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APPROXIMATION AND ADAPTIVE POLICIES IN DISCOUNTED DYNAMIC PROGRAMMING*

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1. Introduction

In this paper we consider an iterative procedure to approximate the optimal reward function of infinite-horizon discounted dynamic programming problems with Polish (i.e., complete separable metric) state and action spaces. The procedure is then used to: (i) determine an asymptotically optimal policy, and (ii) determine an asymptotically optimal *adaptive* policy for decision models depending on unknown parameters, combined with a strongly consistent parameter estimation scheme. The policy obtained in (ii) is compared with the "principle of estimation and control" introduced by Schäl [22] for the adaptive control of denumerable-state semi-Markov processes and extended here to Polish state-space Markov decision problems.

Our motivation to consider the problems indicated above stems from our interest in Markov decision processes with incomplete state information (MDP-ISI) *and* depending on unknown parameters. We are thus confronted with a decision problem combined with state identification (sometimes called a filtering problem) and parameter estimation. However, it is well-known [11, 18, 20, 21, 23] that in many cases of interest a MDP-ISI can be reduced to a Markov decision process (MDP) in the usual sense, but in which the state space, say S, of the original problem is replaced by the space S' of probability measures on S. Therefore, since S' turns out to be a Polish space in most of the usual cases (cf. cited references), it seemed natural to begin by extending to the case of a Polish state-space previously known results for MDP's with unknown parameters and denumerable (possibly finite) state space. And this is essentially what we do in the present paper: the nonstationary value-iteration (NVI) scheme introduced by Federgruen and Schweitzer [2] for MDP's with *finite* state and action spaces, as well as the adaptive policies considered by Schäl [22] and Hernández-Lerma and Marcus [5, 9] are extended here to the case of Polish state and action spaces. This is a first step towards the solution of the MDP-ISI and unknown parameters; the main difficulty involved to obtain a complete solution is briefly discussed in Section 6.

Our results are also related to approximations of dynamic programs obtained under quite general conditions by Langen [15] and Whitt [24]. However, by restricting ourselves to *discounted* dynamic programming models we are able to show (uniform) convergence of our approximation schemes with very simple and short proofs.

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We begin in Section 2 by introducing the decision models we are concerned with. In Section 3, the NVI scheme of Federgruen and Schweitzer [2] is extended to decision models with Polish state and action spaces. The NVI scheme is used in Section 4 to determine an asymptotically optimal (AO) policy, and in Section 5 is used to determine an AO policy for adaptive decision models, i.e., decision models depending on unknown parameters. Also in section 5, our results are briefly compared with the "principle of estimation and control" [22], extended here to MDP's with Polish state space.

2. The Decision Model

To avoid unnecessary repetitions we shall agree that a topological (respectively, product) space is always endowed with the Borel (respectively, product) σ-algebra. The Cartesian product of the sets A and B is denoted by AB.

As usual [3, 10, 11, 16, $\cdots$] to state the (discounted) dynamic programming problem we need to specify a decision model, the collection of admissible policies, and the objective function. This is done as follows.

The *decision model* (S, A, q, r, β) satisfies:

(A1) (a) The state space S is a Polish (= complete separable metric) space.
(b) The action set A is Polish. For each $x \in S$, the set of admissible actions in state x, denoted by $A(x)$, is a nonempty measurable subset of A. Let $K := \{(x, a): x \in S, a \in A(x)\}$ be a measurable subset of (the product space) SA.
(c) $q(x, a, \cdot)$, for $(x, a) \in K$, is the transition law: when the system is in state x and action $a \in A(x)$ is chosen, the system moves to a new state according to the probability distribution $q(x, a, \cdot)$ on S.
(d) $r: K \to \mathbb{R}$ is the (measurable) reward function.
(e) $0 \leq \beta < 1$ is the discount factor.

In addition, we shall assume the following.

(A2) (a) There exists a constant R such that $|r(x, a)| \leq R$ for all $(x, a) \in K$. Moreover for each $x \in S$,
(b) $A(x)$ is compact,
(c) $a \to r(x, a)$ is continuous on $A(x)$, and
(d) $a \to \int q(x, a, dy)u(y)$ is continuous on $A(x)$ for each bounded measurable function $u: S \to \mathbb{R}$.

Let X_n and A_n be the state and action at the n-th stage, respectively, $n = 0, 1, \cdots$. A given realization of $(X_0, A_0, X_1, A_1, \cdots)$ is denoted by $(x_0, a_0, x_1, a_1, \cdots)$.

