Lecture II - Explore Vs. Exploit

Programming: Everyday Decision-Making Algorithms

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Explore Vs. Exploit

Some definitions...

1. Question: What does “explore” mean?
   - Explore is the gathering of new information.
2. Question: What does “exploit” mean?
   - Exploit is the utilization of already known information to obtain a known result.
3. Question: what is the relationship between both?
   - Explore and exploit are opposing alternatives.

Some examples I

- Clinical trials:
  - Explore: Test new drugs.
  - Exploit: Use existing drugs.
- A/B testing:
  - Explore: Test new website designs.
  - Exploit: Use existing website designs.

Some examples II

- Dating:
  - Explore: Go on a date with someone new.
  - Exploit: Go on a date with someone you already know.
- Social interactions:
  - Explore: Meet new people.
  - Exploit: Spend time with known people.

Everyday decision-making

- Explore: Do we try new things?
- Exploit: Do we stick to our favorite ones?
- Life is a trade-off, a balance:
  - between novelty and tradition.
  - between the latest and the greatest.
  - between explore and exploit.
- Question: What is the optimal balance?
- Scientists have been working on this for over 50 years.

The problem with exploitation

Question: Any ideas what it might be?

- Exploitation is not always the best strategy.
- Especially when you have very limited information.
- When you stop exploring, you might miss better options.
- Imagine you are not able to gather new information and could only choose known alternatives.

The problem with exploration

Question: Any ideas what it might be?

- Exploration is not always the best strategy.
- Especially when you are limited in using new information.
- When you constantly explore, you might never enjoy the fruits of your exploration.
- Imagine you could only eat each meal only once, hear each song only once, talk to each person only once…

The Multi-Armed Bandit Problem

Decision Support

- To provide support, computer scientists formulated the explore-exploit trade-off.
- It is known as the multi-armed bandit problem.
- Question: What is a one-armed bandit?

One Armed Bandit

Photo by Kabir M on Unsplash

The multi-armed bandit problem I

- A gambler is faced with a room of slot machines (one-armed bandits).
- Each slot machine has a different probability of winning.
- Question: What does the scenario have to do with explore vs exploit?

The multi-armed bandit problem II

- By playing a slot machine, the gambler can gather information about the probability of winning.
- But each pull of a lever comes with a certain cost.
- It's the aim of the gambler to maximize his winnings.

The multi-armed bandit problem III

- Consider the following scenario:
  - You already pulled the lever of two machines.
  - Machine A: 15 pulls, 9 wins.
  - Machine B: 2 pulls, 1 win.
- Question: Which machine should you play next?

Expected value as a decision criterion

- The expected value of a slot machine is the average number of wins per pull.
- Expected value of machine A = E(A) = 9/15 = 0.6
- Expected value of machine B = E(B) = 1/2 = 0.5
- Machine A has the higher expected value.
- But 2 and even 15 pulls are not a large number (considering standard deviation).

The multi-armed bandit problem IV

- The multi-armed bandit problem represents a lot of different real-world decisions.
- It shows us, that there might be a difference between the optimal long-term average performance and the optimal immediate performance.
- Which lever to pull next depends completely on something we haven't discussed yet:

The multi-armed bandit problem V

- How long you plan to be in the casino?
- Question: Why is this important?
- Question: How does this influence our decision on taking machine A or machine B?

. . .

> "I'm more likely to try a new restaurant when I move to a city than when I'm leaving it" (Chris Stucchio)

The influence of the interval

- Let's call the time you plan to be in the casino "the interval".
- The longer the interval, the more (in general) you should explore, since you will have more opportunities to exploit the gathered information.
- The shorter the interval, the more you should exploit your current knowledge.
- The optimal strategy depends on the length of the interval.

Interval and Exploration

- Explore when you have the time to use the resulting knowledge.

. . .

> "I moved to Pune, India, and I just [...] eat everywhere that didn't look like it was gonna kill me" (Chris Stucchio)

Interval and Exploitation

- Exploit when you are ready to cash in.

. . .

> "And as I was leaving the city I went back to all my old favorites, rather than trying out new stuff [...]. Even if I find a slightly better place, I'm only going to go there once or twice, so why take the risk?" (Chris Stucchio)

Exploration and Exploitation

Exploration

Photo by Colin Maynard on Unsplash

Exploitation

Photo by Cristina Gottardi on Unsplash

Reverse Engineering

- Derivation of the interval by observing the strategy
- Among the the ten highest-grossing movies, how many were sequels?
  - 1981: 2
  - 1991: 3
  - 2001: 5
  - 2011: 8
- Question: Do you have an explanation for the trend?

Sequels...

Photo by Universal Pictures on Wikipedia

Reverse Engineering: A possible explanation

- Making a brand new movie is risky but has the potential to create a new fan base. (explore)
- From a Studio's perspective, a sequel is a movie with a guaranteed fan base, a cash cow, a sure thing, an exploit.
- One possible explanation for the numbers is that the studios think they are approaching the end of their interval.
- They are pulling the arms of the best machines they've got before the casino turns them out.

