Effective Programming Practices for Economists

Scientific Computing

Choosing optimization algorithms

Janoś Gabler and Hans-Martin von Gaudecker

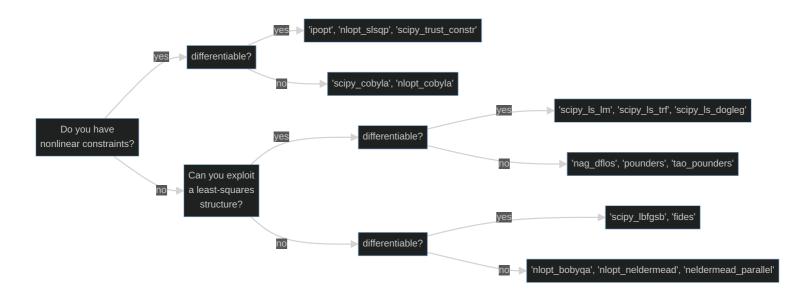
Relevant problem properties

- Smoothness: Differentiable? Kinks? Discontinuities? Stochastic?
- Convexity: Are there local optima?
- Goal: Do you need a global solution? How precise?
- Size: 2 parameters? 10? 100? 1000? More?
- Constraints: Bounds? Linear constraints? Nonlinear constraints?
- Structure: Nonlinear least-squares, Log-likelihood function
- \rightarrow Properties guide selection but experimentation is important
- \rightarrow Always compare multiple algorithms in a criterion plot

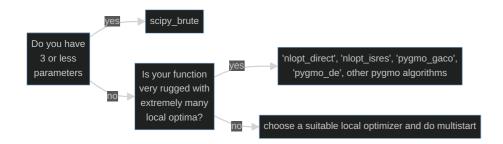
Try to make your problem simpler

- Get derivatives using automatic differentiation (JAX, pytorch)
- Make your function faster
- Make your function more stable
- Try to make your function smooth

Choosing local optimizers



Choosing a global approach



Always refine the result of a global optimizer with a local one