

APPLIED MECHANISM DESIGN FOR SOCIAL GOOD

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Lecture #2 – 01/30/2018

CMSC828M
Tuesdays & Thursdays
9:30am – 10:45am



COMPUTER SCIENCE
UNIVERSITY OF MARYLAND



**WRAPPING UP
FROM LAST LECTURE ...**

EXAMPLE: FOOD BANK ALLOCATION

Food banks supply nutrition to the needy for free or at a reduced cost

- Much of that food comes from donors (e.g. supermarkets, manufacturers)

Distribution is overseen by a large non-profit organization, Feeding America

- Previously: **centralized allocation** based on perceived need of food banks
- Currently: food banks bid in an **online auction** using a fake currency for loads of donated food.



EXAMPLE: SECURITY GAMES

Where should we deploy security forces (checkpoints, cop cars, dogs, troops), assuming a rational adversary who can observe our deployment strategy?

- Checkpoints at airports
- Patrol routes on the water on the borders
- **Anti-poacher teams near big game**

Rangers Use Artificial Intelligence to Fight Poachers

Emerging technology may help wildlife officials beat back traffickers.

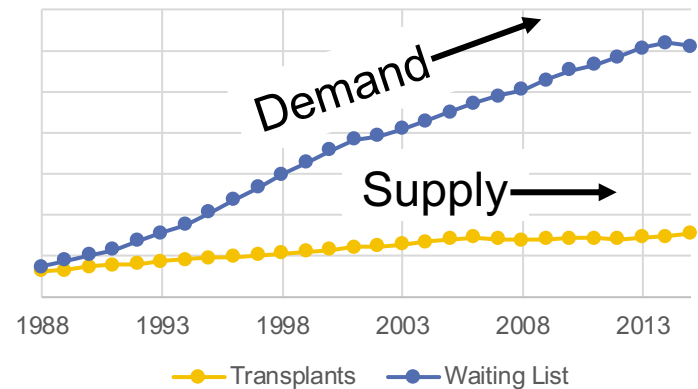


How do we compute these strategies?

What if the adversary isn't rational?

EXAMPLE: KIDNEY TRANSPLANTATION

- **US waitlist: over 100,000**
 - 36,157 added in 2014
- **4,537 people died while waiting**
- **11,559 people received a kidney from the deceased donor waitlist**
- **5,283 people received a kidney from a living donor**
 - Some through **kidney exchanges** [Roth et al. 2004]
 - (We work extensively with the UNOS exchange.)



EXAMPLE: DECEASED-DONOR ALLOCATION

Online bipartite matching problem:

- Set of patients is known (roughly) in advance
- Organs arrive and must be dispatched **quickly**

Constraints:

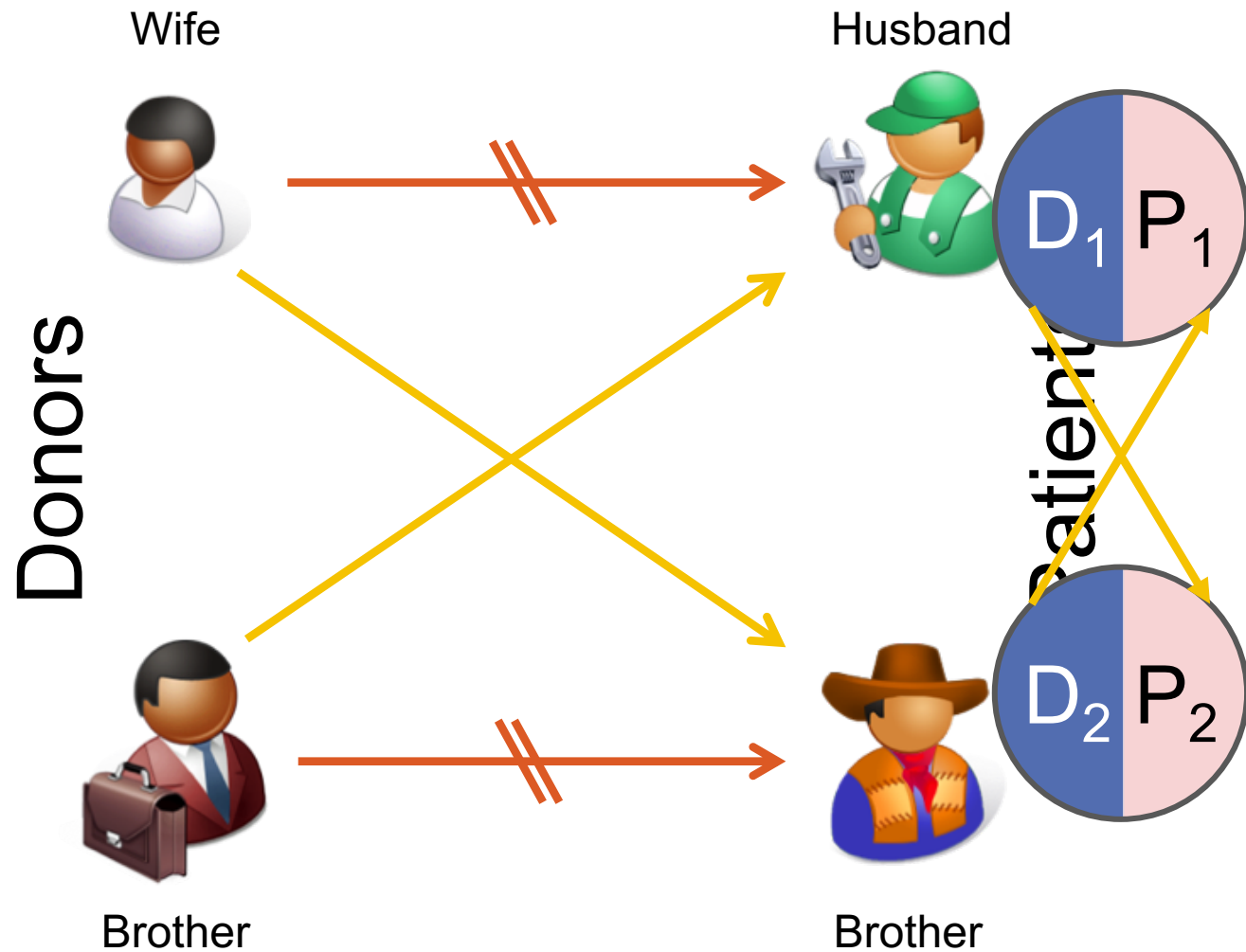
- Locality: organs only stay good for 24 hours
- Blood type, tissue type, etc.