A *policy* d is a sequence $d = (d_0, d_1, \cdots)$, where $d_n(h_n, \cdot)$ is a conditional probability measure on the Borel sets of A, given the history of the process $h_n = (x_0, a_0, \cdots, x_{n-1}, a_{n-1}, x_n)$, and it satisfies that

$$d_n(h_n, A(x_n)) = 1, \qquad n = 0, 1, \cdots.$$

A *Markov* policy is a sequence $(f_0, f_1, \cdots)$ of functions $f_n \in F$, where F is the collection of all measurable functions $f: S \to A$ such that $f(x) \in A(x)$ for all

$x \in S$. As usual we identify F with the set of *stationary* policies, i.e., Markov policies of the form $(f, f, \cdots)$, $f \in F$.

Finally, the objective function is

$$v(d, x) := E_x^d[\sum_{n=0}^{\infty} \beta^n r(X_n, A_n)] \tag{1}$$

the expected total discounted reward when policy d is used and the initial state is x. A policy d is said to be *optimal* if it satisfies that $v(d, x) = v^*(x)$, $x \in S$, where v^* is the *optimal reward function* defined by

$$v^*(x) = \sup_d v(d, x), \qquad x \in S. \tag{2}$$

As mentioned in the Introduction, we are interested in a procedure to approximate v^* and in determining an asymptotically optimal Markov policy; this is done in Sections 3 and 4, respectively. The results are then applied (Section 5) to decision processes depending on unknown parameters. An important role is played by the following well-known result [3, 4, 10, 11, 16].

PROPOSITION (1). *Assume* (A1, A2). *Then* (a) v^* *is a bounded measurable function and it satisfies the optimality equation*

$$v^*(x) = \sup_{a \in A(x)} [r(x, a) + \beta \int_S q(x, a, dy) v^*(y)], \qquad x \in S. \tag{3}$$

(b) *A stationary policy* $f \in F$ *is optimal if, and only if, it satisfies that*

$$v^*(x) = r(x, f(x)) + \beta \int q(x, f(x), dy) v^*(y), \qquad x \in S.$$

The existence of an optimal stationary policy is insured under (A1, A2).

Notation. $B(S)$ denotes the space of real-valued bounded measurable functions u on S with the supremum norm $\| u \| = \sup_x | u(x) |$. $M(S)$ is the space of finite signed measures μ on S with the total variation norm $\| \mu \|$ (see, e.g., [19]).

We shall use below the following obvious facts. For any $u \in B(S)$ and $\mu \in M(S)$,

$$| \int u \, d\mu | \leq \| u \| \, \| \mu \|. \tag{4}$$

If $u, v \in B(S)$, then (see, e.g., [11, Lemma 3.3])

$$| \sup_x u(x) - \sup_x v(x) | \leq \sup_x | u(x) - v(x) |. \tag{5}$$

3. Nonstationary Value-Iteration

The nonstationary value-iteration (NVI) scheme introduced by Federgruen and Schweitzer [2, Theor. 3.1(a)] for finite state and action spaces is extended in Theorem 1 below to the decision model (S, A, q, r, β) described in Section 2.

Consider a sequence of decision models (S, A, q_n, r_n, β), $n = 0, 1, \cdots$, each of which satisfies Assumptions (A1) and (A2), and such that they "converge" to (S, A, q, r, β) in the following sense.

(A3) As $n \to \infty$,

$$\text{(a) } \eta(n) := \sup_{(x,a) \in K} | r_n(x, a) - r(x, a) | \to 0,$$

and

$$\text{(b) } \pi(n) := \sup_{(x,a)\in K} \| q_n(x, a, \cdot) - q(x, a, \cdot) \| \to 0,$$

where $\| \ \|$ denotes the total variation norm.

Note that (A3) is equivalent to:
(A3′). As $n \to \infty$,

$$\bar{\eta}(n) := \sup_{m\geq n} \eta(m) \to 0 \quad \text{and} \quad \bar{\pi}(n) := \sup_{m\geq n} \pi(m) \to 0.$$

Also note that both sequences $\bar{\eta}(n)$ and $\bar{\pi}(n)$, $n = 0, 1, \cdots$, are non-increasing.

