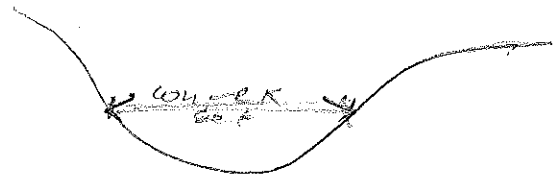
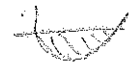
Quasiconcave / quasiconvex functions

Convex vs Quasiconvex



* Fill up with water;
  the water is a convex set.
* Equivalent, but a bit more involved: For any level l:
  * Fill up to level l 
  * The water is a convex set

For any level l:
* Fill up to level l
* The water surface (bird's view!) is a convex set.

So:

This set is convex:

$\{(z, \vec{x}) \in \mathbb{R}^{n+1};\ f(\vec{x}) \leq z\}$

> Def I: f quasiconvex if:
> These sets are convex:
> $\{\vec{x} \in \mathbb{R}^n;\ f(\vec{x}) \leq z\}$
> for every z!

The respective definition requires the connecting line to be above (or at) the graph whenever we pick two points ~~that~~ are:

convex	quasiconvex
above (or on) the graph	above (or on) the graph AND at same (vertical) level.

In particular, every convex function is also quasiconvex.

This definition is convenient to show that the max of two quasiconvex functions is quasiconvex [but: the sum need not be!]

But let us turn to quasiconcaves, as you probably see more of those:

Def: f quasiconcave if $-f$ is quasiconvex
(Follows: max {two quasiconcaves} is quasiconcave)

Probably this is easier to relate to microeconomics:

Def II: A function f defined on a convex set S is quasiconcave if for any two $\vec{u} \neq \vec{v}$ in S, any $\lambda \in (0,1)$ we have

$$f(\lambda \vec{u} + (1-\lambda)\vec{v}) \geq \min\{f(\vec{u}), f(\vec{v})\} \quad (*)$$

Utility interpret.: a weighted avg. is better than the worst. (or equal)
Or: moving towards a better vector, improves from step one. (No "one step back in order to get two steps forward")

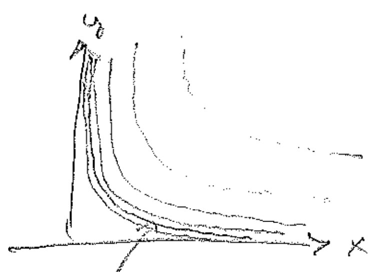
Strict: (*) holds with ">".
(Note $\vec{u} \neq \vec{v}$ assumed, and $\lambda \notin \{0,1\}$.)

Quasiconcavity is preserved under increasing transformations.

Strict quasiconcavity: under strictly incr. transf.'s

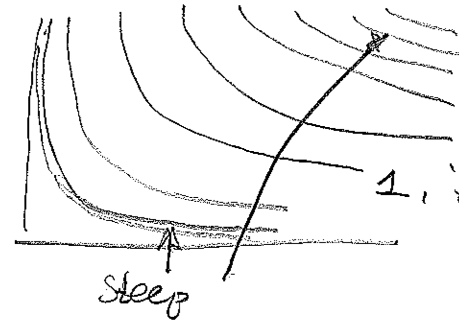
Ex:

Cobb-Douglas $g(x,y)$



Concave

$f(x,y) = e^{(g(x,y)-1)^3}$



Quasiconcave.
Same level curves, different levels.

Remember: $f = h(g(\vec{x}))$ — h incr, g concave — is concave

$f(h(g(\vec{x})))$ — h increasing ($\Rightarrow$ quasiconcave!), g quasiconcave — is quasiconcave.

Def: <u>Quasilinear</u>: both quasiconcave and quasiconvex.