Who gets the organ? Prioritization based on:

- Age?
- QALY maximization?
- Quality of match?
- Time on the waiting list?



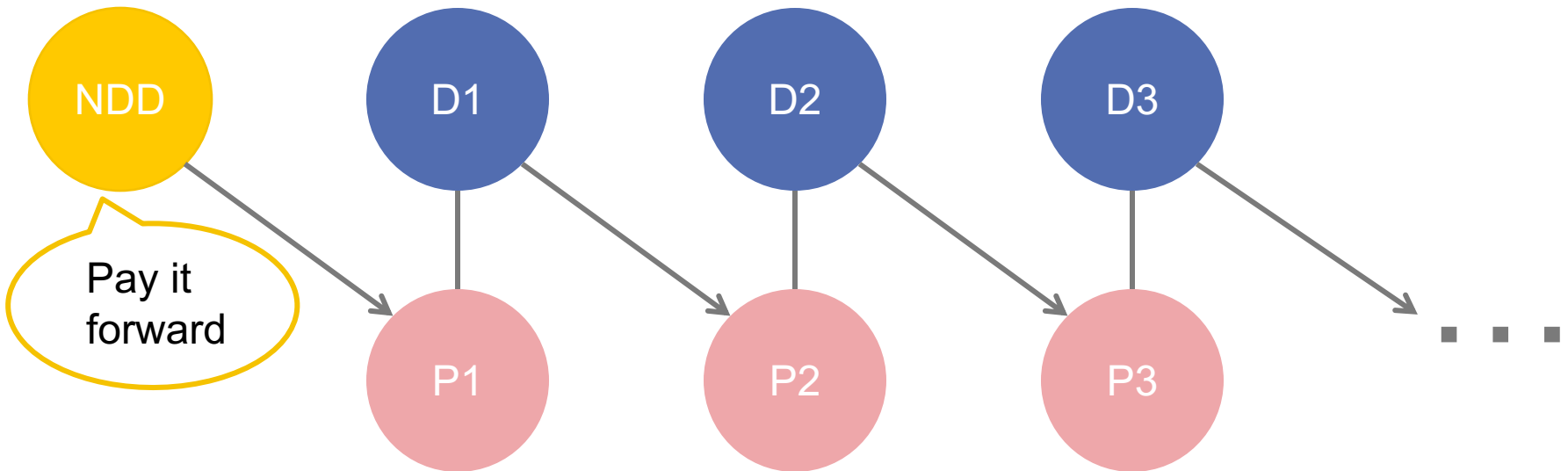
EXAMPLE: KIDNEY EXCHANGE



(2- and 3-cycles, all surgeries performed simultaneously)

NON-DIRECTED DONORS & CHAINS

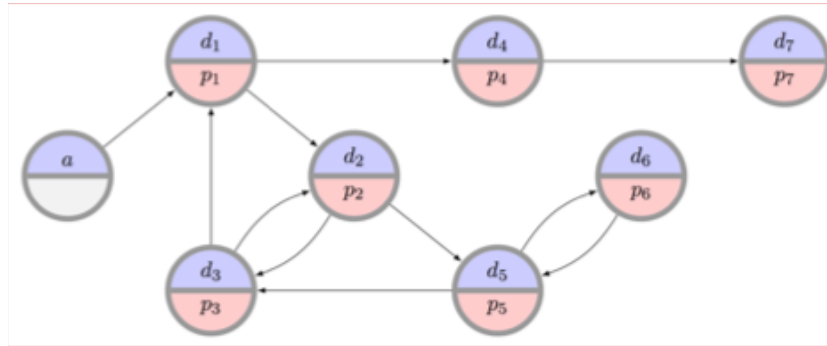
[Rees et al. 2009]



Not executed simultaneously, so no length cap required based on logistic concerns ...

... but in practice edges fail, so some finite cap is used!

EXAMPLE: KIDNEY EXCHANGE



What is the “best” matching objective?

- Maximize matches right now or over time?
- Maximize transplants or matches?
- Prioritization schemes (i.e. fairness)?
- Modeling choices?
- Incentives? Ethics? Legality?

Can we design a mechanism that **performs well in practice**, is **computationally tractable**, and is **understandable by humans**?

TECHNIQUES WE'LL USE

*(THIS + NEXT TWO LECTURES WILL COVER THESE,
IN THE CONTEXT OF MECHANISM DESIGN)*

COMBINATORIAL OPTIMIZATION

Combinatorial optimization lets us select the “best element” from a set of elements.

Some **PTIME** problems:

- Some forms of matching
- 2-player zero-sum Nash
- Compact LPs

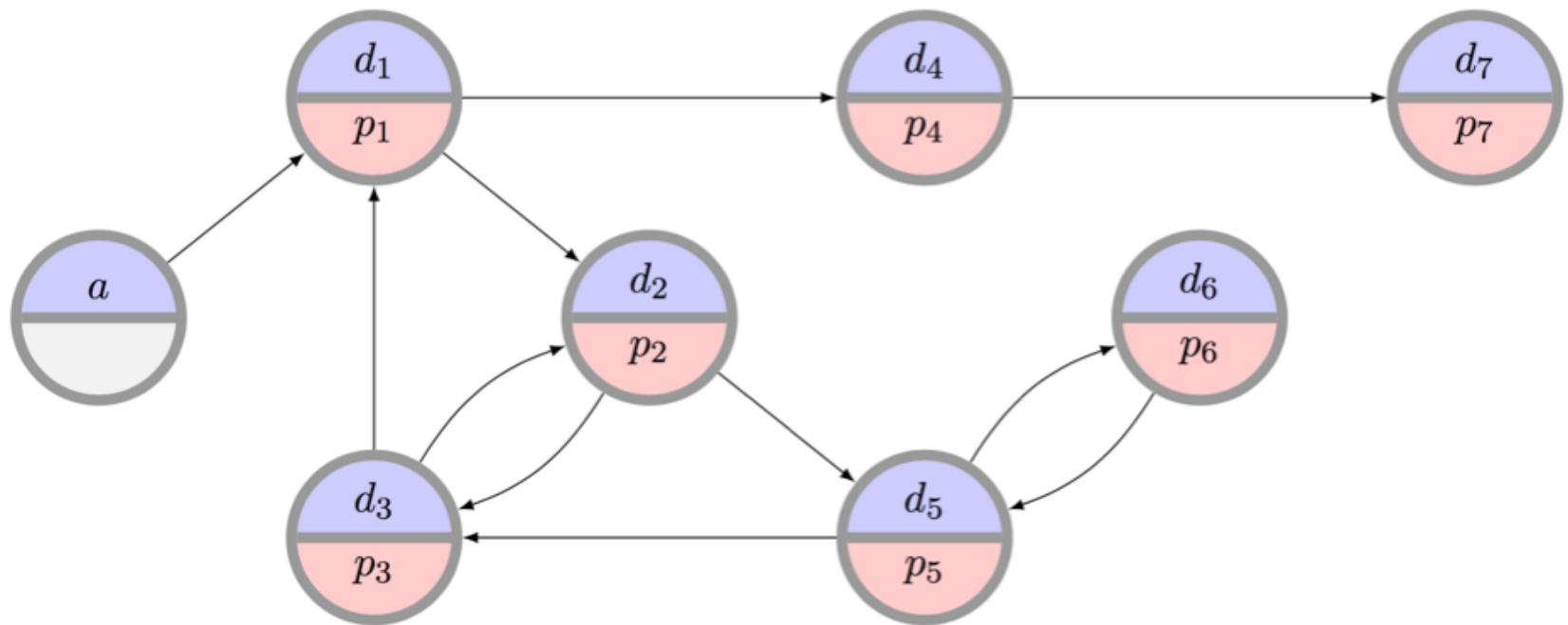
Some **PPAD-** or **NP-hard** problems:

