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RATIO PROPHET INEQUALITIES WHEN THE MORTAL HAS SEVERAL CHOICES

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Let X_i be nonnegative, independent random variables with finite expectation, and $X_n^* = \max\{X_1, \dots, X_n\}$. The value EX_n^* is what can be obtained by a "prophet." A "mortal" on the other hand, may use $k \geq 1$ stopping rules $t_1, \dots, t_k$, yielding a return of $E[\max_{i=1,\dots,k} X_{t_i}]$. For $n \geq k$ the optimal return is $V_k^n(X_1, \dots, X_n) = \sup E[\max_{i=1,\dots,k} X_{t_i}]$ where the supremum is over all stopping rules $t_1, \dots, t_k$ such that $P(t_i \leq n) = 1$. We show that for a sequence of constants g_k which can be evaluated recursively, the inequality $EX_n^* < g_k V_k^n(X_1, \dots, X_n)$ holds for all such $X_1, \dots, X_n$ and all $n \geq k$; $g_1 = 2$, $g_2 = 1 + e^{-1} = 1.3678\dots$, $g_3 = 1 + e^{1-e} = 1.1793\dots$, $g_4 = 1.0979\dots$ and $g_5 = 1.0567\dots$. Similar results hold for infinite sequences $X_1, X_2, \dots$.

1. Introduction and summary. The classical ratio "prophet inequality" states that for nonnegative independent random variables, not all identically zero, with known distributions and finite expectations, the inequality

$$E(X_n^*) < 2V(X_1, \dots, X_n) \tag{1}$$

holds, where $X_n^* = \max(X_1, \dots, X_n) = X_1 \vee \cdots \vee X_n$, $V(X_1, \dots, X_n) = \sup_{t \in T_n} E(X_t)$, and T_n is the collection of all stopping rules based on $X_1, \dots, X_n$. [A stopping rule t is in T_n if the event $\{t = k\}$ depends only on $X_1, \dots, X_k$ and possibly some external randomization, and $P(t \leq n) = 1$.] Inequality (1) extends nonstrictly to infinite sequences of random variables, with maximum replaced by supremum, provided $E(\sup X_i) < \infty$, where the rules are required to satisfy $P(t < \infty) = 1$. Inequality (1) cannot hold with a smaller constant replacing 2, and thus 2 is known as a "best bound." See, for example, Hill and Kertz (1981) and some earlier references mentioned there. The term "prophet inequality" stems from the fact that EX_n^* may be considered the return to a "prophet" who has complete foresight and can thus choose the best (largest) observation, while $V(X_1, \dots, X_n)$ is the value obtained by a "mortal" (henceforth called "statistician"), who must decide whether to stop or not as the sequence unfolds, with no possibility of recalling any passed-up observations.

In the present paper we consider a situation where the statistician is given k, $k \leq n$, opportunities to choose variables by means of k stopping rules. The return

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is defined as the expected value of the *largest* of the k choices. Multiple stopping rules, in a general setting, are studied by Stadje (1985). In connection with prophet inequalities they are studied by Kennedy (1987). The present problem is studied in Assaf and Samuel-Cahn (2000). They show that there exist simple k-choice rules for the statistician, called "threshold rules," with values $W_k^n(X_1, \dots, X_n)$, such that for any independent $X_i \geq 0$ the inequality

$$E(X_n^*) < \left(\frac{k+1}{k}\right) W_k^n(X_1, \dots, X_n) \tag{2}$$

holds. Since threshold rules are usually not optimal, clearly,

$$E(X_n^*) < \left(\frac{k+1}{k}\right) V_k^n(X_1, \dots, X_n), \tag{3}$$

where $V_k^n(X_1, \dots, X_n)$ is the optimal k-choice value. It turns out that, except when $k = 1$, the constant $(k+1)/k$ is not the best constant in this inequality. In the present paper we prove Theorem 1.1, which provides a sequence of improved constants.

We assume henceforth that all random variables in the stopping sequences considered have known distributions and are independent, nonnegative with finite expectation and not all identically zero.