Now let $v_n(\cdot)$, $n = 0, 1, \cdots$, be the functions in $B(S)$ defined by

$$v_0(x) := \sup_{a\in A(x)} r_0(x, a), \qquad x \in S,$$

and for $n = 1, 2, \cdots$,

$$v_n(x) := \sup_{a\in A(x)} [r_n(x, a) + \beta \textstyle\int q_n(x, a, dy) v_{n-1}(y)], \qquad x \in S. \tag{6}$$

Note that, for all n, v_n and the optimal reward function v^* in (2) are bounded:

$$\| v^* \| \leq c_1 \quad \text{and} \quad \| v_n \| \leq R \textstyle\sum_{k=0}^{n} \beta^k \leq c_1, \tag{7}$$

where $c_1 = R/(1 - \beta)$.

THEOREM (1). *If* (A1, A2, A3) *hold, then* $\| v_n - v^* \| \to 0$. *More precisely,* (a) $\| v_n - v^* \| \leq c \cdot \max\{\bar{\eta}([n/2]), \bar{\pi}([n/2]), \beta^{[n/2]}\}$, $n \geq 0$, *where* $c = (1 + \beta c_1)/(1 - \beta) + 2c_1 = (1 + \beta c_1 + 2R)/(1 - \beta)$, *and* $[r]$ *denotes largest integer* $\leq r$. *Moreover, if the sequences* $\eta(n)$ *and* $\pi(n)$ *in* (A3) *are themselves non-increasing, then* $\bar{\eta}$ *and* $\bar{\pi}$ *in* (a) *can be substituted by* η *and* π, *respectively, to obtain:*

$$\text{(b) } \| v_n - v^* \| \leq c \cdot \max\{\eta([n/2]), \pi([n/2]), \beta^{[n/2]}\}.$$

Proof. The proof is essentially the same as that of Theorem 3.1 (a) in [2], but is included here for completeness. First note that, by (7), we can apply (5) to the functions v_{n+1} and v^* (with v^* as in (3)). That is, for any x in S,

$$| v_{n+1}(x) - v^*(x) | \leq \sup_{a\in A(x)} | r_{n+1}(x, a) - r(x, a) + \beta \textstyle\int q_{n+1}(x, a, dy) v_n(y) - \beta \int q(x, a, dy) v^*(y) |.$$

Now inside the absolute value on the right-hand side, add and subtract the term $\beta \int q_{n+1}(x, a, dy) v^*(y)$, and then use the triangle inequality, the inequality (4), and take the supremum over all $x \in S$, to obtain

$$\| v_{n+1} - v^* \| \leq \eta(n + 1) + \beta \| v^* \| \pi(n + 1) + \beta \| v_n - v^* \|.$$

Therefore, for all $m = 1, 2, \cdots$,

$$\| v_{n+m} - v^* \| \leq \textstyle\sum_{k=0}^{m-1} \beta^k [\eta(n + m - k) + \beta c_1 \pi(n + m - k)] + \beta^m \| v_n - v^* \|. \tag{8}$$

Now, since $\| v_n - v^* \| \leq 2c_1$ and $\bar{\eta}(n) \geq \eta(n+k)$ and $\bar{\pi}(n) \geq \pi(n+k)$ for all k, it follows from (8) that

$$\begin{aligned} \| v_{n+m} - v^* \| &\leq [\bar{\eta}(n) + \beta c_1 \bar{\pi}(n)]/(1-\beta) + 2c_1\beta^m \\ &\leq c \cdot \max\{\bar{\eta}(n), \bar{\pi}(n), \beta^m\}. \end{aligned} \tag{8'}$$

Then, making the substitution $k = n + m$ with $n = [k/2]$ and $m = k - [k/2] \geq [k/2]$, inequality (8′) reduces to

$$\| v_k - v^* \| \leq c \cdot \max\{\bar{\eta}([k/2]), \bar{\pi}([k/2]), \beta^{[k/2]}\},$$

which proves (a). Finally, to obtain (b) just note that if $\eta(n)$ and $\pi(n)$ are nonincreasing, then (8′) holds when $\bar{\eta}$ and $\bar{\pi}$ are substituted by η and π, respectively. □

Several interesting applications of the NVI scheme are mentioned by Federgruen and Schweitzer in [2, Section 1]. Here we will use it to obtain asymptotically optimal policies (Section 4 below) and to obtain adaptive policies for decision processes depending on unknown parameters. A similar approach has been used in [6] to obtain finite-state approximations for denumerable MDP's.