- More complex forms of matching
- Many equilibrium computations

Some **> NP-hard** problems:

- Randomizing over a set of all feasible X , where all feasible X must be enumerated (#P-complete)

C.O. FOR KIDNEY EXCHANGE: REFRESHER ON PROBLEM



C.O. FOR KIDNEY EXCHANGE: THE EDGE FORMULATION

[Abraham et al. 2007]

Binary variable x_{ij} for each edge from i to j

Maximize

$$u(M) = \sum w_{ij} x_{ij}$$

Flow constraint

Subject to

$$\sum_j x_{ij} = \sum_j x_{ji}$$

for each vertex i

$$\sum_j x_{ij} \leq 1$$

for each vertex i

$$\sum_{1 \leq k \leq L} x_{i(k)i(k+1)} \leq L-1$$

for paths $i(1) \dots i(L+1)$

(no path of length L that doesn't end where it started – cycle cap)

C.O. FOR KIDNEY EXCHANGE: THE CYCLE FORMULATION

[Roth et al. 2004, 2005,
Abraham et al. 2007]

Binary variable x_c for each feasible cycle or chain c

Maximize

$$u(M) = \sum w_c x_c$$

Subject to

$$\sum_{c: i \text{ in } c} x_c \leq 1 \text{ for each vertex } i$$

C.O. FOR KIDNEY EXCHANGE: COMPARISON

Tradeoffs in number of variables, constraints

- IP #1: $O(|E|^L)$ constraints vs. $O(|V|)$ for IP #2
- IP #1: $O(|V|^2)$ variables vs. $O(|V|^L)$ for IP #2

IP #2's relaxation is weakly tighter than #1's. Quick intuition in one direction:

- Take a length $L+1$ cycle. #2's LP relaxation is 0.
- #1's LP relaxation is $(L+1)/2$ – with $1/2$ on each edge

Recent work focuses on balancing tight LP relaxations and model size

[Constantino et al. 2013, Glorie et al. 2014, Klimentova et al. 2014, Alvelos et al. 2015, Anderson et al. 2015, Mak-Hau 2015, Manlove&O'Malley 2015, Plaut et al. 2016, ...]:

- We will discuss (9/29) new compact formulations, some with tightest relaxations known, all amenable to failure-aware matching

GAME THEORY & MECHANISM DESIGN

We assume participants in our mechanisms are:

- Selfish utility maximizers
- Rational (typically – sometimes relaxed)

Game theory & M.D. give us the language to describe desirable properties of mechanisms:

- Incentive compatibility
- Individual rationality
- Efficiency

A dark blue rectangular box containing white text that reads: "A STRANGE GAME. THE ONLY WINNING MOVE IS NOT TO PLAY. HOW ABOUT A NICE GAME OF CHESS?"

A STRANGE GAME.
THE ONLY WINNING MOVE IS
NOT TO PLAY.
HOW ABOUT A NICE GAME OF CHESS?

MACHINE LEARNING

Predicting supply and demand

Computing optimal matching/allocation policies:

- MDPs
- RL
- POMDPs, if you're feeling brave/masochistic

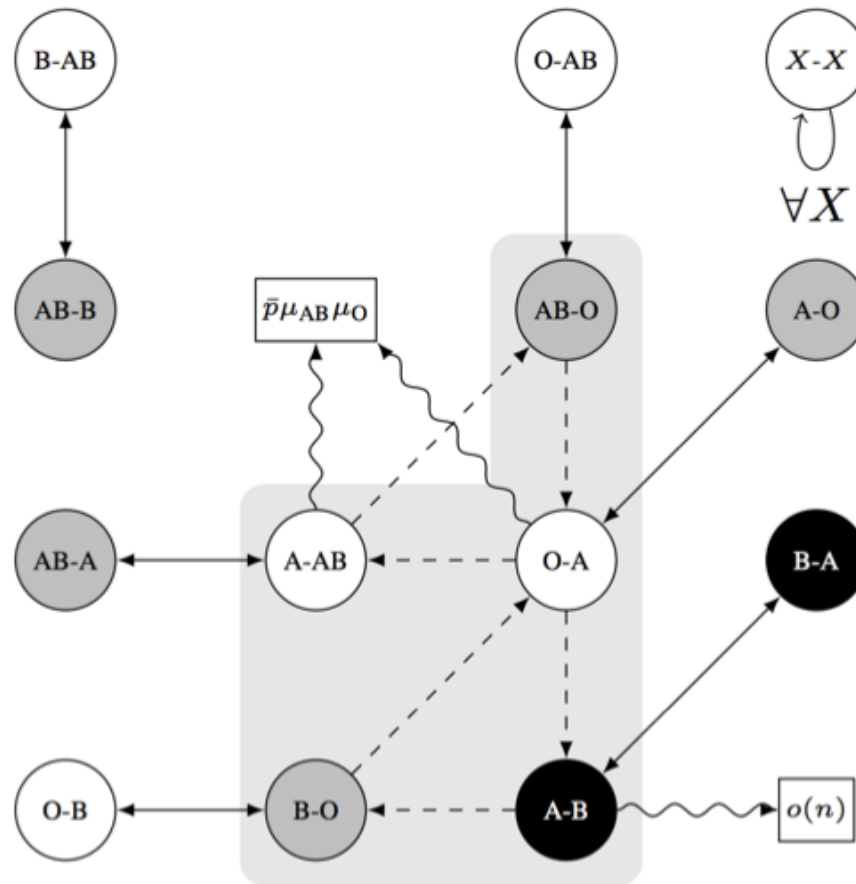
Aside: recent work looks at fairness and discrimination in machine learning – could be an interesting project.