THEOREM 1.1. *For $k = 1, 2, \dots$, let $g_k = g_k(0)$ where the functions $g_k(x)$ are defined recursively by* (8). *Then for all $n \geq k$ and any $X_1, \dots, X_n$,*

$$E(X_n^*) < g_k V_k^n(X_1, \dots, X_n). \tag{4}$$

The first six values of the g_k sequence are $g_1 = 2$, $g_2 = 1 + e^{-1} = 1.3678\dots$, $g_3 = 1 + e^{1-e} = 1.1793\dots$, $g_4 = 1.0979\dots$, $g_5 = 1.0567\dots$, $g_6 = 1.0341\dots$.

For $X_1, X_2, \dots$, an infinite sequence of such variables with value $V_k^\infty(X_1, X_2, \dots)$, the inequality

$$E\left(\sup_{i=1,2,\dots} X_i\right) \leq g_k V_k^\infty(X_1, X_2, \dots) \tag{5}$$

holds provided the left-hand side of (5) *is finite.*

That Theorem 1.1 gives considerable improvement over (3) is supported by numerical results and Assertion 3.1. However, except for $k = 1$, no claim about having a best bound is made here. We prove Theorem 1.1 by induction on n for each fixed k, and by solving a differential equation, as explained in Section 3. In principle, once the result (4) for some k is known, it is a simple matter to obtain (at least numerically) the result (4) for $k + 1$.

In our proofs we need a generalization of (1), which is also of interest in its own right.

THEOREM 1.2. *For* $n \geq 2$ *and* $x = P(X_n^* = 0) < 1$,

$$EX_n^* < (2 - x)V_1^n(X_1, \dots, X_n). \tag{6}$$

In the infinite case, with $x = P(\sup_{i=1,2,\dots} X_i = 0)$,

$$E\Bigl(\sup_{i=1,2,\dots} X_i\Bigr) \leq (2 - x)V_1^\infty(X_1, X_2, \dots). \tag{7}$$

The expression $2 - x$ *is a best bound.*

Similar to the generalization of (1) to (6) we have a generalization of Theorem 1.1 to 1.3; this requires the following definition. For $0 \leq y < 1$, let

$$\begin{aligned} &u_1(y) = 0 \quad \text{and define for } k \geq 1, \\ &u_{k+1}(y) = -\int_y^1 e^{-u_k(s)}\,ds, \quad h_k(y) = e^{u_k(y)} \quad \text{and} \\ &g_k(y) = h_k(y) + 1 - y. \end{aligned} \tag{8}$$

THEOREM 1.3. *The functions* g_k *are strictly decreasing. If* $n \geq k$ *and* $x = P(X_n^* = 0) < 1$, *then*

$$EX_n^* < g_k(x)V_k^n(X_1, \dots, X_n). \tag{9}$$

In particular, for $0 \leq y < 1$ *we have*

$$g_1(y) = 2 - y, \tag{10}$$

$$g_2(y) = e^{-(1-y)} + 1 - y, \tag{11}$$

$$g_3(y) = \exp\{1 - e^{1-y}\} + 1 - y, \tag{12}$$

$$g_4(y) = \exp\{e^{-1}[Ei(1) - Ei(e^{1-y})]\} + 1 - y, \tag{13}$$

where

$$Ei(y) = ⨍_{-\infty}^{y} \frac{e^z}{z}\,dz, \qquad y > 0. \tag{14}$$

See Abramowitz and Stegun (1966), *Section* 5.1.2. *Similar statements to* (9) *hold nonstrictly for the infinite case by taking limits.*

Since the functions $g_k(y)$ are decreasing, Theorem 1.1 follows from Theorem 1.3. The reason the functions $g_k(y)$ are given explicitly only for $k = 1, 2, 3, 4$ is that further functions can be obtained only through numerical evaluation.

2. Preliminaries. In the following, we make the nontriviality

ASSUMPTION 2.1. *The value* $V_k^{n-1}(X_2, \dots, X_n)$ *cannot be attained with less than k choices. That is*,

$$V_k^{n-1}(X_2, \dots, X_n) > V_{k-1}^{n-1}(X_2, \dots, X_n).$$

(Clearly our results hold also without this assumption, once established with the assumption.)

