagurney, A., and Dong, J. (2002), **Supernetworks: Decision-Making for the Information Age**, Edward Elgar Publishing, Cheltenham, England.
- Nagurney, A., and Dong, J. (2003), "Management of Knowledge Intensive Systems as Supernetworks: Modelling, Analysis, Computations, and Applications," forthcoming in *Mathematical and Computer Modelling*.
- Nagurney, A., Dong, J., and Zhang, D. (2002), "A Supply Chain Network Equilibrium Model," *Transportation Research E* 38, 281-303.
- Nagurney, A., and Ke, K. (2001), "Financial Networks with Intermediation," *Quantitative Finance* 1, 441-451.
- Nagurney, A., and Ke, K. (2003), "Financial Networks with Electronic Transactions: Modeling, Analysis, and Computations," *Quantitative Finance* 3, 71-87.
- Nagurney, A., Ke, K., Cruz, J., Hancock, K., and Southworth, F. (2002), "A Multilevel (Logistical/Informational/Financial) Network Perspective," *Environment & Planning B* 29, 795-818.
- Nagurney, A., Loo, J., Dong, J., and Zhang, D. (2002), "Supply Chain Networks and Electronic Commerce: A Theoretical Perspective," *Netnomics* 4, 187-220.
- Nagurney, A., and Matsypura, D. (2004), "A Supply Chain Network Perspective for Electric Power Generation, Supply, Transmission, and Consumption," in *Proceedings of the International Conference on Computing, Communications and Control Technologies*, Austin, Texas, Volume VI, pp. 127-134.
- Nagurney, A., and Siokos, S. (1997), **Financial Networks: Statics and Dynamics**, Springer-Verlag, Berlin, Germany.
- Nagurney, A., and Toyasaki, F. (2003), "Supply Chain Supernetworks and Environmental Criteria," *Transportation Research D* 8, 185-213.

Nagurney, A., Wakolbinger, T., and Zhao, L. (2004), "The Evolution and Emergence of Integrated Social and Financial Networks with Electronic Transactions: A Dynamic Supernetwork Theory for the Modeling, Analysis, and Computation of Financial Flows and Relationship Levels," see: <http://supernet.som.umass.edu>

Pigou, A. C. (1920), **The Economics of Welfare**, Macmillan, London, England,

Uzzi, B. (1996), "The Sources and Consequences of Embeddedness for the Economic Performance of Organizations: The Network Effect," *American Sociological Review* 61, 674-698.

Uzzi, B. (1998), "Embeddedness in the Making of Financial Capital: How Social Relations and Networks Benefit Firms Seeking Financing," *American Sociological Review* 64, 481-505.

Vickers, J., and Waterson, M. (1991), "Vertical Relationships: An Introduction," *The Journal of Industrial Economics* 39, 445-450.

Wakolbinger, T., and Nagurney, A. (2004), "Dynamic Supernetworks for the Integration of Social Networks and Supply Chains with Electronic Commerce: Modeling and Analysis of Buyer-Seller Relationships with Computations," to appear in *Netnomics*.

Wardrop, J. G. (1952), "Some Theoretical Aspects of Road Traffic Research," *Proceedings of the Institute of Civil Engineers*, Part II, pp. 325-378.

Williamson, O. E. (1983), "Credible Commitments: Using Hostages to Support Exchange," *The American Economic Review* 73, 519-540.

Notable Achievements

Ke Ke successfully defended her doctoral dissertation in June 2004 entitled **Statics and Dynamics of Complex Network Systems: Supply Chain Analysis and Financial Networks with Intermediation**. Professor Anna Nagurney was her dissertation chair. Dr. "Grace" Ke Ke has joined the faculty at the Babin School of Business at the University of Arkansas.



Fuminori Toyasaki successfully defended his doctoral dissertation proposal **A Unified Complex Network Framework for Environmental Decision-Making with Applications to Green Logistics, Electronic Waste Recycling, and Hydrogen Supply Chains** in September 2004. Fuminori was also accepted into the 2004 INFORMS Doctoral Colloquium and will be participating in the INFORMS National Meeting in Denver, Colorado in October 2004.



Fuminori Toyasaki with Professor John Stranlund at his Proposal Defense

New Book Published

The book **The Network Organization: The Experience of French World Leaders** by Emmanuel Jossierand has been published by Edward Elgar Publishing; <http://e-elgar.com> For additional information on this book and other books in the *New Dimensions in Networks* series see: <http://supernet.som.umass.edu>

Center Associate News

International Associate, Professor Patrizia Daniele, was very active this past summer and presented her research on evolutionary variational inequalities at the Conference on High Performance Algorithms and Software for Nonlinear Optimization: Status and Perspectives in Ischia, Italy, June 18-20. This conference was organized to mark the 50th birthday of Professor Panos Pardalos of the University of Florida. She then traveled to Orlando, Florida to present her work at the 4th World Congress of Nonlinear Analysis, June 30-July 7, 2004. September 7-10, 2004 she took part in the AIRO Conference in Lecce, Italy.

International Associate, Professor Monica-Gabriela Cojocaru, presented the paper **Projected Dynamical Systems and Evolutionary (Time-Dependent) Variational Inequalities via Hilbert Spaces with Applications** (co-authored with Patrizia Daniele and Anna Nagurney) at the CMS/CAIMS Summer Meeting at Dalhousie University, Halifax, Nova Scotia, June 13-15, 2004. This paper is based on the collaboration of the three researchers during their research team residency at the

Rockefeller Foundations' Bellagio Center on Lake Como in Italy held in March 2004. The paper will also be presented at the INFORMS National meeting in Denver, October 2004. She also traveled to Toulouse, France, where she gave a presentation on "Projected Dynamical Systems: Overview and New Results," at the First Joint Canada-France Meeting of the Mathematical Sciences, July 12-15, 2004.