4. Asymptotically Optimal Policies

Consider the function $\phi : K \to \mathbb{R}$ defined by

$$\phi(x, a) = r(x, a) + \beta \int q(x, a, dy) v^*(y) - v^*(x). \tag{9}$$

This function has been widely used [3, 4, 5, 17] as a measure of the "difference" between an optimal action in state x and any other action $a \in A(x)$. For instance, in terms of ϕ, Proposition 1 can be restated as follows.

Proposition (1′). *Assume* (A1, A2). (a) *Optimality equation*: $\sup_{x \in A(x)} \phi(x, a) = 0$.

(b) *Optimality criterion. A stationary policy f is optimal if, and only if, $\phi(x, f(x)) = 0$ for all $x \in S$.*

Here we use ϕ to define asymptotic optimality.

Definition 1. A Markov policy $\{f_n\}$, i.e., a sequence of functions $f_n \in F$, is *asymptotically optimal* (AO) if, for each $x \in S$, $\phi(x, f_n(x)) \to 0$ as $n \to \infty$.

Comment. Asymptotic optimality is related to the following concept due to Schäl [22]. A policy d is asymptotically optimal in the sense of Schäl if, for every $x \in S$,

$$V_N(d, x) - E_x^d v^*(X_N) \to 0 \quad \text{as} \quad N \to \infty, \tag{10}$$

where

$$V_N(d, x) := E_x^d\left[\sum_{n=N}^{\infty} \beta^{n-N} r(X_n, A_n)\right]$$

is the expected total reward from stage N onwards discounted at stage N. This concept of asymptotic optimality can be related to that in Definition 1 by the fact that [22, Theor. 4.12] (see also [5, 9]) the left-hand side of (10) can be written as

$$V_N(d, x) - E_x^d v^*(X_N) = E_x^d[\sum_{n=N}^{\infty} \beta^{n-N}\phi(X_n, A_n)].$$

Thus a sufficient condition for (10) is the following: ϕ is a bounded function and $\phi(X_n, A_n) \to 0$ P_x^d—almost surely as $n \to \infty$. □

We now use the NVI scheme (6) to define an AO policy. First note that under Assumptions (A1) and (A2), for each $n = 0, 1, \cdots$, there is a measurable function $f_n: S \to A$ such that $f_n(x) \in A(x)$, and

$$\begin{aligned} v_0(x) &= r_0(x, f_0(x)), \qquad x \in S \\ v_n(x) &= r_n(x, f_n(x)) + \beta \int q_n(x, f_n(x), dy)v_{n-1}(y), \qquad x \in S. \end{aligned} \tag{11}$$

This follows from standard measurable selection theorems; see, e.g., [3, 10, 16]. Thus $\{f_n\}$ is a Markov policy and we also have the following.

THEOREM (2). *Under the assumptions of Theorem* 1, $\{f_n\}$ *is* AO. *Furthermore, the asymptotic optimality is uniform in the sense that*

$$\| \phi \|_n := \sup_{x \in S} | \phi(x, f_n(x)) | \to 0 \quad \text{as} \quad n \to \infty.$$

Proof. From (9) and (11),

$$\phi(x, f_n(x)) = \phi(x, f_n(x)) + v_n(x) - v_n(x)$$

$$= r(x, f_n(x)) - r_n(x, f_n(x)) + \beta \int q(x, f_n(x), dy)v^*(y)$$

$$- \beta \int q_n(x, f_n(x), dy)v_{n-1}(y) + v_n(x) - v^*(x).$$

On the right-hand side, add and substract the term

$$\beta \int q_n(x, f_n(x), dy)v^*(y);$$

then a simple calculation (which uses (4)) shows that

$$\| \phi \|_n \le \eta(n) + \beta \| v^* \| \pi(n) + \beta \| v_{n-1} - v^* \| + \| v_n - v^* \|,$$

from which the desired result is immediately concluded. □

5. Adaptive Policies

A Markov decision process, say $(S, A, q(\theta), r(\theta), \beta)$, depending on an unknown parameter θ is called an *adaptive* MDP. (The name is sometimes used to include MDP's with incomplete state information, as in [11].) To solve these problems, the decision-maker has to identify or estimate the unknown parameter θ while seeking the optimal policy. Thus at each decision epoch, he has to estimate the parameter and "adapt" his actions to the estimated value; policies combining these two functions—parameter estimation and control actions—are called *adaptive* policies. An extensive survey on adaptive decision problems has been given recently by Kumar [13]; additional references can be found in [4, 5, 7–9, 17, 22].

