A Practical Robustness Measure of Incentive Mechanisms

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ABSTRACT

In this abstract, we propose a general robustness definition for a desired equilibrium and a practical robustness measure against a non-equilibrium strategy, inspired by the studies of evolutionary game theory. We also propose a framework to quantitatively evaluate the robustness, and provide theoretical analysis of the framework.

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I.2.11 [ARTIFICIAL INTELLIGENCE]: Distributed Artificial Intelligence-Intelligent agents, Multiagent systems

General Terms
Experimentation, Performance

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Mechanism Design, Bounded Rational Agents, Robustness

1. INTRODUCTION

Game theory provides a powerful theoretical framework to analyze strategic interactions where the payoff of a player depends on its strategy and those of others. Incentive mechanisms, based on game theoretical analysis, have been designed to promote the desired equilibriumpayoff of the mutant invaders in population $i$.

$$R = \max_{\epsilon \in [0,1]} u(x_i, x_{-i}, y, x'_i) = \sum_{j=1}^{m_i} x_i(j) u_i(s'_i, x'_i)$$

1. *For ease of analysis, we consider a single desired equilibrium of a mechanism. It can be extended to handle multiple equilibria.*
First, the size of the population corresponding to each player position is assumed to be infinite in the definition so as to model all possible mixed strategies of the player. The payoff of a population is thus difficult to calculate through aggregating all the individuals’ utilities. Second, the strategy of the mutants $y \neq x$ is continuous and it may be impossible to verify Equation (1) for all $y \in \Theta$. Moreover, the size of players $I$ in a realistic game could be very large, making the robustness measure computationally prohibitive. Given the difficulty of formally analyzing the robustness of incentive mechanisms, we consider only finite populations to be able to realistically measure the robustness of these incentive mechanisms.

Moreover, the mutants or invaders in a realistic mechanism always attack the mechanism using several mature techniques or strategies, e.g., constant attack and whitewashing attack in reputation systems [2]. It is also observed that these attacks are typically conducted by a single player. Thus, it is practical to measure the robustness of an incentive mechanism against representative types (and their combinations) of mutants in a single population.

We note that the robustness measure in Definition 1 is a static concept. A mechanism is always implemented in real time and players could dynamically adjust their strategies as time goes on, which could be modeled by the well-known replicator dynamics (RD) [4] model for capturing long-range evolutionary dynamics with natural selection forces. If agents using the desired equilibrium strategy could achieve higher payoff (fitness) in a population, then they are more likely to reproduce and produce offsprings which use the same strategy (replicator) and eventually through this process the strategy distribution of the population will converge to a stable equilibrium profile.

Figure 1: Evaluating Robustness based on Replicator Dynamics

We now propose an evolutionary dynamics based practical robustness measure that evaluates the robustness of an equilibrium against any specific non-equilibrium strategy (Figure 1). In this approach, agents adopting non-equilibrium strategy $y_k \neq x_k$ are gradually added to the original rational population (population without mutants) and the resultant populations repeatedly interacts under the mechanism. The strategy distribution of the rational populations evolves through RD until convergence. Successively more mutants are added until the population converges to distribution different from the desired equilibrium.

**Definition 2.** [Robustness against a non-equilibrium strategy]
The robustness of an incentive mechanism $M$, with desired equilibrium strategy profile $x$, against a non-equilibrium strategy $y_k$, used by bounded-rational invaders, is

$$R(M, y_k) = \frac{N}{N + M}$$

where $M$ is the finite population size for each player position and $N$ is the maximum number of bounded rational invaders such that the converged strategy profile, under RD, does not deviate from the desired equilibrium.

We assume that each player position has the same population size and the robustness of an incentive mechanism is a function of the population size and the non-equilibrium strategy.

However, there are still two challenges imposed on theoretically evaluating the robustness of a realistic incentive mechanism: (1) the strategy $y_k$ launched by bounded rational agents may be too complex to be theoretically modeled; (2) the settings of incentive mechanisms may be too complex to be theoretically abstracted.

## 3. Evaluation Framework

Therefore, based on the practical robustness measure defined in Definition 2, we have proposed a simulation based framework in [3] to quantitatively evaluate the robustness of an incentive mechanism against a non-equilibrium strategy. In this framework, we gradually add agents taking a specific non-equilibrium strategy and let the populations evolve over time to observe the converged strategy profile. We stop inserting more agents when the equilibrium strategies are abandoned by the rational populations in the converged population profile after a sufficiently large number of evolutionary dynamics steps with a small probability $\varepsilon$. Regarding the parameter $\varepsilon$, we study its effects in measuring the robustness value in the evaluation framework.

**Proposition 1.** There exists $\varepsilon = G(M)$ where $\frac{G(M)}{4M} < 0$ such that the evaluated robustness of a mechanism is independent of the population size $M$.

**Proposition 2.** When $\varepsilon = \varepsilon_0$ is a constant, the robustness of a mechanism increases with the population size $M$ where $M > \frac{1}{\varepsilon_0} + 1$, and finally converges at a value when the agents of a population taking a non-equilibrium strategy can achieve $\frac{\varepsilon_0}{1 - \varepsilon_0}$ times payoff more than that of the desired equilibrium strategy.

We have shown that the robustness of an incentive mechanism measured in the evaluation framework is an increasing function of the population size and is lower bounded, provided that $\varepsilon$ is a constant. As $\varepsilon$ is set to be very large (e.g., 1), then the framework would allow the non-equilibrium to achieve $\frac{\varepsilon_0}{1 - \varepsilon_0} \rightarrow +\infty$ times payoff than the equilibrium strategy when the population is large. To avoid this impractical phenomenon, in the simulations of [3], we thus set $\varepsilon = 0.05$ and gradually increase the population size until the robustness value converges.

## 4. Conclusion and Future Work

In this abstract, we have proposed formal definitions of a robustness measure for incentive mechanisms in the presence of bounded rational players. In Future work, the evaluation framework [3] will be extended to search for the worst non-equilibrium strategy, and also study the robustness of incentive mechanisms when rational players form coalitions to take cooperative strategies.

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## 6. References