We also need the following definition.

DEFINITION 2.1. Let $X_2, \dots, X_n$ be given, and $k < n$. The value $b_k = b_k(X_2, \dots, X_n)$ is called the *indifference value* for the k-choice problem if one is indifferent between (i) picking b_k as a first choice and being left with $k-1$ choices among $X_2, \dots, X_n$, and (ii) not choosing b_k and having k choices among $X_2, \dots, X_n$. Thus,

$$V_k^n(b_k, X_2, \dots, X_n) = V_k^{n-1}(X_2, \dots, X_n) = V_{k-1}^{n-1}(X_2, \dots, X_n \vee b_k). \tag{15}$$

The requirement that $k < n$ in the definition of an indifference value is needed, since for $k \geq n$ the trivial relation $V_k^n(X_1, \dots, X_n) = EX_n^*$ holds.

Assumption 2.1 has the following important consequence.

PROPOSITION 2.1. *For* $n > k$, *the function*

$$\phi(z) = V_{k-1}^{n-1}(X_2, \dots, X_n \vee z) \tag{16}$$

is strictly increasing in z *for* $z \in [c, \infty)$ *for any* $c \geq 0$ *such that*

$$P(\max\{X_2, \dots, X_n\} \leq c) > 0. \tag{17}$$

In particular, *under Assumption* 2.1, $\phi(z)$ *is strictly increasing in* z *for* $z \in [b_k, \infty)$, *and the indifference value* b_k *is unique and positive*.

PROOF. Let $z \geq c$. By (17), $P(\max\{X_2, \dots, X_n\} \leq z) > 0$, and there is positive probability that the best $k-1$ choice rule for $(X_2, \dots, X_n \vee z)$ will choose z. With $z < y$, let $\tilde{V}_{k-1}^{n-1}(X_2, \dots, X_n \vee y)$ be the value of the optimal $k-1$ choice rule for $(X_2, \dots, X_n \vee z)$ applied to $(X_2, \dots, X_n \vee y)$. Hence,

$$\begin{aligned}\phi(y) = V_{k-1}^{n-1}(X_2, \dots, X_n \vee y) &\geq \tilde{V}_{k-1}^{n-1}(X_2, \dots, X_n \vee y) \\ &> V_{k-1}^{n-1}(X_2, \dots, X_n \vee z) = \phi(z).\end{aligned}$$

Furthermore, $P(\max\{X_2, \dots, X_n\} \leq b_k) > 0$. If not, then for some $j \geq 2$ we must have $P(X_j > b_k) = 1$. However, in that case one would use one of the k choices to pick X_j rather than to pick $X_1 = b_k$, contradicting the definition of b_k

as an indifference value. Hence, b_k is unique, as if b and b^* are both indifference values, with, say, $b^* < b$, from (15) and (16) it would follow that $\phi(b) = \phi(b^*)$, contradicting the strict monotonicity of ϕ in $[b^*, \infty)$.

To see that b_k is positive, note that $b_k = 0$ would, by use of (15), contradict Assumption 2.1. □

The interpretation of $b_k(X_2, \dots, X_n)$ in relation to the optimal k-choice rule for $X_1, \dots, X_n$ is as follows. When an $X_1 > b_k(X_2, \dots, X_n)$ is observed, the optimal action is to pick X_1 as a first choice. When $X_1 = b_k(X_2, \dots, X_n)$ one is indifferent about picking X_1 or not, and if $X_1 < b_k(X_2, \dots, X_n)$ then X_1 should not be picked.