In this section we consider an adaptive MDP $(S, A, q(\theta), r(\theta), \beta)$, where the transition law $q(x, a, \theta, \cdot)$ and the reward function $r(x, a, \theta)$ depend on an unknown parameter θ. In contrast to Bayesian problems [13, 11], we do not have *a priori* information about the true parameter value, except that it belongs to a given parameter set T, which is assumed to be a Polish space. For each $\theta \in T$, the decision model $(S, A, q(\theta), r(\theta), \beta)$ is assumed to satisfy conditions (A1) and the analogue of conditions (A2), namely:

(A2θ)(a) $|r(x, a, \theta)| \leq R$ for all $(x, a) \in K$, $\theta \in T$. Moreover for each $x \in S$ and $\theta \in T$,
(b) $A(x)$ is compact,
(c) $a \to r(x, a, \theta)$ is continuous on $A(x)$, and
(d) $a \to \int q(x, a, \theta, dy)u(y)$ is continuous on $A(x)$, for each $u \in B(S)$.

Under these assumptions, Proposition 1 (or 1′) holds for each fixed $\theta \in T$. In particular, if we define (cf. (1), (2) and (9))

$$v(d, x, \theta) := E_x^{d,\theta}[\textstyle\sum_{n=0}^{\infty} \beta^n r(X_n, A_n, \theta)],$$
$$v^*(x, \theta) := \sup_d v(d, x, \theta),$$

and

$$\phi(x, a, \theta) := r(x, a, \theta) + \beta \int q(x, a, \theta, dy)v^*(y, \theta) - v^*(x, \theta), \quad (x, a) \in K,$$

we can rewrite Proposition 1′ as follows.

PROPOSITION (1″). *For fixed $\theta \in T$,* (a) $\sup_{a\in A(x)} \phi(x, a, \theta) = 0$; *and* (b) *a stationary policy $f(\cdot, \theta)$ is optimal if, and only if, $\phi(x, f(x, \theta), \theta) = 0$ for all $x \in S$.*

Note that equation (a) in Proposition 1″ is equivalent to

$$v^*(x, \theta) = \sup_{a\in A(x)}[r(x, a, \theta) + \beta \int q(x, a, \theta, dy)v^*(y, \theta)], \qquad x \in S;$$

cf. [4] section 1.1.

If $\theta \in T$ is the true (but unknown) parameter value, we can approximate the optimal reward function $v^*(\cdot, \theta)$ using an appropriate version of Theorem 1, and an asymptotically optimal policy can be obtained from Theorem 2. To do this, the idea (roughly) is to consider the sequences

$$r_n(x, a) := r(x, a, \theta_n), \qquad q_n(x, a, \cdot) := q(x, a, \theta_n, \cdot), \qquad n \geq 0,$$

where $(x, a) \in K$ and $\{\theta_n\}$ is a sequence in T converging to θ. We require the θ-analogue of assumptions A3.

(A3θ) For any $\theta \in T$ and any sequence $\{\theta_n\}$ in T such that $\theta_n \to \theta$ as $n \to \infty$,

$$\eta(n, \theta) := \sup_{(x,a)\in K} |r(x, a, \theta_n) - r(x, a, \theta)| \to 0,$$

and

$$\pi(n, \theta) := \sup_{(x,a)\in K} \| q(x, a, \theta_n, \cdot) - q(x, a, \theta, \cdot) \| \to 0.$$

The θ-analogue of (A3′) holds for the non-increasing sequences

$$\bar{\eta}(n, \theta) = \sup_{m\geq n} \eta(m, \theta),\ \bar{\pi}(n, \theta),\ \bar{\pi}(n, \theta) := \sup_{m\geq n} \pi(m, \theta).$$