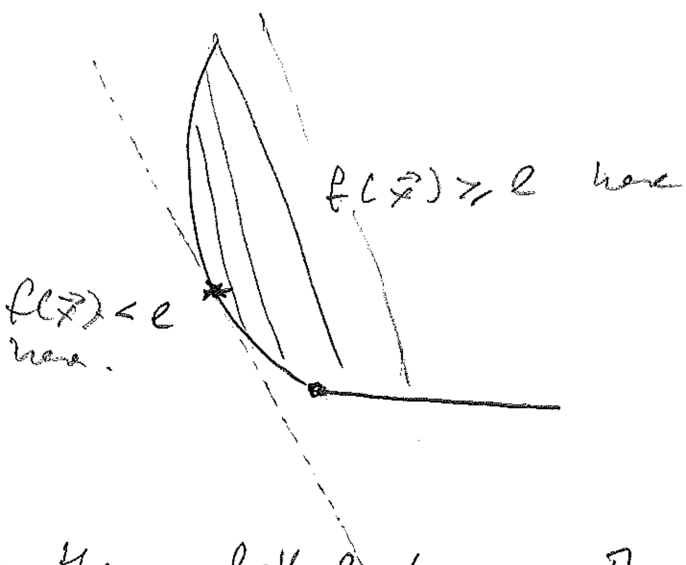
Ex: Any monotonous function of a single variable. (Could have jumps!)

Quasiconcave functions need not be "nice" at all. Ex: Let $g(\vec{x})$ be Cobb-Douglas, and let

$$f(\vec{x}) = \begin{cases} g(\vec{x}) & \text{if } g(\vec{x}) < 1 \\ [\text{draw random iid} \in [1,2] \text{ for each } \vec{x} \text{ s.t. } g(\vec{x}) = 1] \\ g(\vec{x}) + 2 & \text{if } g(\vec{x}) \in (1,2) \\ [\text{draw} \ldots \in [4,5] \text{ if } g(\vec{x}) = 2] \\ g(\vec{x}) + 5 & \text{if } g(\vec{x}) > 2 \end{cases}$$

Nevertheless, some characterizations for C^2/C^1 functions are interesting.

Preliminary:
($\vec{x} \in \mathbb{R}^2$ on the sketch)



Constrain f to the dotted line. The maximum subject to that line, is the * point!

In fact: if for any such tangent [mind the cusp at • !]

we have max @ tangency point, then f is quasiconcave!

C^2 characterization for strict quasiconcavity.

The tangent hyperplane is now orthogonal to ∇f. Let $\vec{H} = \vec{H}(\vec{x})$ be the Hessian.

Fact: if for every $\vec{x}^*$ we have

$\vec{H}(\vec{x}^*)$ pos. def subject to the constraint $\vec{p}^T \vec{z} = 0$ where $\vec{p}^T = \nabla f(\vec{x}^*)$,

then f is strictly quasiconcave.

Do we have a "$\Longleftrightarrow$"? No. $\vec{H}$ and ∇f could hit zero.

Sufficient: $(-1)^r b_r > 0$, $r = 2, \ldots, n$

where $b_n = \begin{pmatrix} 0 & \nabla f(x^*) \\ \nabla f(x^*)^T & H(x^*) \end{pmatrix}$

and b_r is the $(r+1)\times(r+1)$ leading principal minor.

Ex: $f(x,y) = xy$, on (a) $\{(x,y);\ x > 0,\ y > 0\}$

(b) $\{(x,y);\ y > 0 > x\}$

$\nabla f = (y, x)$

$$b_2 = \begin{vmatrix} 0 & y & x \\ y & 0 & 1 \\ x & 1 & 0 \end{vmatrix} = 2xy.$$

"r"

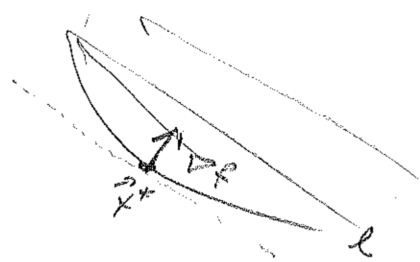
(a) $(-1)^2 b_2 > 0$, quasi-concave

(b) $(-1)^{①} b_1 > 0$, quasi-convex

(① = # of constraints)

[Could we have found a simpler method...?]

C^1 characterization



* f quasiconcave
$\Leftrightarrow$ for any two $\vec{x}, \vec{x}^*$ with $f(x) \geq f(x^*)$
we have $\nabla f(\vec{x}^*)(\vec{x} - \vec{x}^*) \geq 0$

* If furthermore $\nabla f(\vec{x}^*)(\vec{x} - \vec{x}^*) > 0$
except when $\vec{x} = \vec{x}^*$, then f
is strictly quasiconcave.
[Note: no "$\Leftrightarrow$"; counterex: $f(x) = x^3$ (at 0).]