The multi-armed bandit problem VI

- While the so far provided anecdotes are helping us to understand the explore-exploit trade-off, they are far away from beeing a satisfying "optimal" solution.
- Actually, finding an algorithm that tells us exactly how to to handle the trade-off is a very hard problem.
- On the way there were many interesting approaches...

Win-Stay Lose-Shift

Win-Stay Lose-Shift[1]

- Question: What do you think, what the win-stay lose-shift strategy does?
- The win-stay lose-shift strategy is a simple strategy that is often used in multi-armed bandit problems.

[1]For more details see Robbins, H. (1952) 'Some aspects of the sequential design of experiments', Bulletin of the American Mathematical Society, 58.

- It is based on the idea that if you have won, you should stay with the same machine.
- If you have lost, you should switch to a different machine.
- This strategy is not always the best strategy, but it is simple and proven better than choose an arm at random.

Win-Stay is a no brainer

- Question: What do you think about win-stay?
- If you decide to pull an arm and you win, you should pull the same arm again.
- Nothing changes, except the attractiveness of the arm you just pulled is higher.

Lose-Shift is another story

- Question: What do you think about lose-shift?
- Changing arms each time you lose might be a prety rush move.
- Imagine you're eating at your favorite restaurant for the tenth time in a row.
- You have always been very satisfied (win), but today you are disappointed (loose).
- Should you turn your back on the restaurant?

Like most of the time, easy answers comes with problems

- The win-stay lose-shift strategy penalizes losses too much.
- The strategy does not take into account the interval.
- But the strategy was good start to develop better approaches.

The Bellman Approach

The Bellman approach I

- Few years later, Richard Bellman, found an exact solution to the problem for all cases with finite and known intervals.
- Bellman found that under the given assumptions, exploit vs explore can be formulated as an optimal stopping problem.
- Where the question is, when to stop exploring and start exploiting.
- The solution is based on dynamic programming and backward calculation starting from the final pull (analogous to the secretary problem with full information).

The Bellman approach II

- Bellman found that the following equation provides the optimal strategy (when the assumptions hold):

$$\mathbb{E}[B] = \frac{w+1}{w+l+2}$$

- where w is the number of wins and l is the number of loses.

Question time

$$\mathbb{E}[B] = \frac{w+1}{w+l+2}$$

- Question: What is E[B]?
- Question: What is E[A]?
- Question: What machine shall we play according to the Bellman approach?

The Bellman approach III

The following table shows the expected value for different win-lose scenarios.

Loses/Wins	1	2	3	4	5	6	7	8	9	10
1	0.50	0.60	0.67	0.71	0.75	0.78	0.80	0.82	0.83	0.85
2	0.40	0.50	0.57	0.63	0.67	0.70	0.73	0.75	0.77	0.79
3	0.33	0.43	0.50	0.56	0.60	0.64	0.67	0.69	0.71	0.73
4	0.29	0.38	0.44	0.50	0.55	0.58	0.62	0.64	0.67	0.69
5	0.25	0.33	0.40	0.45	0.50	0.54	0.57	0.60	0.63	0.65
6	0.22	0.30	0.36	0.42	0.46	0.50	0.53	0.56	0.59	0.61
7	0.20	0.27	0.33	0.38	0.43	0.47	0.50	0.53	0.56	0.58
8	0.18	0.25	0.31	0.36	0.40	0.44	0.47	0.50	0.53	0.55
9	0.17	0.23	0.29	0.33	0.38	0.41	0.44	0.47	0.50	0.52
10	0.15	0.21	0.27	0.31	0.35	0.39	0.42	0.45	0.48	0.50

The Bellman approach IV

- The calculation of the optimal strategy is very extensive when there are many arms and a long interval.
- And yet the approach does not help us in many scenarios because we do not know the exact length of the interval (time in the casino).
- At this point, it looked like the multi-armed bandit problem would remain a problem without a solution.

The Gittins Index

The Gittins Index I[2]

- In the 1970s Unilever asked a young mathematician, John Gittins, to help optimize their drug trials.
- Given different compounds, what is the quickest way to determine which is likely to be effective?
- Gittins found an optimal strategy and abstracted the problem to a general level.
- He found the solution to the multi-armed bandit problem.

[2]Gittins, J. (1979) 'Bandit Processes and Dynamic Allocation Indices', Journal of the Royal Statistical Society. Series B (Methodological).

The Gittins Index II

- A major problem with the multi-armed banded problem is that previous solutions made very critical assumptions about the underlying interval.
- For example, that the length of the interval is known at the beginning of the analysis.
- Gittins developed a charming solution to this problem. In his approach, future wins (e.g., cash flows) are discounted so that any interval length (including infinity) can be considered[3].

Reality check: Discounting I

- Does discounting future wins make sense?
- Question: Does discounting money wins make sense?
- Regarding monetary wins, it does. For example, due to interest rates and opportunity costs.

