

Stanford CME 241 (Winter 2021) - Assignment 16

Assignments:

1. **Optional** Implement the Monte-Carlo Policy Gradient (REINFORCE) algorithm in Python and test it by checking that you recover the closed-form solution of the Discrete-Time Asset-Allocation example (single risky asset with no consumption before terminal date). The lecture slides have the pseudo-code for this algorithm.
2. **Optional** Implement the ACTOR-CRITIC-ELIGIBILITY-TRACES Policy Gradient algorithm in Python and test it by checking that you recover the closed-form solution of the Discrete-Time Asset-Allocation example (single risky asset with no consumption before terminal date). The lecture slides have the pseudo-code for this algorithm.
3. Assume we have a finite action space \mathcal{A} . Let $\phi(s, a) = (\phi_1(s, a), \phi_2(s, a), \dots, \phi_m(s, a))$ be the features vector for any $s \in \mathcal{N}, a \in \mathcal{A}$. Let $\theta = (\theta_1, \theta_2, \dots, \theta_m)$ be an m -vector of parameters. Let the action probabilities conditional on a given state s and given parameter vector θ be defined by the softmax function on the linear combination of features: $\phi(s, a)^T \cdot \theta$, i.e.,

$$\pi(s, a; \theta) = \frac{e^{\phi(s, a)^T \cdot \theta}}{\sum_{b \in \mathcal{A}} e^{\phi(s, b)^T \cdot \theta}}$$

- Evaluate the score function $\nabla_{\theta} \log \pi(s, a; \theta)$
- Construct the Action-Value function approximation $Q(s, a; \mathbf{w})$ so that the following key constraint of the Compatible Function Approximation Theorem (for Policy Gradient) is satisfied:

$$\nabla_{\mathbf{w}} Q(s, a; \mathbf{w}) = \nabla_{\theta} \log \pi(s, a; \theta)$$

where \mathbf{w} defines the parameters of the function approximation of the Action-Value function.

- Show that $Q(s, a; \mathbf{w})$ has zero mean for any state s , i.e. show that

$$\mathbb{E}_{\pi}[Q(s, a; \mathbf{w})] \text{ defined as } \sum_{a \in \mathcal{A}} \pi(s, a; \theta) \cdot Q(s, a; \mathbf{w}) = 0 \text{ for all } s \in \mathcal{N}$$