**Homework #4: Blackjack**

# Acknowledgements and Disclaimers

# Problem 1

Generally, the transition probabilities are given by

|  |  |  |  |
| --- | --- | --- | --- |
| **State s** | **Action a** | **End state s’** | **Transition Probability T(s,a,s’)** |
| s | -1 | s-1 | 80% |
| s | -1 | s+1 | 20% |
| s | +1 | s+1 | 30% |
| s | +1 | s-1 | 70% |

## Problem 1a

The general value iteration formula for state s at iteration t is given by

At the iteration t=0, we initialize the value function to be 0, and none of the information about the reward of the end states has propagated to the start state. So there is zero expected value to taking any action, meaning that the optimal value is simply

For any given state, we can either go forward or backward, but the expected reward RE,a for taking any given action a depends on the state we end in:

For the first iteration, we can cancel out the recursive term since all values are initialized to zero, so that we have

For s=-1 we have

For s=0 we have

And for s=1 we have

So that we have

For the second iteration, we repeat the computations and now must include the expected values of the previous iteration with the appropriate discount. However since we have

For s=-1 we have

For s=0 we have

For s=1 we have

So we have (states in **black**, optimum values in **blue):**

The above passes a test of intuition as well, as we have the reward from both end states propagating inward to raise the expected value of state 0, while the states closer to 2 decrease in iteration 2 compared to iteration 1, reflecting the information about the lower reward at end state -2 propagating right.

## Problem 1b

The resulting optimal policy is simply the action leading to the maximum expected reward which is used to determine the optimal value, so that we have

Recall that for this problem, the arguments passed to our optimal value expressions for each state are represented as the expected reward of the forward and backward action:

So that

For convenience, we will refer here to the -1 and +1 actions as backward and forward, respectively. Now we can figure out the maximizing arguments for the optimum value, which in turn constitute the optimum policy.

For s=-1 we have

For s=0 we have

For s=1 we have

Combining the above results in the optimum policy of

# Problem 2

## Problem 2b

If we have an acyclic graph, it means that what we have is essentially a standard dynamic programming problem, the only difference being that “costs” (which in the context of value iteration are interpreted as rewards, but computationally are treated the same) are weighted with the transition probabilities of traveling between any two nodes. To motivate this using the vocabulary of value iteration, an acyclic MDP implies that there is only one direction in the information from the end states propagates to the start, which again is identical to how a “vanilla” DP program is solved (beginning from the end states and traversing backwards acyclically). **Therefore, it follows that an acyclic MDP can be solved using standard dynamic programming and iterating through the states once.**

## Problem 2c

<FINISH> Since the resultant value of the modified problem must be the same as the original problem, we require that the optimal value expression hold for both problems:

Noting that and expanding out the terms, we arrive at the following equations:

From [1] and [2] above, it follows that

Which by substitution into [3] yields

Then for the new state {o} in our modified problem, we must define a transition and reward for this new state. Since we have demonstrated equivalence of optimal value above, it follows that there cannot be any reward at the new state:

# Problem 4

## Problem 4b

When running on smallMDP, out of the 27 total states that are defined for this problem, 22 of them overlap between value iteration and Q-learning while 5 differ. Conversely, when running on largeMDP, the overlap rate drops, with only 17 states being equivalent and 10 differing, i.e. the number of mismatches doubles for the larger MDP.

The reason why we see this drop in performance is because in the largeMDP, we have a larger state-space, i.e. there are more states (combinations of cards) to consider. Since the feature vector we used in these MDP problems is a contrived “identity” feature, the existing approach is tantamount to rote learning. Therefore, **this drop in performance happens with largeMDP because our existing Q-learning algorithm does not generalize – we are simply storing values of Q for every unique state-action pair, which becomes computationally expensive as the state-space grows larger.**