Incentive compatible experiment design

presented by
Panos Toulis ptoulis@fas.harvard.edu

Joint work with DC Parkes (Harvard), E Pfeffer (Pursway),
J Zou (MSR), G Gildor (Pursway)

October 10, 2014
Experiment design
Assignment of treatment to avoid bias and minimize random errors

Y=5

Y=25
Experiment design

...introducing incentives
Experiment design

...introducing incentives may alter the experiment outcomes
Problem: Strategic behavior by agents interferes with the experiment.

Typical experiment design wishes to avoid systematic biases and the impact of random errors.

The goal of incentive compatible experiment design is to design an experiment in a way to elicit “natural actions” from the agents i.e., the actions that agents would take in the absence of competition.
A company (experimenter) wishes to target a population with a new product through a marketing campaign. The initial target set is called the seed set.

Two viral marketing companies (agents) claim knowledge of a hidden social network so as to better choose the seed set and maximize product adoption.

Our research question is the following: “How to design an experiment that will decide which agent is better able to pick a seed set so as to maximize product adoption?”
The ideal experiment

- Ideally, the experimenter wants to test the two agents on two disjoint but otherwise identical populations.
- This is hard to achieve because
  - (a) may be impossible to split the target population into two halves having no interactions between them,
  - (b) the experimenter is unaware of the factors that are important to pick two identical (or even balanced) populations,
  - (c) geography-specific, or other events (e.g. sports) that could affect the outcome are hard to control for.
Influence model

- Each seed set is associated with a parameter $\lambda$ which is the rate of edges originating from that set to the rest of the network.
- Each customer $i (= \text{node in test set})$ has $n_i = \# \text{incoming edges}$.
- The outcome $Y_i \in \{0, 1\}$ depends on $n_i$ i.e., the actual $\# \text{incoming edges}$ to node $i$.
- The quality $p_j$ of the agent $j$ is a parameter that identifies those edges with noise (e.g., $N_{ij} \sim Binomial(n_i, p_j)$).

Implications:

(a) Better agents can pick seed sets with higher intensities $\lambda$.
(b) Higher rates $\lambda$ mean higher product adoption $Y_i$.
(c) Better agent quality $p_j$ means better prediction of outcomes.
(d) Action space when agent $j$ picks a seed is $(\lambda_{j1}, \lambda_{j2}) \in \mathbb{R}^2_+$. 
Experiment designs

We consider the following operational constraints for all designs.

1. **Pick seed set.** Either the experimenter or the agents pick the seed set(s).

2. **Pick test set.** Agents pick at least one test set. The test set is used to measure performance of the agent.

3. **Outcomes.** Experimenter targets individuals in the seed set(s). Outcomes \( Y_i \in \{0, 1\} \) are realized (product adoption from customers) in the test sets.

4. **Evaluation.** Total adoption from customers (in the test set) is the agent’s score.
Experiment designs

We consider the following operational constraints for all designs.

1. **Pick seed set.** Either the experimenter or the agents pick the seed set(s).

2. **Pick test set.** Agents pick at least one test set. The test set is used to measure performance of the agent.

3. **Outcomes.** Experimenter targets individuals in the seed set(s). Outcomes $Y_i \in \{0, 1\}$ are realized (product adoption from customers) in the test sets.

4. **Evaluation.** Total adoption from customers (in the test set) is the agent’s score.

**Note:** We will focus on two agents, namely A and B. We will assume $p_A > p_B$ i.e., A is a better-quality agent.
Fixed-seed, One-test: $M_0$

- The experimenter picks a common seed set.
- Each agent picks one test from the rest of the population (possibly overlapping with each other).
- Agent scores are calculated by measuring production adoption in their respective test sets.
Fixed-seed, One-test: $M_0$

**Result.** *It is a dominant strategy for an agent to pick the optimal test set in a straightforward way.*

- Straightforward play $=$ maximize expected product adoption.
- Agents could opt for a more risky strategy but straightforward play is stochastically dominant.
Fixed-seed, One-test: $M_0$

- **Statistical problem.** $M_0$ does not estimate the ability of the agent to use its knowledge to pick a seed set jointly with a test set.

- Experimenter has limited knowledge to pick a good seed set so the test has limited power.
Split, variable-seed, one-test: $M_1$

- Population split in half.
- In each half a agent picks a seed set and a test set.
- There is interference because a seed set on one side is contributing in the outcomes of the other side.
- An agent can free-ride on the other agent.
Split, variable-seed, two-test: $M_2$

- Population split in half.
- An agent picks a seed set and a test set on its half, and one test set on the other half.
- There is multiple interference.
- Mitigates incentive problems because the better agent can also "free-ride" on its own seed set.
Comparison between $M_1$ and $M_2$

green $= P(A$ wins$)$, ellipse $= \text{action space } (\lambda_{A1}, \lambda_{A2})$, $\ast$ $= \text{best response}$. 
Goldfish paradox
Power of test does not (monotonically) increase with sample size
We introduce the problem of incentive compatible experiment design. Rich research problem: game theory for statistics, and statistics for game theory.

Current work: develop a game-theoretic analysis for $M_1$ and $M_2$.

Thanks to Pursway Inc., we are currently working on a dataset in viral marketing.

Long-term: analyze classical experiment designs (blocking, factorial) in our incentive compatible design framework.