Interpretation: Recall that

$$\nabla f(\vec{x}^*) \frac{\vec{x} - \vec{x}^*}{\|\vec{x} - \vec{x}^*\|}$$ is the

<u>directional derivative</u> in the direction
towards the "better" point $\vec{x}$.
(if more is better)

First step towards something better, improving!

(This does not say that f increases monotonously
when moving from $\vec{x}^*$ to $\vec{x}$:

)

Quasiconcave / quasiconvex homogeneous positive functions

Fact: Let f be defined on a convex cone K.
[recall: a <u>cone</u> satisfies that $\vec{x} \in K \Downarrow t\vec{x} \in K \;\forall t > 0$]

Suppose that $f(\vec{x}) > 0$ if $\vec{0} \neq \vec{x} \in K$,
[it will follow that $f(\vec{0}) = 0$ if f defined there]

and that f is (positive-) homogeneous of degree $q > 0$: $f(t\vec{x}) = t^q f(\vec{x})$, all $t > 0$ all $\vec{x}$.

Then:

* If f is quasiconcave and $q \in (0,1]$ then f is concave.

* If f is quasiconvex and $q \geq 1$ then f is convex.

Exercise: Suppose we have proven the case $q = 1$.
Why does the rest ($q \in (0,1)$ resp $q > 1$) follow? Show that!

The proof: $(q=1)$ Fix $\vec{u} \in K$, $\vec{v} \in K$. Consider
$f(\lambda \vec{u} + (1-\lambda)\vec{v})$.

! Exercise: Show that everything is OK if $\vec{u} = \vec{0}$ or $\vec{v} = \vec{0}$!

The case $\vec{u} \neq \vec{0} \neq \vec{v}$, rough sketch:
$\Rightarrow f(\vec{u}) \cdot f(\vec{v}) > 0$

Write $\vec{u}$ as $\frac{f(\vec{u})}{f(\vec{v})} \cdot \frac{f(\vec{v})\vec{u}}{f(\vec{u})}$, $=: \vec{w}$. Then $f(\vec{w}) = f(\vec{v})$, by homogeneity.

and $\lambda \frac{f(\vec{u})}{f(\vec{v})} \vec{w} + (1-\lambda)\vec{v}$ is a __weighted sum__ of $\vec{w}$ and $\vec{v}$, that is:

$S \cdot (t\vec{w} + (1-t)\vec{v})$ weighted average, convex comb.

$S = \lambda \frac{f(\vec{u})}{f(\vec{v})} + (1-\lambda)$ is the sum of weights.

$f(\text{this}) = S\, f(t w + (1-t)\vec{v})$ (homogeneity)

$\leq S \max\{f(\vec{w}), f(\vec{v})\}$ if f quasiconvex

$\geq S \min\{f(\vec{w}), f(\vec{v})\}$ if f quasiconcave

Since $f(\vec{w}) = f(\vec{v})$, both the max and the min equal $t f(\vec{w}) + (1-t) f(\vec{v})$

Now insert, and get $\lambda f(\vec{u}) + (1-\lambda) f(\vec{v})$.

Example $f(\vec{x}) = x_1^{a_1} \cdot \ldots \cdot x_n^{a_n}$, defined where all $x_i > 0$, where each $a_i > 0$, and $\sum_i a_i \le 1$: concave.

This example highlights several crucial properties:

→ $g(\vec{x}) := \ln f(\vec{x}) = \sum_i a_i \ln x_i$ is the sum of concave functions
($\ln x_i$: concave, positive scaling of concaves)

→ $f(\vec{x}) = e^{g(\vec{x})}$. exp increasing.

· Recall: what transformations of a concave/convex yield concave/convex/quasiconcave/quasiconvex?

→ f is quasiconcave and homogeneous of degree $\sum_i a_i \le 1$, and $f > 0$ on the set $\{\vec{x};\ \text{all } x_i > 0\}$. ⇒ Concave there.

(That f is even concave on $\{\vec{x};\ \text{all } x_i \ge 0\}$: continuity! But do not worry)

What else is more important ... ?

(To be discussed.)