CS378
Autonomous Multiagent Systems
Spring 2004

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Week 13b: Thursday, April 22nd

Good Afternoon, Colleagues

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- Why does open bidding reduce winner's curse? (?)
- How do royalties reduce risk?

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- Why does open bidding reduce winner's curse? (?)
- How do royalties reduce risk?
- 2 or 8 hotels in TAC? Why bidding?
- Open/close loop?
- Entertainment ticket distribution change?

Logistics

- Next week's classes

Logistics

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- Keep working on your project!

Spectrum licenses

- Worth **a lot**
- But how much to whom?
- Used to be assigned
  - took too long
- Switched to lotteries
  - too random
  - clear that lots of value given away

So decided to auction

Goals of mechanism

- Efficient allocation (assign to whom it's worth the most)
- Promote deployment of new technologies
- Prevent monopoly (or close)
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Revenue an afterthought (but important in end)

Choices

- Which basic auction format?
- Sequential or simultaneous auctions?
- Combinatorial bids allowed?
- How to encourage designated companies?
- Up front payments or royalties?
- Reserve prices?
- How much information public?

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Any oversight in auction design can have harmful repercussions, as bidders can be counted on to seek ways to outfox the mechanism.

License interactions

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- Secondary market might allow for *some* corrections
  - Likely to be thin
  - High transaction costs

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Used laboratory experiments too

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  - Circumvented!

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Went with activity rules

Combinatorial Bids

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- Full combinatorial bidding too complex
  - Winner determination problem
  - Active research area

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Reserve Prices

- Not necessary in such a competitive market
- Did include withdrawal penalties

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- Lessons to be learned via agent-based experiments

Class Discussion

David Barksdale on strategic demand reduction

Trading Agent Competition

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- **Auctions** for flights, hotels, entertainment tickets
  - **Server** maintains markets, sends prices to agents
  - Agent sends bids to server **over network**

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- Random auction closes minutes 4 – 11

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Entertainment: Wrestling/Museum/Park days 1-4 (12)

- Continuous double auction; initial endowments; quote is bid-ask spread; resale allowed

Client Preferences and Utility

Preferences: randomly generated per client

- Ideal arrival, departure days
- Good Hotel Value
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Score: Sum of client utilities – expenditures

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$$v(G) \equiv \text{utility of } G - \text{cost of needed goods}$$

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$\boxed{\text{Prices known} \Rightarrow G^* \text{ known} \Rightarrow \text{optimal bids known}}$

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- Learn model of expected hotel price

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Goal: analytically calculate optimal bids

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- **Features:**
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New algorithm for conditional density estimation

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- Value of ith copy is avg($V_i - V_{i-1}$)

Other Uses of Sampling

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Entertainment: Bid more (ask less) than expected value of having one more (fewer) ticket

Finals

Team	Avg.	Adj.	Institution
ATTac	3622	4154	AT&T
livingagents	3670	4094	Living Systems (Germ.)
whitebear	3513	3931	Cornell
Urlaub01	3421	3909	Penn State
Retsina	3352	3812	CMU
CaiserSose	3074	3766	Essex (UK)
Southampton	3253*	3679	Southampton (UK)
TacsMan	2859	3338	Stanford

- ATTac improves over time
- livingagents is an open-loop strategy

Controlled Experiments

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- *EarlyBidder*: motivated by TAC-01 entry livingagents
  - Immediately bids high for G^* (with *SimpleMean*$_{ns}$)
  - Goes to sleep

Stability

- 7 *EarlyBidder*'s with 1 *ATTac*

Agent	Score	Utility
ATTac	2431 ± 464	8909 ± 264
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EarlyBidder gets more utility; *ATTac* pays less

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Agent	*Relative Score*	
	Phase I	*Phase III*
ATTac$_{ns}$	105.2 ± 49.5 (2)	166.2 ± 20.8 (1)
ATTac$_{s}$	27.8 ± 42.1 (3)	122.3 ± 19.4 (2)
EarlyBidder	140.3 ± 38.6 (1)	117.0 ± 18.0 (3)
SimpleMean$_{ns}$	-28.8 ± 45.1 (5)	-11.5 ± 21.7 (4)
SimpleMean$_{s}$	-72.0 ± 47.5 (7)	-44.1 ± 18.2 (5)
ConditionalMean$_{ns}$	8.6 ± 41.2 (4)	-60.1 ± 19.7 (6)
ConditionalMean$_{s}$	-147.5 ± 35.6 (8)	-91.1 ± 17.6 (7)
CurrentPrice	-33.7 ± 52.4 (6)	-198.8 ± 26.0 (8)

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- Other complex rules

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It's a poker game!