Tina Wakolbinger and Anna Nagurney gave a workshop entitled, "Supernetworks for the Management of Knowledge Intensive Dynamic Systems," at the Fourth International Conference on Knowledge, Culture, and Organisations at the University of Greenwich, London, England, August 3-6, 2004.

Anna Nagurney, June Dong, and Tina Wakolbinger presented "Dynamic Supernetworks for the Co-Evolution and Emergence of Integrated Social and Economic Networks: Modeling, Analysis, Computations, Visualization, and Applications" at the Management of Knowledge Intensive Dynamic Systems (MKIDS) '04 Conference, September 20-22, 2004 in Annapolis Junction, Maryland.

Anna Nagurney and Ke Ke will be presenting the paper, "Financial Networks with Intermediation: Risk Management with Variable Weights," at the INFORMS National Meeting in Denver, Colorado in October 2004. Anna Nagurney, along with Jose Cruz and Fuminori Toyasaki, will also present "Statics and Dynamics of Global Supply Chain Networks with Environmental Decision-Making," at the INFORMS meeting.

Professor June Dong spent the summer in China and taught at Shanghai Normal University under sponsorship of a Chow Fellowship. She gave many invited seminars on her research on supernetworks in various parts of China.

Professor Ding Zhang will be working on a major supernetworks project with researchers from Fudan University in China and sponsored by the Chinese National Science Foundation.

For additional conference and workshop information see:
<http://supernet.som.umass.edu>

Center Publications

Copies of these (and other) center articles may be found at:

<http://supernet.som.umass.edu/dart.html>

A Retrospective on Beckmann, McGuire, and Winsten's Studies in the Economics of Transportation, David E. Boyce, Hani S. Mahmassani, and Anna Nagurney (2004), to appear in *Papers in Regional Science*.

Financial Networks with Intermediation: Risk Management with Variable Weights, Anna Nagurney and Ke Ke (2004), to appear in *European Journal of Operational Research*.

Projected Dynamical Systems and Evolutionary (Time-Dependent) Variational Inequalities via Hilbert Spaces with Applications, Monica Cojocaru, Patrizia Daniele, and Anna Nagurney (2004), to appear in *Journal of Optimization Theory and Applications*.

A Supply Chain Network Perspective for Electric Power Generation, Supply, Transmission, and Consumption, Anna Nagurney and Dmytro Matsypura (2004), appears in condensed form in *Proceedings of the International Conference in Computing, Communications and Control Technologies*, Austin, Texas, Volume VI, 127-134.

Dynamic Supernetworks for the Integration of Social Networks and Supply Chains with Electronic Commerce: Modeling and Analysis of Buyer-Seller Relationships with Computations, Tina Wakolbinger and Anna Nagurney (2004), to appear in *Netnomics*.

Financial Engineering of the Integration of Global Supply Chain Networks and Social Networks with Risk Management, Jose Cruz, Anna Nagurney, and Tina Wakolbinger (2004).

The Co-Evolution and Emergence of Integrated International Financial Networks and Social Networks: Theory, Analysis, and Computations, Anna Nagurney, Jose Cruz, and Tina Wakolbinger (2004).

The Evolution and Emergence of Integrated Social and Financial Networks with Electronic Transactions: A Dynamic Supernetwork Theory for the Modeling, Analysis, and Computation of Financial Flows and Relationship Levels, Anna Nagurney, Tina Wakolbinger, and Li Zhao (2004).

Upcoming Events

Professor Anna Nagurney and Tina Wakolbinger will be presenting a seminar, "Social Networks: new Paradigms for Modeling, Applications, Computations, and Visualization," on November 19, 2004, in the Isenberg School of Management as part of the Fall 2004 UMASS Amherst seminar series in Operations Research and Management Science. Professor Nagurney has also accepted invitations to speak at the University of Pittsburgh, the University of Connecticut, and at the University of California, Berkeley.

The Supernetwork Laboratory for Computation and Visualization is getting completely refurbished and the Virtual Center for Supernetworks will be part of a Virtual Tour.



**MKIDS'04 Workshop
Maryland - September 2004**

Center Director

Dr. Anna Nagurney
John F. Smith Memorial Professor

Associates

Dr. Monica Cojocaru
Dr. Jose Cruz
Dr. Patrizia Daniele
Dr. June Dong
Dr. Ke Ke
Dr. Ladimer Nagurney
Dr. Padma Ramanujam
Dr. Stavros Siokos
Dr. Ding Zhang

Doctoral Students

Toyasaki Fuminori
Zugang "Leo" Liu
Patrick Qiang
Tina Wakolbinger
Li Zhao

Undergraduate Student

Maxfield Reynolds

Center Website:
<http://supernet.som.umass.edu>

If you would like to be put on our email list,
contact **supernet@som.umass.edu**

The Virtual Center for Supernetworks
Isenberg School of Management
University of Massachusetts at Amherst
Amherst, MA 01003

**Thanks to all those who have visited the
Supernetwork Laboratory and the Virtual
Center for Supernetworks during this past
year!**

**Special thanks to the Friends of the Center
for their inspiration and support. See:**
<http://supernet.som.umass.edu/friends.htm>