- “... when a search was performed on a name that was “racially associated” with the black community, the results were much more likely to be accompanied by an ad suggesting that the person had a criminal record—regardless of whether or not they did.”

CAN COMPUTERS BE RACIST?

Big data, the internet, and the law

RANDOM GRAPH THEORY



(Might cover a bit in the matching and barter exchange lectures; talk to me.)

~~NEXT~~ **THIS CLASS:**
GAME THEORY PRIMER

WHAT IS GAME THEORY?

“... the study of mathematical models of conflict and cooperation between intelligent rational decision-makers.”



“Intelligent rational decision-makers” = **agents**

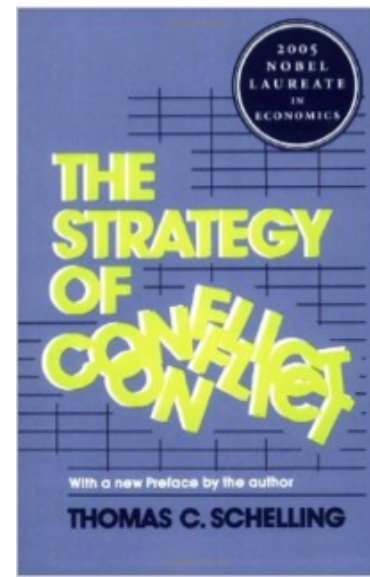
- Have individual preferences specified by **utility functions**
- Can take different **actions** (or randomize over them)

Utility of agents usually, but not always, depends on the actions of other agents

- What’s best for me is a function of what’s best for you ...
 - ... which is a function of what’s best for me ...
 - ... which is a function of what’s best for you ...
 - ... which is ...



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WHAT IS “UTILITY” ...?

“ ... **utility** is a measure of preferences over some set of goods and services.”



Formally:

- Let O be the set of outcomes
(e.g., $O = \{\{\text{apple,orange}\}, \{\text{apple}\}, \{\text{orange}\}, \{\ \}\}$)
- A **utility function** $u : O \rightarrow \mathfrak{R}$ ranks outcomes, and represents a preference relation \preceq over the set of outcomes O

Example:

- $u(\{\text{apple,orange}\}) = 5$
- $u(\{\text{apple}\}) = u(\{\text{orange}\}) = 3$
- $u(\{\ \}) = 0 \quad \rightarrow \quad \{\ \} \prec \{\text{apple}\} \preceq \{\text{orange}\} \prec \{\text{apple,orange}\}$

HOW DO WE MEASURE “UTILITY” ...?

$$u(\{\text{apple,orange}\}) = 5$$

- 5 dollars? 5 clams? 5 days to live?
- Standard: 5 “utils” – it doesn’t typically matter
- Agent’s behavior under $u(o)$ is typically the same as under $u'(o) = a + b \cdot u(o)$

$$u(\{\text{apple}\}) = 3 < 5 = u(\{\text{apple,orange}\})$$

- Cardinal utility: $3 < 5$
 - (We’ll see this in security games and auctions)
- Ordinal utility: $\{\text{apple,orange}\} \prec \{\text{apple}\}$
 - Doesn’t encode strength of a preference, just ordering
 - (We’ll see more of this in social choice)

RISK ATTITUDES

Which would you prefer?

- A lottery ticket that pays out \$10 with probability .5 and \$0 otherwise, or
- A lottery ticket that pays out \$3 with probability 1

How about:

- A lottery ticket that pays out \$100,000,000 with probability .5 and \$0 otherwise, or
- A lottery ticket that pays out \$30,000,000 with probability 1

Usually, people do not simply go by expected value

RISK ATTITUDES – EXPECTED VALUE

An agent is **risk-neutral** if she only cares about the expected value of the lottery ticket

An agent is **risk-averse** if she always prefers the expected value of the lottery ticket to the lottery ticket

- Most people are like this 

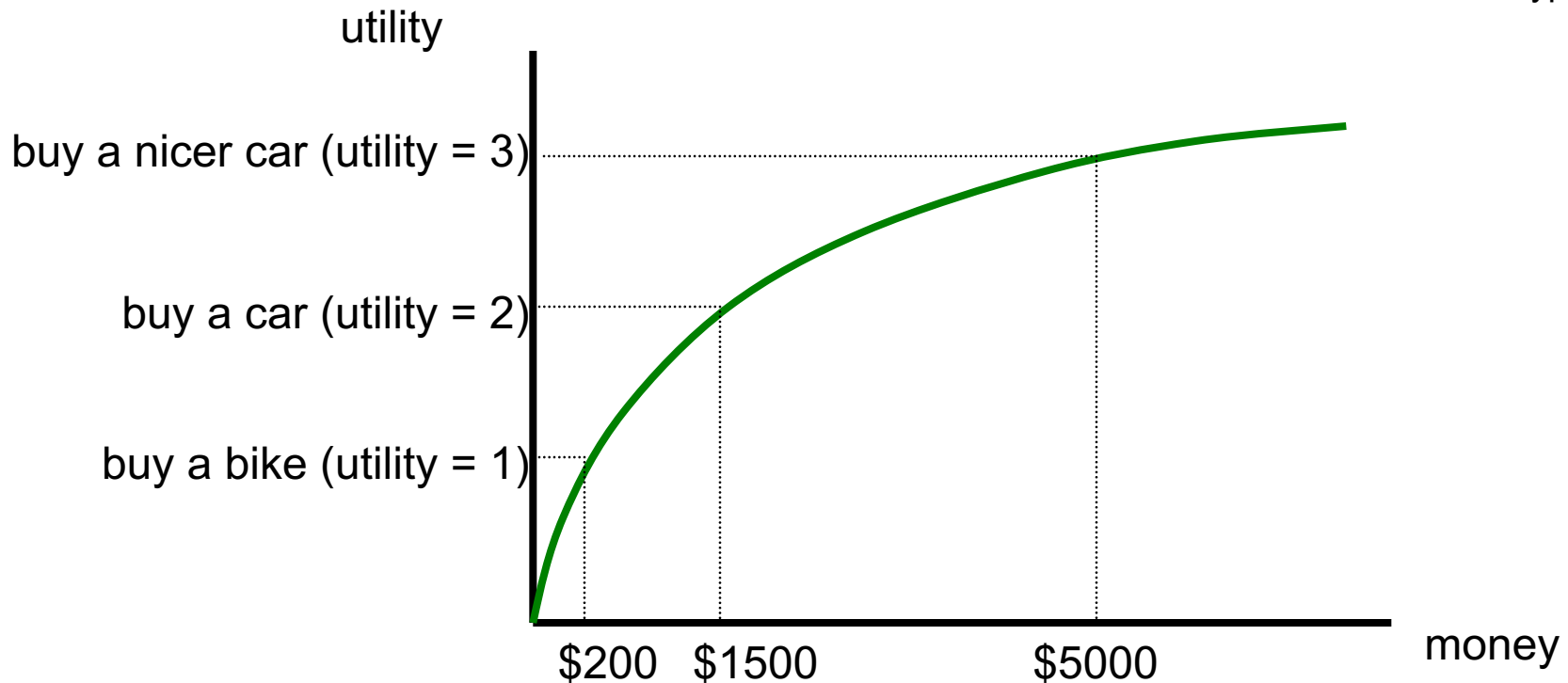
An agent is **risk-seeking** if she always prefers the lottery ticket to the expected value of the lottery ticket