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  - goals based on published data

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- modeled 5 most important bidders
  - others served mainly to raise prices (small bidders)
  - lower valuations (75% $\rightarrow$ pessimistic)

Bidding Strategies

- Considering self only: Knapsack
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  - explicit communication not allowed. . .

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  - convention: unlucky bidders may take licences until fair
- Small bidders take licences from owners
  - big bidders remember licence's owner
  - allocate while small bidders active

RSDR vs. Knapsack

Method	*Agent*	*Profit ($M)*	*Ratio*	*Cost*
Knapsack	1	980 (± 170)	1.00	.82
	2	650 (± 85)	1.00	.82
	3	830 (± 91)	1.00	.84
	4	170 (± 20)	1.00	.84
	5	550 (± 96)	1.00	.86
PRSDR	1	1240 (± 210)	1.26	.76
	2	820 (± 83)	1.25	.77
	3	1300 (± 290)	1.58	.74
	4	300 (± 44)	1.78	.79
	5	930 (± 240)	1.68	.76

44% more profit; avg. ratio 1.51

Robustness

- What if someone cheats?
  - cheat: defect back to knapsack
  - others stay out of its way ⇒ big win
- Solution: Punishing RSDR (PRSDR)
  - cheaters may not own licences
  - recall: non-cheaters take licence from owner = fairing
  - convention: cheater takes your licence ⇒ take it back
    - take it back first while still have money
    - aggressively punitive: skips optimizers

Simplification: pointing out cheaters by hand

PRSDR Results

Method	*Ratio*	*Cost*
Knapsack	1.00	.84
(P)RSDR	1.51	.76
RSDR Cheater	1.63	.76
RSDR Victims	1.22	.79
PRSDR Cheater	1.02	.83
PRSDR Enforcers	1.17	.81

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Threats work!

Extensions

- Change small bidder valuations
  - test robustness
  - RSDR is optimal for preserving profit
- Multiple cheaters
  - current punishment too aggressive
  - collapse back to knapsack instead

Extentions

Method	*Ratio*	*Local Ratio*	*Cost*
Multiple Cheater	1.03		.84
Multiple Enforcer	1.01		.83

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Method	*Ratio*	*Local Ratio*	*Cost*
Multiple Cheater	1.03		.84
Multiple Enforcer	1.01		.83
50%, Knapsack	1.70	1.00	.74
50%, PRSDR	3.42	2.02	.51
75%, Knapsack	1.00	1.00	.84
75%, PRSDR	1.51	1.51	.76
85%, Knapsack	0.68	1.00	.89
85%, PRSDR	0.81	1.19	.87

Future Work

- Robustness enhancements
  - better punishment method
- More complex value functions
  - inter-market dependencies
- Automatic cheater detection
  - partial cheating vs. detection arms race
  - smack back into compliance
- Generalization to other auctions
  - more robust to tie-breaking procedure variations

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- Communication-free coordination
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- Communication-free coordination
- Enables much higher profits
- Works even uncertain knowledge
- Real-world functionality relies on simple assumptions:
  - bidders want more profit
  - bidders familiar with PRSDR and its benefits
  - bidders willing to try it risk-free

Last-minute bidding (R,O, 2001)

– eBay: first-price, ascending auction
– Amazon: auction extended if bid in last 10 minutes
– eBay: bots exist to incrementally raise your bid to a maximum

- Still people *snipe*. Why?
  – There's a risk that the bid might not make it
  – However, common-value $\Longrightarrow$ bid conveys info
  – Late-bidding can be seen as implicit collusion
  – Or . . . , lazy, unaware, etc. (Amazon and eBay)

- Finding: more late-bidding on eBay,
  – even more on antiques rather than computers

Small design-difference matters

Late Bidding as Best Response

- Good vs. incremental bidders
  - They start bidding low, plan to respond
  - Doesn't give them time to respond
- Good vs. other snipers
  - Implicit collusion
  - Both bid low, chance that one bid doesn't get in
- Good in common-value case
  - protects information

Overall, the analysis of multiple bids supports the hypothesis that last-minute bidding arises at least in part as a response by sophisticated bidders to unsophisticated incremental bidding.