

# Probability Simulations

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February 19, 2023

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# Introduction

Simulations are an excellent way of understanding probability, especially, the behavior of processes of long duration. The programs enable the user to perform experiments by varying the parameters of problems interactively and analyzing the results, both printed and displayed in graphs. A level of knowledge of probability equivalent to the first few chapters of [2] or [6] is assumed.

The simulations are of processes known as *Markov chains*, where the next state of the system depends only on the current state and not on the history of how the process got to the current state. These problems appear in probability textbooks [2, 6] and in much greater detail in [1, 3, 4, 5].

Section 1 presents the *Gambler's ruin problem* while Section 2 presents *Random walk*.

## Technical notes

The programs are written in the Python 3 language and use the `matplotlib` library to generate the graphs. Parameters directly related to the problems, such as the probability of success, can be modified interactively. Others, related to the simulation, such as the number of steps in a simulation, are defined in a module `configuration.py` containing just declarations of values that are easy to modify.

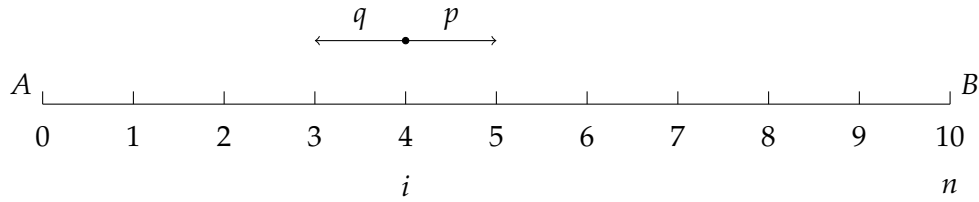
You need to install the Python (<https://www.python.org/downloads/>) although a knowledge of Python programming is not necessary.

To run in the IDLE or Thonny environments, change the configuration constant `CLOSE` to `True`. When the simulation is run multiple times, you will have to close each figure before running a new simulation. This is not necessary if the programs are run in Visual Studio Code or from the command line.

# 1 Gambler's Ruin

**Problem** Two players  $A$  and  $B$  compete in a contest. There is an initial finite capital of  $n$  units:  $A$  has  $i$  and  $B$  has  $n - i$ . They repeatedly play a game where the probability that  $A$  wins is  $p$  and the probability that  $B$  wins is  $q = 1 - p$ . The loser gives one unit to the winner. When one player has all  $n$  units the contest is terminated and that player is declared the winner.

1. Given initial parameters  $(p, n, i)$ , what is the probability that  $A$  wins?
2. What is the expected duration of the game?



The most extensive presentation the gambler's ruin is in [5, Chapter 2] which includes the solution to the expected duration of the contest. Note that Privault asks for the probability that  $A$  is ruined, that is, that  $B$  wins. I follow other references which ask for  $A$ 's probability of winning.

## 1.1 Theoretical results

Given  $(p, n, i)$  the probability that  $A$  wins the contest is:

$$P_A(p, n, i) = \left( \frac{1 - r^i}{1 - r^n} \right),$$

where  $r = q/p$ . By symmetry, the probability that  $B$  wins is:

$$P_B(p, n, i) = \left( \frac{1 - (1/r)^{n-i}}{1 - (1/r)^n} \right).$$

There are separate solutions for  $p \neq 1/2$  and  $p = 1/2$ . For  $p \neq 1/2$  the expected duration of the contest is:

$$E_{duration}(p, n, i) = \frac{1}{q - p} \left( i - n \frac{1 - r^i}{1 - r^n} \right).$$

For  $p = 1/2$  the expected duration of the contest is:

$$E_{duration}(p, n, i) = i(n - 1).$$

Of course the duration does not depend on which player wins. If  $A$  wins, the contest terminates for  $B$  also, and conversely.

## 1.2 Program structure

`configuration.py` contains declarations of variables which are intended to be constant.  
`gambler_plot.py` contains the functions for plotting the histogram of the durations of all the runs of the simulation. If the simulations are run for multiple probabilities or initial values, a graph of the proportion of wins is also displayed.