DECREASING MARGINAL UTILITY

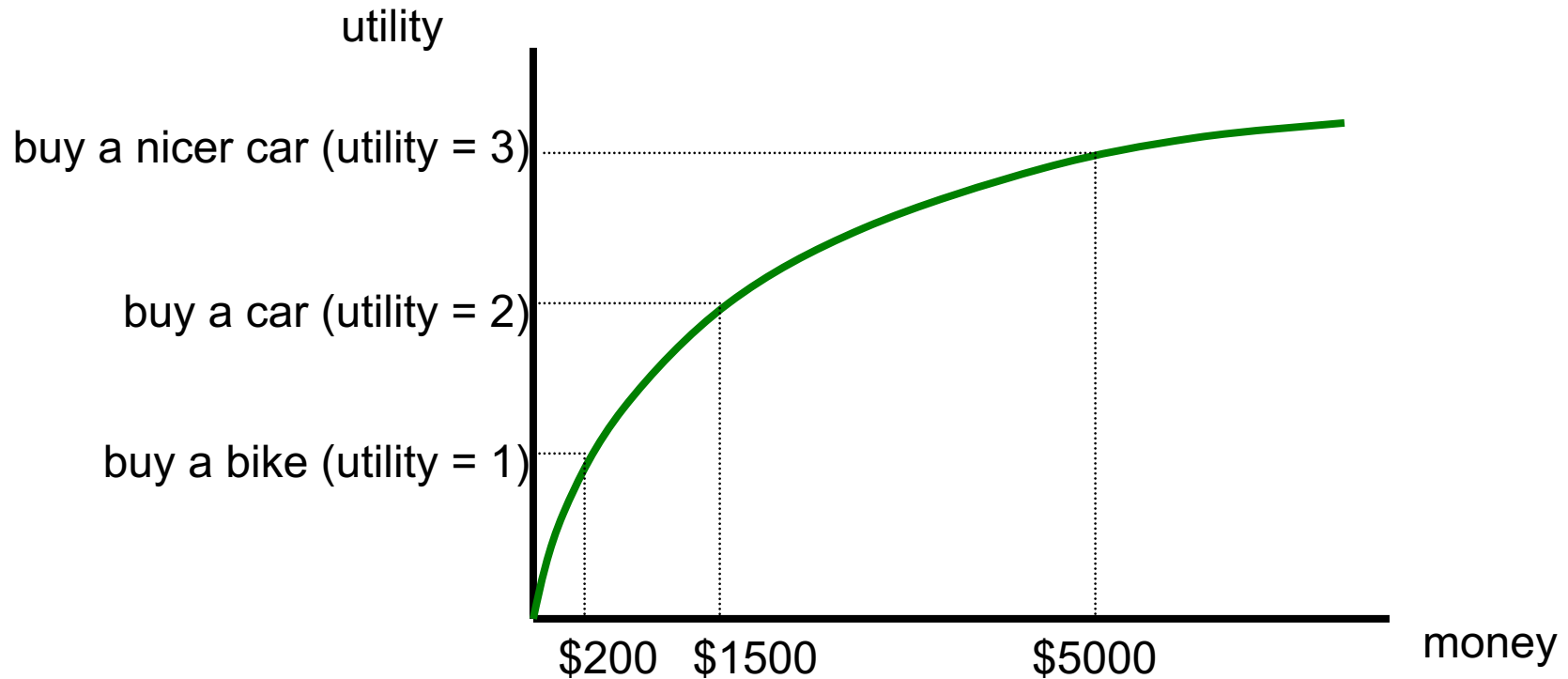
Typically, at some point, having an extra dollar does not make people much happier (decreasing marginal utility)



"Typically"



MAXIMIZING EXPECTED UTILITY



Lottery 1: get \$1500 with probability 1 → gives expected utility 2

Lottery 2: get \$5000 with probability .4, \$200 otherwise

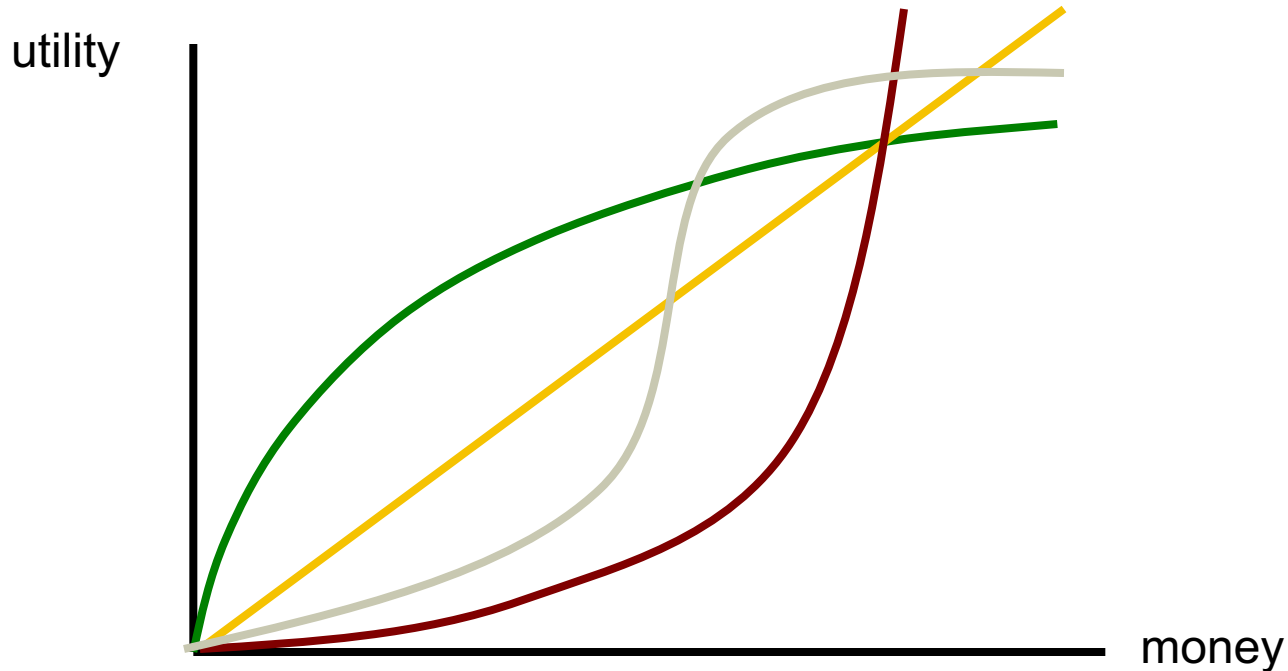
• → expected utility $.4*3 + .6*1 = 1.8$

