Effective Programming Practices for Economists

Numerical Optimization

Choosing optimization algorithms

Janoś Gabler and Hans-Martin von Gaudecker

Steps for choosing an algorithm

- 1. Theory (intro here)
- 2. Experimentation (histories video)
- 3. Refine until convergence

Relevant problem properties

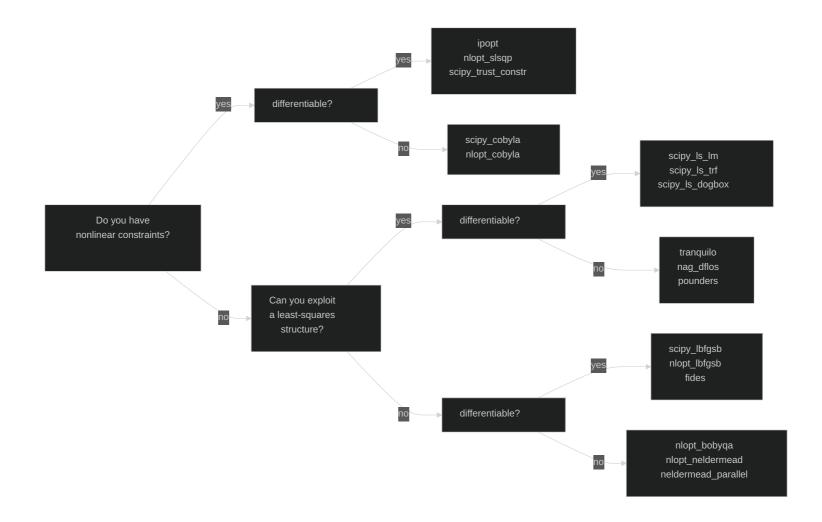
- Smoothness: Differentiable? Kinks? Discontinuities? Stochastic?
- Convexity: Are there local optima?
- Goal: If not convex, do you need a global solution? How precise does a solution need to be?
- Size: 2 parameters? 10? 100? 1,000? Millions? Billions?
- Constraints: Bounds? Linear constraints? Nonlinear constraints?
- **Structure**: Nonlinear least-squares, Log-likelihood function
- \rightarrow Properties guide selection but experimentation is important
- \rightarrow Always compare multiple algorithms in a criterion plot

Try to make your problem simpler

- Get derivatives using automatic differentiation (JAX, pytorch)
- Make your function faster
- Make your function more stable
- Make your function smooth

Choosing local optimizers

Next slide has a practical guide, see optimagic docs for more details.



Choosing a global approach



Always refine the result of a global optimizer with a local one