`gamblers_ruin.py` is the main program which obtains the parameters, runs the simulations, prints the output and calls the plotting functions.

## 1.3 Running the simulations

The program asking the user how to run the simulations and then runs them in a loop. You can run the same simulation again with the saved parameters, enter new parameters, or run a sequence of simulations for a range of probabilities or initial values. A typical output for 10000 simulations is:

```
Probability = 0.45, capital = 20, initial = 8
Wins = 789, losses = 9211, limits exceeded = 0
Proportion of wins      = 0.0789
Probability of winning = 0.0732
Average duration  = 65
Expected duration = 65
```

A graph of the proportion of wins and the histogram of the durations are shown in Figures 1, 2. The vertical lines are the average durations.

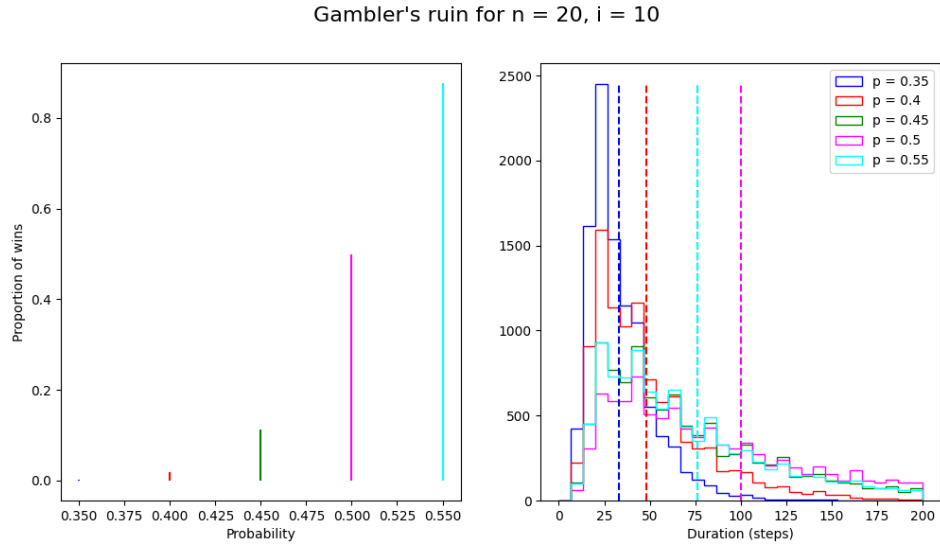


Figure 1: Proportion of wins and histogram for  $n = 20, i = 10$  and multiple probabilities

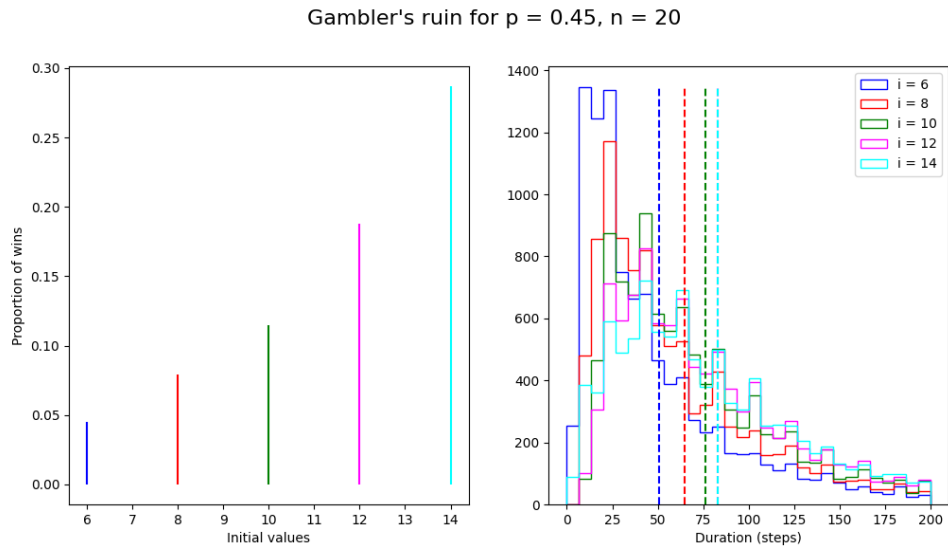
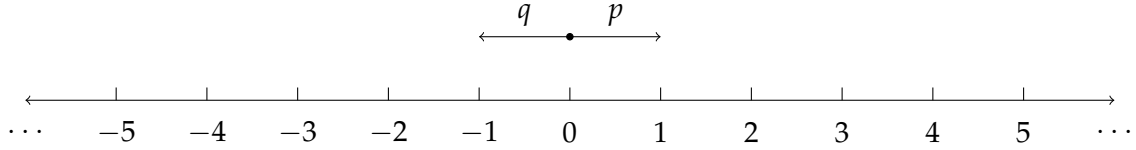