$E_{\$}[\text{Lottery 2}] = .4*\$5000 + .6*\$200 = \$2120 > \$1500 = E_{\$}[\text{Lottery 1}]$

So: maximizing expected utility is consistent with risk aversion (assuming decreasing marginal utility)



RISK ATTITUDES ASSUMING EXPECTED UTILITY MAX'ING



Green has decreasing marginal utility → risk-averse

Blue has constant marginal utility → risk-neutral

Red has increasing marginal utility → risk-seeking

Grey's marginal utility is sometimes increasing, sometimes decreasing → neither risk-averse (everywhere) nor risk-seeking (everywhere)

STRATEGIES & UTILITY

A **strategy** s_i for agent i is a mapping of history/the agent's knowledge of the world to actions

- Pure: “perform action x with probability 1”
- Randomized: “do x with prob 0.2 and y with prob 0.8”

A **strategy set** is the set of strategies available to agent i

- Can be infinite (infinite number of actions, randomization)

A **strategy profile** is an instantiation $(s_1, s_2, s_3, \dots, s_N)$

Abuse of notation: we'll use s_{-i} to refer to all strategies played other than that by agent i

- $i = 2$, then $s_{-i} = (s_1, s_3, \dots, s_N)$

Utils awarded after game is played: $u_i = u_i(s_i, s_{-i})$

NATURE



Agents act strategically in the face of what they believe other agents will do, who act based on ...

There may be other sources of **non-strategic** randomness

Included (when needed) in our models as a unique agent called **nature**, which acts:

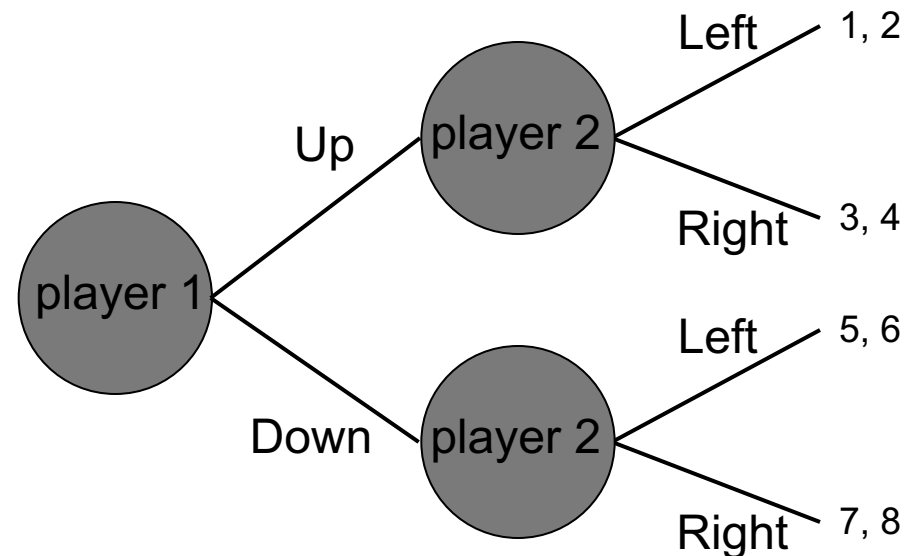
- Probabilistically
- Without reasoning about what other agents will do

(Sometimes referred to as agent $i = 0$, often just **nature**.)

GAME REPRESENTATIONS

Extensive form
(aka tree form)

Matrix form
(aka normal form
aka strategic form)



player 2's strategy

		player 2's strategy			
		Left, Left	Left, Right	Right, Left	Right, Right
player 1's strategy	Up	1, 2	1, 2	3, 4	3, 4
	Down	5, 6	7, 8	5, 6	7, 8

Potential combinatorial explosion



DOMINANT STRATEGY EQUILIBRIA (DSE)

Best response s_i^* : for all s_i' , $u_i(s_i^*, s_{-i}) \geq u_i(s_i', s_{-i})$

Dominant strategy s_i^* : s_i^* is a best response **for all** s_{-i}

- Does not always exist
- Inferior strategies are called “dominated”

DSE is a strategy profile where each agent has picked its dominant strategy

- Requires no counterspeculation – just enumeration

	cooperate	defect
cooperate	3, 3	0, 5
defect	5, 0	1, 1

Pareto optimal?

Social welfare maximizing?

ZERO-SUM GAMES (2-P)

Two-player zero-sum games are a special – **purely competitive** – case of general games

- Everything I win you lose, and vice versa

Example: heads-up poker (with no rake)

A **minimax-optimal strategy** is a strategy that maximizes the expected minimum gain

+1, -1	-2, +2
+2, -2	0, 0

- Guarantees the “best minimum” in expectation, no matter which strategy your opponent selects

Theorem [von Neumann '28] – “Minimax Theorem”:

- Every 2-P zero-sum game has a unique **value** V
- Maximin utility: $\max_{\sigma_i} \min_{s_{-i}} u_i(\sigma_i, s_{-i})$ ($= - \min_{\sigma_{-i}} \max_{s_i} u_{-i}(s_i, \sigma_{-i})$)
- Minimax utility: $\min_{\sigma_{-i}} \max_{s_i} u_{-i}(s_i, \sigma_{-i})$ ($= - \max_{\sigma_i} \min_{s_{-i}} u_i(\sigma_i, s_{-i})$)
- Theorem: $V = \max_{\sigma_i} \min_{s_{-i}} u_i(\sigma_i, s_{-i}) = \min_{\sigma_{-i}} \max_{s_i} u_{-i}(s_i, \sigma_{-i})$

GENERAL-SUM GAMES (2-P)

You could still play a minimax strategy in general-sum games

- i.e., pretend that the opponent is only trying to hurt you

But this is **not rational**:

		Col
Row	0, 0	3, 1
	1, 0	2, 1

- If Col were trying to hurt Row, Col would play Left, so Row should play Down
- In reality, Col will play Right (strictly dominant), so Row should play Up
- Is there a better generalization of minimax strategies in zero-sum games to general-sum games?