We introduce the following notation. Let

$$D_k^n(X_1, \dots, X_n) = EX_n^* - V_k^n(X_1, \dots, X_n), \tag{18}$$

$$R_k^n(X_1, \dots, X_n) = \frac{EX_n^*}{V_k^n(X_1, \dots, X_n)}. \tag{19}$$

In the following series of lemmas our aim is to replace the given sequence of random variables $X_1, \dots, X_n$ by another sequence $\hat{X}_1, \dots, \hat{X}_n$, say, so that

$$R_k^n(X_1, \dots, X_n) \le R_k^n(\hat{X}_1, \dots, \hat{X}_n). \tag{20}$$

Since

$$R_k^n(X_1, \dots, X_n) = \frac{D_k^n(X_1, \dots, X_n)}{V_k^n(X_1, \dots, X_n)} + 1, \tag{21}$$

to prove (20) it suffices that

$$D_k^n(X_1, \dots, X_n) \le D_k^n(\hat{X}_1, \dots, \hat{X}_n) \quad \text{and} \quad V_k^n(X_1, \dots, X_n) \ge V_k^n(\hat{X}_1, \dots, \hat{X}_n).$$

Thus our lemmas will be stated in terms of the differences D_k^n and values V_k^n, rather than directly in terms of R_k^n.

LEMMA 2.1. *For $k < n$ and any $X_1, X_2, \dots, X_n$ with $b_k = b_k(X_2, \dots, X_n)$,*

$$D_k^n(X_1, \dots, X_n) \le D_k^n(b_k, X_2, \dots, X_n) \tag{22}$$

and

$$V_k^n(X_1, \dots, X_n) \ge V_k^n(b_k, X_2, \dots, X_n). \tag{23}$$

PROOF. Let F be the distribution function of X_1. Clearly,

$$E[X_1 \vee \cdots \vee X_n] = \int E[x \vee X_2 \vee \cdots \vee X_n]\, dF(x),$$

and since the value x of X_1 will be known before a decision whether to pick it or not must be made,

$$V_k^n(X_1,\dots,X_n)=\int V_k^n(x,X_2,\dots,X_n)\,dF(x).$$

It follows that $D_k^n(X_1,\dots,X_n)=\int D_k^n(x,X_2,\dots,X_n)\,dF(x)$, and hence it suffices to show (22) and (23) for $X_1=x$, where x is any constant.

Case 1. $x\le b_k$. Then

$$V_k^n(x,X_2,\dots,X_n)=V_k^{n-1}(X_2,\dots,X_n)=V_k^n(b_k,X_2,\dots,X_n).$$

Thus (23) holds, and since $E[x\vee X_2\vee\cdots\vee X_n]\le E[b_k\vee\cdots\vee X_n]$, (22) holds.

Case 2. $x>b_k$. Here (23) is trivial. Also, for any $t_2,\dots,t_k\in T_n$ strictly greater than one,

$$\begin{aligned}&E[x\vee X_{t_2}\vee\cdots\vee X_{t_k}]\\ &\quad=E[b_k\vee X_{t_2}\vee\cdots\vee X_{t_k}]+E[x-(b_k\vee X_{t_2}\vee\cdots\vee X_{t_k})]^+\\ &\quad\ge E[b_k\vee X_{t_2}\vee\cdots\vee X_{t_k}]+E[x-(b_k\vee X_2\vee\cdots\vee X_n)]^+.\end{aligned}\tag{24}$$

Taking supremum over $t_2,\dots,t_k$ first on the left and then on the right-hand side of (24) yields

$$\begin{aligned}V_k^n(x,X_2,\dots,X_n)\ge{}&V_k^n(b_k,X_2,\dots,X_n)\\ &+E[x-(b_k\vee X_2\vee\cdots\vee X_n)]^+.\end{aligned}\tag{25}$$

On the other hand,

$$\begin{aligned}E[x\vee X_2\vee\cdots\vee X_n]={}&E[b_k\vee X_2\vee\cdots\vee X_n]\\ &+E[x-(b_k\vee X_2\vee\cdots\vee X_n)]^+.\end{aligned}\tag{26}$$

Clearly (26) and (25) yield (22) for this case. □

LEMMA 2.2. *Let $X_1,\dots,X_n$ be given, $b_k=b_k(X_2,\dots,X_n)$ and $P(X_1=0)=1-\alpha$. Let*

$$\tilde X_1=\begin{cases}0, & \text{with probability } 1-\alpha,\\ b_k, & \text{with probability } \alpha.\end{cases}$$