Reality check: Discounting II

- Does discounting future wins make sense?
- Question: Does discounting non-monetary wins make sense?
- Regarding non-monetary wins, it is more difficult to justify.
- But its not counterintuitive.
- What is more important to you today, tonight's dinner, or ceteris paribus the dinner in a week's time?

The Gittins Index III

- The Gittins index can be used for any problems of the form of the multi-armed bandit problem.
- That means it solves the explore-exploit trade-off.
- Let's consider our machine A and B example one last time.
  - Machine A: 15 pulls, 9 wins, 6 loses.
  - Machine B: 2 pulls, 1 win, 1 lose.

The Gittins Index IV

Loses/Wins	0	1	2	3	4	5	6	7	8	9
0	.7029	.8001	.8452	.8723	.8905	.9039	.9141	.9221	.9287	.9342
1	.5001	.6346	.7072	.7539	.7869	.8115	.8307	.8461	.8588	.8695
2	.3796	.5163	.6010	.6579	.6996	.7318	.7573	.7782	.7956	.8103
3	.3021	.4342	.5184	.5809	.6276	.6642	.6940	.7187	.7396	.7573
4	.2488	.3720	.4561	.5179	.5676	.6071	.6395	.6666	.6899	.7101
5	.2103	.3245	.4058	.4677	.5168	.5581	.5923	.6212	.6461	.6677
6	.1815	.2871	.3647	.4257	.4748	.5156	.5510	.5811	.6071	.6300

[3]Gittins makes a geometric discounting assumption, but the approach can be extended to other discounting assumptions.

Loses/Wins	0	1	2	3	4	5	6	7	8	9
7	.1591	.2569	.3308	.3900	.4387	.4795	.5144	.5454	.5723	.5960
8	.1413	.2323	.3025	.3595	.4073	.4479	.4828	.5134	.5409	.5652
9	.1269	.2116	.2784	.3332	.3799	.4200	.4548	.4853	.5125	.5373

Question: Choose machine A or B according to the Gittins index?

- The index for machine B (0.6346) is higher than for machine A (0.6300).
- The index shows a clear win-stay pattern.
- There is a relaxed lose-shift pattern.
- At the (0,0) point we see the exploration bonus (premium).
- The index converges to 1/2 for a 50/50 chance game.

The Gittins Index V

- The problem with the Gittins index is that it is very difficult to calculate.
- See the following equation:

$$G_i(s_i, f_i) := \sup_{\tau \geq 1} \frac{\mathbb{E}\left[\sum_{t=0}^{\tau-1} \beta^t \cdot r_i^t \,\middle|\, s_i, f_i\right]}{\mathbb{E}\left[\sum_{t=0}^{\tau-1} \beta^t\right]}$$

- Where $G_i(s_i, f_i)$ is the Gittins index for machine i, s_i is the number of wins, f_i is the number of losses, β is the discount factor, and r_i^t is the reward for machine i at time t.

Explore vs Exploit: Summary

Explore vs Exploit: Summary

- Consider an explore vs exploit decision situation.
- As you learned exploiting comes with a known (expected) outcome for example E(A) = 0.6
- Exploring comes with an unknown outcome E(B) = ?
- What should you do according to decision science?

Explore vs Exploit: Anecdotally

- If you have a long interval, you should explore, choose B untill you are sure about E(B).
- If you have a short interval, you should exploit, choose A.

Explore vs Exploit: Mathematically

- If E(A) and E(B) are known, choose higher expected value.
- If E(B) is unknown, but you know the length of the interval, the Bellman-approach provides the optimal strategy.
- If E(B) is unknown, and you do not know the length of the interval, the Gittins index provides the optimal strategy.

Explore vs Exploit: Key Takeaways

> "The grass is always greener on the other side of the fence."

- The math tells us why:
- Exploration in it self has a value, since trying new things increases our chance of finding the best.
- Your todays takeaway from the lecture should be: Be sensitive to how much time you have left in the casino and explore, explore, explore…

Literature

Interesting literature to start

- Christian, B., & Griffiths, T. (2016). Algorithms to live by: the computer science of human decisions. First international edition. New York, Henry Holt and Company.[4]
- Ferguson, T.S. (1989) 'Who solved the secretary problem?', Statistical Science, 4(3). doi:10.1214/ss/1177012493.

Books on Programming

- Downey, A. B. (2024). Think Python: How to think like a computer scientist (Third edition). O'Reilly. Here
- Elter, S. (2021). Schrödinger programmiert Python: Das etwas andere Fachbuch (1. Auflage). Rheinwerk Verlag.

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> **i** Note
>
> Think Python is a great book to start with. It's available online for free. Schrödinger Programmiert Python is a great alternative for German students, as it is a very playful introduction to programming with lots of examples.

More Literature

For more interesting literature, take a look at the literature list of this course.

[4] The main inspiration for this lecture. Nils and I have read it and discussed it in depth, always wanting to translate it into a course.