GENERAL-SUM GAMES: NASH EQUILIBRIA (2-P)

Nash equilibrium: a pair of strategies that are stable

Stable: neither agent has incentive to deviate from his or her selected strategy on their own

?????????

Row

Col

2, 2	-1, -1
-1, -1	2, 2

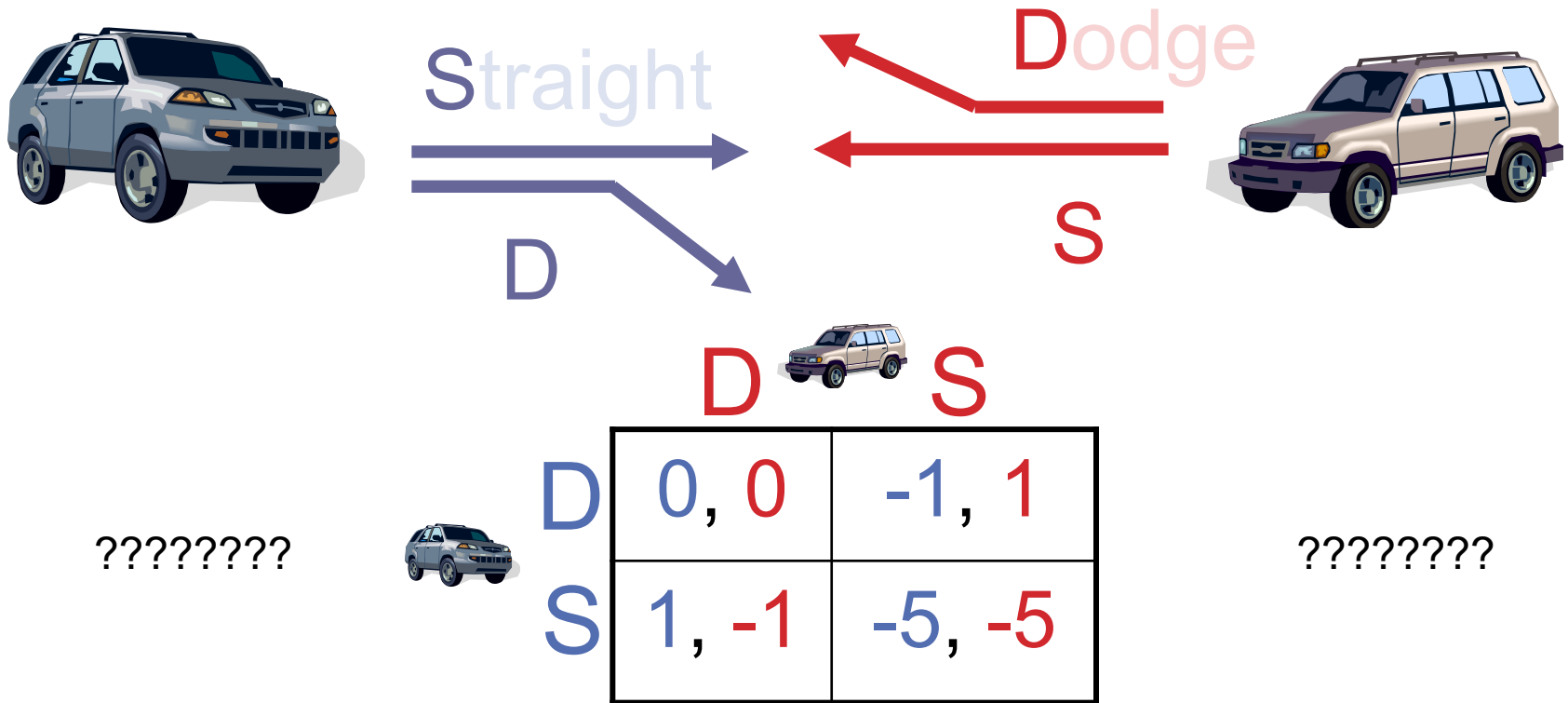
Theorem [Nash 1950]: any general-sum game has at least one Nash equilibrium

- Might require mixed strategies (randomization)

Corollary for 2-P zero-sum games: Minimax Theorem!



- WLOG pick one of the NE, let V = value of Row player
- Assumed NE, so neither player can do better (even fully knowing the other player's mixed strategy!) → minimax-opt

EXAMPLE: CHICKEN



- Thankfully, (D, S) and (S, D) are Nash equilibria
 - They are **pure-strategy Nash equilibria**: nobody randomizes
 - They are also **strict Nash equilibria**: changing your strategy will make you strictly worse off
- No other pure-strategy Nash equilibria

CHICKEN

	D 	S
D 	0, 0	-1, 1
S	1, -1	-5, -5

Is there an NE that uses mixed strategies?

- Say, where player 1 uses a mixed strategy?
- Note: if a mixed strategy is a best response, then all of the pure strategies that it randomizes over must also be best responses
- So we need to make player 1 **indifferent** between D and S
- Player 1's utility for playing D = $-p^c_S$
- Player 1's utility for playing S = $p^c_D - 5p^c_S = 1 - 6p^c_S$
- So we need $-p^c_S = 1 - 6p^c_S$ which means $p^c_S = 1/5$
- Then, player 2 needs to be indifferent as well
- Mixed-strategy Nash equilibrium: $((4/5 D, 1/5 S), (4/5 D, 1/5 S))$
 - People may die! Expected utility $-1/5$ for each player

CRITICISMS OF NASH EQUILIBRIUM

Not unique in all games (like the example on Slide 31)

- Approaches for addressing this problem
 - Refinements (=strengthenings) of the equilibrium concept
 - Eliminate weakly dominated strategies first (IEDS)
 - Choose the Nash equilibrium with highest welfare
 - Subgame perfection ... [see AGT book on course page]
 - Mediation, communication, convention, learning, ...