Similarly, instead of the functions v_n in (6), we now consider

$$v_0(x, \theta_0) := \sup_{a\in A(x)} r(x, a, \theta_0), \qquad x \in S,$$

and for $n = 1, 2, \cdots$,

$$\begin{aligned} v_n(x, \theta_n) &:= \sup_{a\in A(x)}[r(x, a, \theta_n) + \beta \int q(x, a, \theta_n, dy) v_{n-1}(y, \theta_{n-1})] \\ &= r(x, f_n(x, \theta_n), \theta_n) + \beta \int q(x, f_n(x, \theta_n), \theta_n, dy) v_{n-1}(y, \theta_{n-1}), \end{aligned} \tag{12}$$

where, for each $x \in S$, $f_n(x, \theta_n)$ is a measurable maximizer of the right side of (12). Note that the right side of (12) depends on $\theta^{(n)} := (\theta_0, \theta_1, \cdots, \theta_n)$, so that, strictly speaking, we should write $v_n(x, \theta^{(n)})$ (respectively, $f_n(x, \theta^{(n)})$) instead of $v_n(x, \theta_n)$ (respect., $f_n(x, \theta_n)$). However, we shall keep the latter, shorter, notation. Then, Theorems 1 and 2 can be summarized as follows.

COROLLARY (1). *Assume* (A1, A2θ, A3θ) *and let* $\{\theta_n\}$ *be any sequence in* T *converging to* θ. *Then*

(*a*) $\| v_n(\cdot, \theta_n) - v^*(\cdot, \theta) \| \to 0$ as $n \to \infty$, *and*
(b) $\{f_n(\cdot, \theta_n)\}$ *is asymptotically* θ*-optimal in the sense that*

$$\sup_{x\in S} | \phi(x, f_n(x, \theta_n), \theta) | \to 0 \quad \text{as} \quad n \to \infty.$$

Furthermore, (with the obvious changes in notation) the inequalities in Theorem 1 (a) and (b) also hold in the present case.

To define adaptive policies we first introduce the following definition, where $P_x^{d,\theta}$ denotes the probability measure when policy d is used, x is the initial state, and θ is the true parameter value; cf. [4, 12, 22].

Definition 2. A sequence $\hat{\theta}_n = \hat{\theta}(X_0, A_0, \cdots, X_{n-1}, A_{n-1}, X_n)$ of T-valued measurable functions is said to be a sequence of *strongly consistent* (SC) *estimators* of $\theta \in T$ if, as $n \to \infty$, $\hat{\theta}_n$ converges to θ $P_x^{d,\theta}$-almost surely for any $x \in S$ and any policy d.

Examples of SC estimators in adaptive Markov or semi-Markov decision processes can be seen in [4, 7, 8, 12, 14, 17, 22]. Given a sequence of SC estimators, an adaptive policy is obtained as follows.

Definition 3. Let $\{\hat{\theta}_n\}$ be a sequence of SC estimators of $\theta \in T$. The policy $\hat{d} = (\hat{d}_n, n = 0, 1, \cdots)$ defined by

$$\hat{d}_n(X_0, A_0, \cdots, X_{n-1}, A_{n-1}, X_n) = f_n(X_n, \hat{\theta}_n)$$

is called the *NVI adaptive policy.*

Note that, since the convergence in Corollary 1(b) is uniform in x, we obtain:

COROLLARY (2). *As* $n \to \infty$,

$$| \phi(X_n, f_n(X_n, \hat{\theta}_n), \theta | \to 0 \ P_x^{\hat{d},\theta}\text{-almost surely.} \tag{13}$$

We can state (13) by saying that the NVI adaptive policy $\hat{d}$ is asymptotically optimal, although strictly speaking Definition 1 is not applicable here, since $\hat{d}$ is not a Markov policy.

To appreciate the goodness of the NVI policy, let us briefly compare it with the "principle of estimation and control (PEC)" introduced by Schäl [22], and which we now describe.

I. For each $\theta \in T$, let $g(\cdot, \theta) \in F$ be an optimal stationary policy (cf. Proposition 1″).

II. Let $\{\hat{\theta}_n\}$ be a sequence of SC estimators of θ, the true parameter value.

III. Define a policy $d' = (d_n')$ by

$$d_n'(X_0, A_0, \cdots, X_{n-1}, A_{n-1}, X_n) = g(X_n, \hat{\theta}_n). \tag{14}$$

d' is called the *PEC policy*.

The PEC policy is known in adaptive control under the various names of "naive feedback controller", "self-tuning regulator", and others, but is very well described as [17] "the method of substituting the estimates into optimal stationary controls". The PEC policy has been widely used in decision processes with *average*-reward criterion [4, 7, 8, 14, 17], but to the best of our knowledge, Schäl's paper [22] was the first application to *discounted*-reward problems (with *denumerable* state space). To prove that d' is asymptotically optimal (see Theorem 3(b) below) we need the following.