Then

$$D_k^n(X_1,\dots,X_n)\le D_k^n(\tilde X_1,X_2,\dots,X_n)\tag{27}$$

and

$$V_k^n(X_1,\dots,X_n)\ge V_k^n(\tilde X_1,X_2,\dots,X_n).\tag{28}$$

PROOF. Let $\hat{X}_1$ have the conditional distribution of X_1, given $X_1 \neq 0$. Since

$$V_k^n(X_1, \dots, X_n) = (1-\alpha)V_k^{n-1}(X_2, \dots, X_n) + \alpha V_k^n(\hat{X}_1, X_2, \dots, X_n)$$

and

$$D_k^n(X_1, \dots, X_n) = (1-\alpha)D_k^{n-1}(X_2, \dots, X_n) + \alpha D_k^n(\hat{X}_1, X_2, \dots, X_n)$$

the result follows immediately from Lemma 2.1. □

LEMMA 2.3. *Let $X_2, \dots, X_n$ be given, $n > k$, and let $b_k = b_k(X_2, \dots, X_n)$. Let $\hat{X}_i = X_i I(X_i > b_k)$, $i = 2, \dots, n$, and let $\hat{b}_k = b_k(\hat{X}_2, \dots, \hat{X}_n)$. Then*

$$b_k \geq \hat{b}_k. \tag{29}$$

PROOF. We have that

$$\begin{aligned} V_{k-1}^{n-1}(\hat{X}_2, \dots, \hat{X}_n \vee b_k) &= V_{k-1}^{n-1}(X_2, \dots, X_n \vee b_k) = V_k^{n-1}(X_2, \dots, X_n) \\ &\geq V_k^{n-1}(\hat{X}_2, \dots, \hat{X}_n) = V_{k-1}^{n-1}(\hat{X}_2, \dots, \hat{X}_n \vee \hat{b}_k), \end{aligned}$$

where the inequality is a consequence of $X_i \geq \hat{X}_i$ a.s. Inequality (29) now follows by Proposition 2.1 for $c = 0$. □

That the above lemmas can be used together is the content of Lemma 2.4.

LEMMA 2.4. *For any $X_1, \dots, X_n$, $n > k$ such that $P(X_n^* = 0) = x$, $0 \leq x < 1$, there exist $\tilde{X}_1, \dots, \tilde{X}_n$ and $\tilde{b}_k = b_k(\tilde{X}_2, \dots, \tilde{X}_n)$ such that*:

(i) $P(\tilde{X}_n^* = 0) = x$,
(ii) $\tilde{X}_i = \tilde{X}_i I(\tilde{X}_i > \tilde{b}_k)$ *for* $i = 2, \dots, n$,
(iii) $\tilde{X}_1$ *takes the values* $\tilde{b}_k$ *and* 0 *only*,
(iv) $D_k^n(X_1, \dots, X_n) \leq D_k^n(\tilde{X}_1, \dots, \tilde{X}_n)$ *and* $V_k^n(X_1, \dots, X_n) \geq V_k^n(\tilde{X}_1, \dots, \tilde{X}_n)$.

PROOF. Let $b_k = b_k(X_2, \dots, X_n)$. By Lemma 2.2 we may without loss of generality assume that $X_1 = 0$ and b_k with probabilities $1 - \alpha$ and α, respectively. Let $\hat{X}_i = X_i I(X_i > b_k)$, $i = 2, \dots, n$. With $\hat{\alpha}$ given in (33) determined so that $P(\hat{X}_n^* = 0) = x$, let $\hat{X}_1 = 0$ and b_k with probability $1 - \hat{\alpha}$ and $\hat{\alpha}$, respectively. We shall show that

$$\begin{aligned} &D_k^n(X_1, \dots, X_n) \leq D_k^n(\hat{X}_1, \dots, \hat{X}_n) \quad \text{and} \\ &V_k^n(X_1, \dots, X_n) \geq V_k^n(\hat{X}_1, \dots, \hat{X}_n). \end{aligned} \tag{30}$$