Collusions amongst agents not handled well

- “No agent wants to deviate on her own”

Can be disastrous to “partially” play an NE

- (More) people may die!
- **Correlated equilibria** – strategies selected by an outsider, but the strategies must be stable (see Chp 2.7 of AGT)

CORRELATED EQUILIBRIUM

Suppose there is a trustworthy mediator who has offered to help out the players in the game

The mediator chooses a profile of pure strategies, perhaps randomly, then tells each player what her strategy is in the profile (but not what the other players' strategies are)

A correlated equilibrium is a distribution over pure-strategy profiles so that every player wants to follow the recommendation of the mediator (if she assumes that the others do so as well)



Every Nash equilibrium is also a correlated equilibrium

- Corresponds to mediator choosing players' recommendations independently

... but not vice versa

(Note: there are more general definitions of correlated equilibrium, but it can be shown that they do not allow you to do anything more than this definition.)

C.E. FOR CHICKEN

		D 	S
 D	0, 0 20%	-1, 1 40%	
	S	1, -1 40%	-5, -5 0%

Why is this a correlated equilibrium?

Suppose the mediator tells Row to Dodge

- From Row's perspective, the conditional probability that Col was told to Dodge is $20\% / (20\% + 40\%) = 1/3$
- So the expected utility of Dodging is $(2/3)*(-1) = -2/3$
- But the expected utility of Straight is $(1/3)*1 + (2/3)*(-5) = -3$
- So Row wants to follow the recommendation

If Row is told to go Straight, he knows that Col was told to Dodge, so again Row wants to follow the recommendation

Similar for Col

COMPLEXITY

Can compute minimax-optimal strategies in **PTIME**

Can compute 2-P zero-sum NE in **PTIME**

- (We'll see this as an example during the convex optimization primer lecture next week.)

Can compute correlated equilibria in **PTIME**

Unknown if we can compute a 2-P general-sum NE in **PTIME**:

- Known: **PPAD-complete** (weaker than NP-c, and different)
- All known algorithms require worst-case exponential time

Our first “meaty” lectures will cover security games, which try to find Stackelberg equilibria:

- Varying complexity, will discuss during those lectures

DOES NASH MODEL HUMAN BEHAVIOR?

Game: pick a number (let's say, integer) in
 $\{0, 1, 2, 3, \dots, 98, 99, 100\}$

Winner: person who picks number that is
closest to $\frac{2}{3}$ of the average of all numbers

Example: if the average of all numbers is 54, your best
answer would be 36 ($= 54 * \frac{2}{3}$)

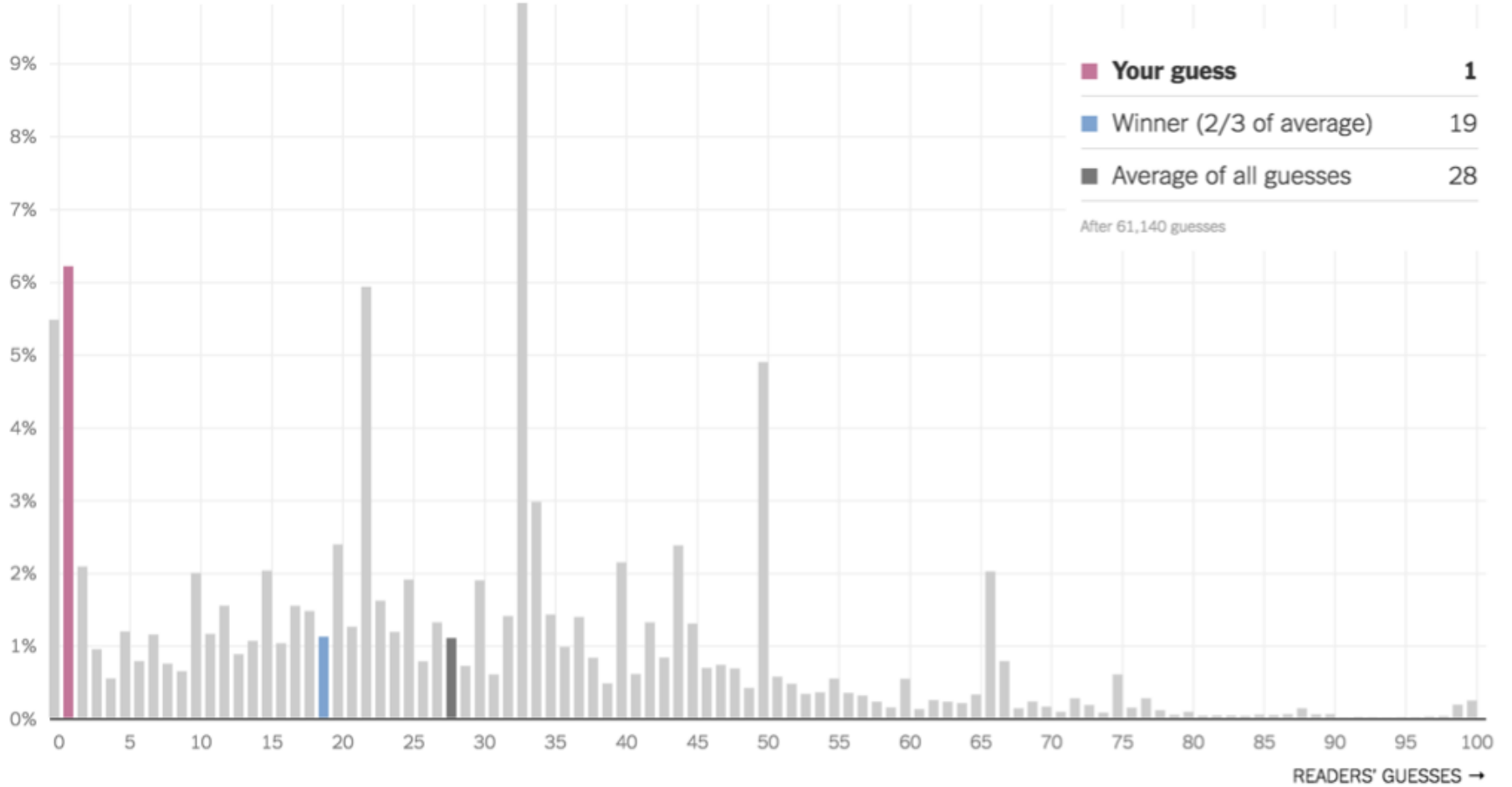
What's the (Nash) equilibrium strategy?

“Level 0” humans: everyone picks randomly? $E[v] = 50$, choose $50 * \frac{2}{3}$

“Level 1” humans: everyone picks $50 * \frac{2}{3}$, I'll pick $(50 * \frac{2}{3}) * \frac{2}{3}$

N.E.: fixed point, “Level infinity”, pick 0 or 1 depending on constraints

PERCENT OF READERS PICKING EACH NUMBER:



NEXT CLASS: MECHANISM DESIGN PRIMER



ALSO: EMAIL ME ABOUT PRESENTING!