Figure 2: Proportion of wins and histogram for  $p = 0.45, n = 20$  and multiple initial values

## 2 Random Walk

**Problem** A particle is placed at the origin of the  $x$ -axis. It repeatedly takes steps: right with probability  $p$  and left with probability  $q = 1 - p$ .

1. What is the probability that the particle will return to the origin?
2. What is the expected duration until the particle returns to the origin?



The clearest presentation of one-dimensional random walk is in [3], but the derivation of the expected duration is in [5].

### 2.1 Theoretical results

By symmetry let the first step be to the right.<sup>1</sup> The particle can only return to the origin after an even number of steps. Assume that  $p = 1/2$ . Let  $S_{2m}$  be the position of the particle after  $2m$  steps. Then:

$$P(S_{2m} = 0) = \binom{2m}{m} \frac{1}{2^{2m}},$$

which by Stirling's formula is:

$$P(S_{2m} = 0) \approx \frac{1}{\sqrt{\pi m}}.$$

It can now be proved that the probability of a return to the origin is 1.

For  $p \leq 1/2$ ,  $P_{origin}$ , the probability of a return to the origin, is 1 and for  $p \geq 1/2$  the probability is (Figure 3):

$$P_{origin} = \frac{q}{p} = \frac{1-p}{p}.$$

$E_{origin}$ , the expected duration until the first return to the origin, is infinite for  $p \geq 1/2$  while for  $p < 1/2$  it is:

$$E_{origin} = \frac{1}{q-p} = \frac{1}{1-2p}.$$

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<sup>1</sup>This is equivalent to a first step to the left if  $p$  and  $q$  are exchanged.

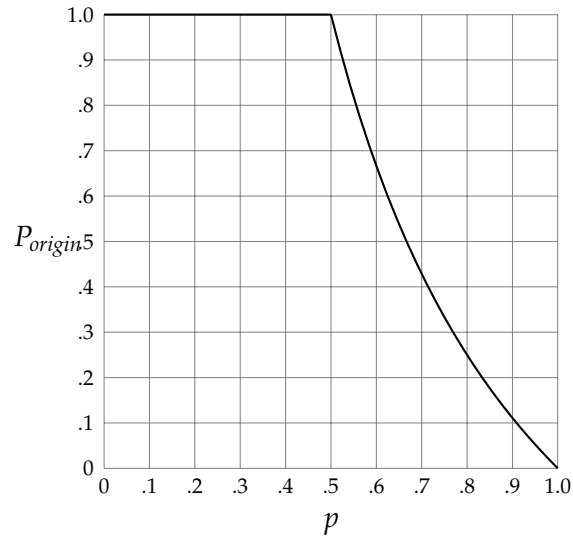


Figure 3: Graph of  $P_{origin}$

## 2.2 Program structure

`configuration.py` contains declarations of variables which are intended to be constant.

`random_walk_plot.py` contains the functions for plotting a graph of the proportion of simulations that return to the origin and the mean durations if the simulation is run for multiple probabilities or limits.

`random_walk.py` is the main program which obtains the parameters, runs the simulations, prints the output and calls the plotting functions.

