Self-organized Networks of Competing Boolean Agents

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A model of Boolean agents competing in a market is presented where each agent bases his action on information obtained from a small group of other agents. The agents play a competitive game that rewards those in the minority. After a long time interval, the poorest player’s strategy is changed randomly, and the process is repeated. Eventually the network evolves to a stationary but intermittent state where random mutation of the worst strategy can change the behavior of the entire network, often causing a switch in the dynamics between attractors of vastly different lengths.

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Dynamical systems with many elements under mutual regulation or influence are thought to underlie much of the phenomena associated with complexity. Such systems arise naturally in biology, as, for instance, genetic regulatory networks, or ecosystems, and in the social sciences, in particular the economy. Economic agents make decisions to buy or sell, adjust prices, and so on based on individual strategies which take into account the heterogeneous external information each agent has available at the time, as well as internal preferences such as tolerance for risk. External information may include both globally available signals that represent aggregate behavior of many agents such as a market index, or specific (local) information on what some other identified players are doing. In this case each agent has a specified set of inputs, which are the actions of other agents, and a set of outputs, his own actions, that may be conveyed to some other agents. Thus, the economy can be represented as a dynamical network of interconnected agents sending signals to each other with possible, global feedback to the agents coming from aggregate measures of their behavior plus any exogenous forces.

Each agent’s current strategy can be represented as a function which specifies a set of outputs for each possible input. In the simplest case the agents have only one binary choice such as either buying or selling a stock. As indicated first by B. Arthur this simple case already presents a number of intriguing problems. In his “bar problem”, each agent must decide whether to attend a bar or refrain based on the previous aggregate attendance history. Challet and Zhang made a perspicuous adaptation, the so-called minority model, where agents in the minority are rewarded, and those in the majority punished. Common to all these and related works is that the network of interconnections between the agents is totally ignored. They are mean field descriptions. Each agent responds only to an aggregate signal, e.g. which value ($0$ or $1$) was in the majority for the last $T$ time steps, rather than any detailed information he may have about other specified agents. It is not unexpected that an extended system with globally shared information can organize. A basic question in studies of complexity is how large systems with only local information available to the agents may become complex through a self-organized dynamical process.

Here we explicitly consider the network of interconnections between agents, and for simplicity exclude all other effects. We represent agents in a market as a random network of interconnected Boolean elements under mutual influence, the so-called Kauffman network. The market payoff takes the form of a competitive game. The performance of the individual agents is measured by counting the number of times each agent is in the majority. After a time scale, defining an epoch, the worst performer, who was in the majority most often, changes his strategy. The Boolean function of that agent is replaced with a new Boolean function chosen at random, and the process is repeated indefinitely. Note that it is not otherwise indicated to the agents what is rewarded, i.e. being in the minority. The agents are only given their individual scores and otherwise play blindly; they do not know directly that they are rewarded by the outcome of a minority game, unlike the original minority game model.

We observe that irrespective of initial conditions, the network ultimately self-organizes into an intermittent steady state at a borderline between two dynamical phases. This border may correspond to an “edge of chaos”. In some epochs the dynamics of the network takes place on a very long attractor; while, otherwise, the network is either completely frozen or the dynamics is localized on some attractor with a smaller period. More precisely, numerical simulation results indicate that the distribution of attractor lengths in the self-organized state is broad, with no apparent cutoff other than the one that must be numerically imposed, and consistent with power-law behavior for large enough attractor lengths. A single agent’s change of strategy from one epoch to the next can cause the entire network to flip between attractors of vastly different lengths. Thus the network can act as a switch.
Consider a network of $N$ agents where each agent is assigned a Boolean variable $\sigma_i = 0$ or $1$. Each agent receives input from $K$ other distinct agents chosen at random in the system. The set of inputs for each agent $i$ is quenched. The evolution of the system is specified by $N$ Boolean functions of $K$ variables, each of the form

$$\sigma_i(t + 1) = f_i(\sigma_{i1}(t), \sigma_{i2}(t), \ldots \sigma_{ik}(t)) \quad . \quad (1)$$

There exists $2^{2^K}$ possible Boolean functions of $K$ variables. Each function is a lookup table which specifies the binary output for a given set of binary inputs. In the simplest case defined by Kauffman, where the networks do not organize, each function $f_i$ is chosen randomly among these $2^{2^K}$ possible functions with no bias; we refer to this case as the random Kauffman network (RKN).