LEMMA (1). *Assume* (A1, A2θ, A3θ). *If* $\theta_n \to \theta$, *then*

$$\| v^*(\cdot, \theta_n) - v^*(\cdot, \theta) \| \to 0. \tag{15}$$

Proof. For any x in S, we obtain from (5),

$$| v^*(x, \theta_n) - v^*(x, \theta) | \le \sup_{a \in A(x)} | r(x, a, \theta_n) - r(x, a, \theta) + \beta \int q(x, a, \theta_n, dy) v^*(y, \theta_n) - \beta \int q(x, a, \theta, dy) v^*(y, \theta) |,$$

and therefore (using (7)),

$$\| v^*(\cdot, \theta_n) - v^*(\cdot, \theta) \| \le \eta(n, \theta) + \beta c_1 \pi(n, \theta) + \beta \| v^*(\cdot, \theta_n) - v^*(\cdot, \theta) \|,$$

that is,

$$(1 - \beta) \| v^*(\cdot, \theta_n) - v^*(\cdot, \theta) \| \le \eta(n, \theta) + \beta c_1 \pi(n, \theta). \quad \Box$$

THEOREM (3). *Under the assumptions of Lemma* 1 *we have*:

(a) If $\theta_n \to \theta$, *then*

$$\| \phi(\cdot, g(\cdot, \theta_n), \theta) \| = \sup_x | \phi(x, g(x, \theta_n), \theta) | \to 0 \quad \text{as} \quad n \to \infty.$$

(b) *The* PEC *policy* d' *is asymptotically optimal in the sense that, as* $n \to \infty$,

$$| \phi(X_n, g(X_n, \hat{\theta}_n), \theta) | \to 0 \; P_x^{d', \theta}\text{—}\textit{almost surely for any } x \in S.$$

Proof. Part (a) can be proved as Theorem 1. First note that (cf. Proposition

1″ and I above) since $\phi(x, g(x, \theta_n), \theta_n) = 0$, we can write

$$\phi(x, g(x, \theta_n), \theta) = \phi(x, g(x, \theta_n), \theta) - \phi(x, g(x, \theta_n), \theta_n).$$

Next, using the definition of $\phi(x, a, \theta)$ to expand the right-hand side, a straightforward calculation shows that

$$\| \phi(\cdot, g(\cdot, \theta_n), \theta) \| \le \eta(n) + \beta \| v^*(\cdot, \theta) \| \pi(n) + (1 + \beta) \| v^*(\cdot, \theta_n) - v^*(\cdot, \theta) \|,$$

so that (a) can be concluded from (A3θ) and (15). Finally since (a) holds, uniformly in x, for any sequence $\theta_n \to \theta$, (b) holds for any sequence $\{\hat{\theta}_n\}$ of SC estimators. □

If follows from Corollary 2, Theorem 3 (b) and the comment following Definition 1, that the NVI and the PEC adaptive policies are both asymptotically optimal in the sense of Schäl [22]. Note also that our proof of the asymptotic optimality of d' (Theorem 3 (b)) is much more elementary than Schäl's proof [22, Theorem 5.21]. This is mainly due to the fact that, instead of the recurrency assumption 2.5 in [22], we have introduced the "uniform continuity" conditions (A3θ).

Finally, note that, from the point of view of applications, the main disadvantage of the PEC policy d' with respect to our NVI policy $\hat{d}$ is in step I above: d' requires to determine *in advance* the optimal stationary policies $g(\cdot, \theta)$ for all values of θ.

6. Concluding Remarks

As noted in the Introduction the underlying motivation for the present work was our interest in Markov decision processes with incomplete state information (MDP-ISI) *and* depending on unknown parameters. Having transformed the original MDP-ISI to a MDP with complete state information in which the new state space is a space of probability measures [11, 18, 20, 21, 23] it might be thought that the adaptive policies (NVI and PEC) in Section 5 above are applicable. However, these adaptive policies are defined in terms of a sequence of SC estimators which are based on *complete* observations of the state (and action) sequence(s). Thus, to apply the results in Section 5 to a MDP-ISI there still remains the problem of showing that a sequence of SC estimators, based on *incomplete* state observations, can be constructed. We do not have an answer to this problem at present, but perhaps results like those of Baum and Petrie [1] for finite-state non-controlled partially observed Markov chains might be extended to a MDP-ISI.

Note: The results in this paper have been recently applied to the adaptive control of a MDP-ISI that depends on unknown parameters [25].

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