## 2.3 Running the simulations

The program asking the user how to run the simulations and then runs them in a loop. You can run the same simulation again with the saved parameters, enter new parameters, or run a sequence of simulations for a range of probabilities or limits. A typical output is:

```

Probability = 0.50, step limit    = 1000
Proportion returning to origin   = 0.977
Probability of return to origin  = 1.000
Proportion reaching limit       = 0.023
Mean duration (steps)           = 49
Expected duration (steps)       = infinity

```

The proportion of wins in the simulation are very close to the theoretical probability, but the mean duration is far from infinite because the step limit was too small. The proportion of wins and the mean durations are shown in Figures 4 and 5.



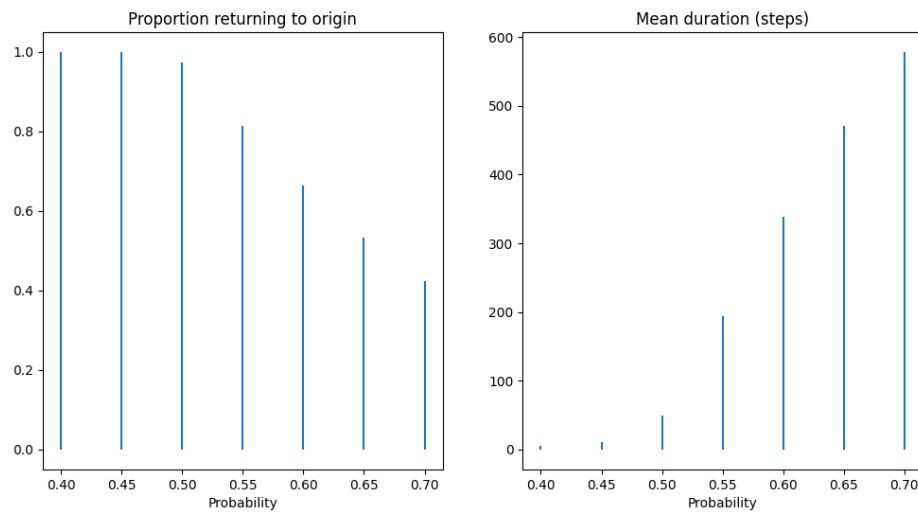


Figure 4: Proportion of wins and and mean durations for multiple probabilities

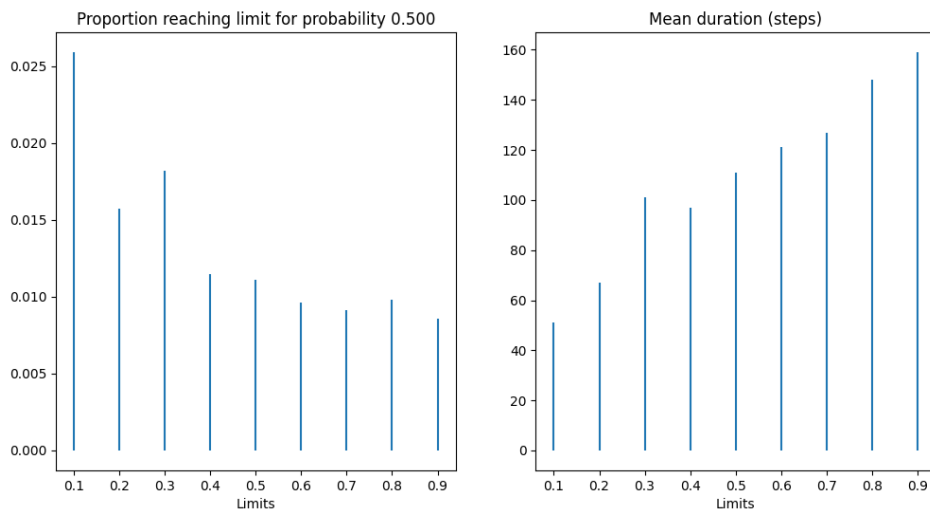


Figure 5: Proportion of wins and and mean durations for multiple limits

## References

- [1] Moti Ben-Ari. Mosteller's challenging problems in probability. <https://github.com/motib/probability-mosteller>, 2022.
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