We will now briefly review some facts about Kauffman networks. First, a phase transition occurs on increasing $K$. For $K < 2$ RKN starting from random initial conditions reach frozen configurations, while for $K > 2$ RKN reach attractors whose length typically grow exponentially with $N$ and are called chaotic. RKN with $K = 2$ are critical and the distribution of attractor lengths that the system reaches, starting from random initial conditions, approaches a power law [8], for large enough system sizes, when averaged over many network realizations. This phase transition in the Kauffman networks can also be observed by biasing the random functions $f_i$ so that the output variables switch more or less frequently if the input variables are changed. Boolean functions can be characterized by a “homogeneity parameter” $P$ which represents the fraction of 1’s or 0’s in the output, whichever is the majority for that function. In general, on increasing $P$ at fixed $K$, a phase transition is observed from chaotic to frozen behavior. For $K < 2$ the unbiased, random value happens to fall above the transition in the frozen phase, while for $K \geq 3$ the opposite occurs [1]. Kauffman networks are examples of strongly disordered systems and have attracted attention from physicists over the years (see for example Refs. [14][15]). Note that the phase transition previously observed in Kauffman networks arises by externally tuning parameters such as $P$ or $K$.

We consider random Boolean networks of $K$ inputs, and with lookup tables chosen independently from the $2^{2^K}$ possibilities with equal probability. With specified initial conditions, generally random, each agent is updated in parallel according to Eq. 1. The agents are competing against each other and at each time step those in the minority win. Thus there is a penalty for being in the herd. One may ascribe to agents a reluctance to change strategies. Only in the face of long-term failure will an agent overcome his barrier to change. In the limiting case of high barriers to change, the time scale for changing strategies will be set by the poorest performer in the network. The change of strategies is approximated as an extremal process [14] where the agent who was in the majority the most often over a long time scale, the epoch, is chosen for “Darwinian” selection. In our simulations, the network was updated until either the attractor of the dynamics was found, or the length of the attractor was found to be larger than some limiting value which was typically set at 10,000 time steps, solely for reasons of numerical convenience. The performance of the agents was then measured over either the attractor or the portion of the attractor up to the cutoff length.

The Boolean function of the worst player is replaced with a new Boolean function chosen completely at random with equal probability from the $2^{2^K}$ possible Boolean functions. If two or more agents are the worst performers, one of them is chosen at random and changed. The performance of all the agents is then measured in the new epoch, and this process is continued indefinitely. Note that the connection matrix of the network does not evolve; the set of agents who are inputs to each agent is fixed by the initial conditions.

![FIG. 1. Time series of the length of attractor in each epoch for $K = 3$, $N = 999$ in the stationary state.](image-url)

Independent of initial conditions, a $K = 3$ network evolves to a statistically stationary but intermittent state, shown in Fig. 1. Initially the attractors that the system reaches are always very long, consistent with all previous work on Kauffman networks. But after many epochs of selecting the worst strategy, short attractors first appear and a new statistically stationary state emerges. In this Figure we roughly characterize an attractor as “chaotic” or long if its length is greater than $l = 10,000$ time steps. On varying $l$ a similar picture is obtained as long as $l$ is sufficiently large to distinguish long period attractors from short period ones. In the stationary state, one observes that the network can switch behaviors on changing a single strategy. Intriguingly, Kauffman initially proposed random Boolean networks as simplified models of genetic regulation where it is known that switches exist and are important aspect of genetic control [16].

To be more precise, the histogram of the distribution...
of the lengths of the attractor in the self-organized state was measured as shown in Fig. 2 for different system sizes with the same numerically imposed cutoff $l$. The apparent peak at small periods is due to the relative presence or absence of prime numbers, and numbers which can be factored many ways. The last point represents all attractors larger than our numerically imposed cutoff 10,000, which is why a bump appears. In between these two regions, the behavior suggests a power-law, $P_{\text{atr}}(t) \sim 1/t$ asymptotically, as is the case at the phase transition in RKN \cite{8}. If we increase or decrease our numerically imposed cutoff then the bump at $l$ correspondingly moves left or right and the intermediate region expands or contracts, both consistent with the power law. Also the power law behavior becomes more apparent for increasing system size suggesting that the self-organized state we observed is not merely an effect of finite system size, but becomes more distinct as the system size increases.

The process of evolution towards the steady-state is monitored by measuring the average value of the homogeneity parameter $P$ in the network from epoch to epoch. As shown in Fig. 3, for $K = 3$, the average value of $P$ tends to increase from the random value set by the initial conditions during the transient. For finite $N$, there are fluctuations in $P$ in the steady state, as well as finite size effects in the average value $\langle P \rangle$. For $N = (99, 315, 999, 3161)$ we measured an average value in the steady state $\langle P \rangle = (0.656(1), 0.664(1), 0.669(1), 0.671(1))$ and root-mean-square fluctuations $\Delta P_{\text{rms}} \simeq (0.015, 0.007, 0.004, 0.001)$. These numerical results suggest that in the thermodynamic limit, $N \to \infty$, $P$ is approaching a unique value $P_c \simeq 0.672$. This value is below the $P_c \simeq 0.792438 \pm 0.0001$ of random Kauffman $K = 3$ networks, but is many standard deviations away from the initial value.

The dynamical state that the system evolves toward is different from the phase transition of Kauffman networks in other (less trivial) ways. In particular, the phase transition in RKN is a freezing transition where most elements do not change state. Only a few elements, strictly ($< O(N)$), are changing state at the phase transition of RKN, whereas in our self-organized networks, there can be short attractors associated with many elements ($\sim O(N)$) changing state. This can only occur if the Boolean tables in the network become correlated by the evolutionary process, which, by construction, is not allowed for RKN. Thus our initially chaotic networks are not freezing as in Kauffman networks at the phase transition, but are somehow phase locking many elements together.

![FIG. 2. Histogram of Attractor Lengths for $K = 3$ Networks. The dashed line has a slope of 1.](image)

The distribution of performances of agents in the network fluctuates a great deal from epoch to epoch. The performance is measured by counting the fraction of times each agent is in the majority. In the case where the network has period one, there are obviously two peaks, one corresponding to the group always in the minority and the other corresponding to the group always in the majority. In fact we find that even on the long attractors encountered in the steady state, typically a significant fraction of the agents are frozen. The number of these frozen agents fluctuates from epoch to epoch.

![FIG. 3. Self-organization of the homogeneity parameter $P$ for same network as in Fig. 1. The dashed line corresponds to the unbiased random value.](image)

Fig. 4 is a histogram of performances for agents in a self-organized network in a particular epoch which had a period greater than 10,000. Note that the relative performances vary considerably. The two peaks represent the frozen agents. As indicated in the figure, the frozen agents are typically divided between the two states unevenly. In any given instant, despite the uneven division between the frozen agents, the total number of agents in the two states $(0,1)$ is almost evenly divided with fluctuations that are much smaller than in RKN. Active agents, who are changing their state in response to the inputs of others, comprise the remainder of the histogram outside of the two peaks. As shown in this figure, some agents who are inflexible and do not respond to their environment perform better than some agents who respond to their changing inputs and change states. This suggests that somehow the losers are being exploited by some in-
formation travelling in the network that they respond to. Also, somewhat counterintuitively, a large group of agents who take the same action, corresponding to the left hand peak, can compete very well in spite of the fact that the minority game tends to punish herd behavior.

FIG. 4. Histogram of performances in a particular epoch, for \(N = 999\) and \(K = 3\) in the self-organized state. Those with high scores are poor performers.

Although we currently have no adequate theoretical description of our numerical observations, we can still discuss, to some extent, the generality and robustness of our results. First, if instead of changing the entire Boolean table of the worst performer just one element in it is changed, the self-organization process still takes place. If on the other hand, the Boolean function of the worst performer and those who receive input from it are changed, no self-organization takes place. Of course it doesn’t make sense to change the Boolean functions of the agents who listen to the worst performer because in our context the barrier to change is an internal function of the performance for each individual. The precise behavior on varying \(K\) is not determined at present. For \(K = 6\), we have simulated systems with \(N = 99\) as long as \(10^6\) epochs and never observed the system to reach any frozen state when starting from a random, unbiased state in the chaotic phase, so it is possible that the self-organization process as described here using completely random tables does not occur for high enough \(K\).

However, other significant modifications were done where the self-organization process survives. For example, if instead of changing the boolean tables of the worst performer, we keep the boolean tables fixed at their initial state, but change the inputs for the worst performer by rewiring the network, then the \(K = 3\) networks still self-organize to a similar state at an “edge of chaos” with similar statistical properties for the periods of the attractors and performances of the agents. This occurs despite the fact that in this case the average homogeneity parameter, \(P\), of the network cannot evolve.

Rather than define an arbitrary fitness, and select those agents with lowest fitness, an approach that was used by Bak and Sneppen[14], to describe co-evolution, we eliminate the concept of fitness and define a performance based on a specific game. Clearly if the agents are rewarded for being in the majority then the behavior of the system is completely trivial; the agents gain by cooperating instead of competing and the network is driven deep into the frozen phase. This naturally raises the question of which types of games lead to self-organized complex states. In our model, selection of agents in the majority for random change tends to increase the number in the minority. Even in the absence of interactions, eventually those in the minority would become the majority and lose. We suspect that, in general, the game must make agents compete for a reward that depends on the behavior of other agents in a manner that intrinsically frustrates any group of agents from permanently taking over and winning. This frustration may be an essential feature of the dynamics of many complex systems, and our model may be interpreted, as, for instance, describing an ecosystem of interacting and competing species.

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