Let $\hat{b}_k = b_k(\hat{X}_2, \dots, \hat{X}_n)$. Then by Lemma 2.3, $b_k \geq \hat{b}_k$ and thus it follows that $\hat{X}_i = \hat{X}_i I(\hat{X}_i > \hat{b}_k)$, $i = 2, \dots, n$. Thus if we set $\tilde{X}_i = \hat{X}_i$ for $i = 2, \dots, n$ then $\tilde{b}_k = \hat{b}_k$, and (ii) holds. Now let $\tilde{X}_1 = 0$ and $\tilde{b}_k$ with probability $1 - \hat{\alpha}$ and $\hat{\alpha}$, respectively. Thus (i) and (iii) are satisfied. Now (iv) will follow from the first inequality in (30) together with Lemma 2.2.

The second inequality in (30) follows since by the definition of b_k and (15),

$$\begin{aligned} V_{k-1}^{n-1}(\hat{X}_2, \dots, \hat{X}_n \vee b_k) &= V_{k-1}^{n-1}(X_2, \dots, X_n \vee b_k) \\ &= V_k^{n-1}(X_2, \dots, X_n) = V_k^n(X_1, \dots, X_n), \end{aligned} \tag{31}$$

whereas clearly $V_k^{n-1}(\hat{X}_2, \dots, \hat{X}_n) \leq V_k^{n-1}(X_2, \dots, X_n)$ and thus

$$\begin{aligned} V_k^n(\hat{X}_1, \dots, \hat{X}_n) &= \hat{\alpha} V_{k-1}^{n-1}(\hat{X}_2, \dots, \hat{X}_n \vee b_k) + (1-\hat{\alpha}) V_k^{n-1}(\hat{X}_2, \dots, \hat{X}_n) \\ &\leq V_k^n(X_1, \dots, X_n), \end{aligned} \tag{32}$$

which is the second inequality in (30). For any $X_1, \dots, X_n$ let

$$X^*_{[2,n]} = X_2 \vee \cdots \vee X_n \quad \text{and} \quad \hat{X}^*_{[2,n]} = \hat{X}_2 \vee \cdots \vee \hat{X}_n.$$

Let $r = P(X^*_{[2,n]} = 0)$ and $s = P(0 < X^*_{[2,n]} \leq b_k)$. Then $x = P(X^*_n = 0) = (1-\alpha)r$, and also $x = P(\hat{X}^*_n = 0) = (1-\hat{\alpha})(r+s)$. Thus,

$$(1-\hat{\alpha}) = (1-\alpha)r/(r+s) \quad \text{and} \quad \hat{\alpha} = 1 - (1-\alpha)r/(r+s). \tag{33}$$

Thus, using (33),

$$E\hat{X}^*_n = E\hat{X}^*_{[2,n]} + b_k(r+s)\hat{\alpha} = E\hat{X}^*_{[2,n]} + b_k(s + \alpha r), \tag{34}$$

whereas

$$\begin{aligned} EX^*_n &= (1-\alpha)EX^*_{[2,n]} + \alpha E[X^*_{[2,n]} \vee b_k] \\ &= (1-\alpha)EX^*_{[2,n]} + \alpha\{b_k + E[\hat{X}^*_{[2,n]} - b_k]^+\} \\ &= (1-\alpha)EX^*_{[2,n]} + \alpha\{b_k + E\hat{X}^*_{[2,n]} - (1-r-s)b_k\} \\ &= (1-\alpha)EX^*_{[2,n]} + \alpha E\hat{X}^*_{[2,n]} + b_k\alpha(r+s) \\ &\leq (1-\alpha)(E\hat{X}^*_{[2,n]} + sb_k) + \alpha E\hat{X}^*_{[2,n]} + b_k\alpha(r+s) \\ &= E\hat{X}^*_{[2,n]} + b_k(s+\alpha r) \\ &= E\hat{X}^*_n, \end{aligned} \tag{35}$$

by (34). Hence, together with (iv), we have (30). □

3. The differential equation approach.

PROOF OF THEOREM 1.2. We prove Theorem 1.2 by induction on n. For $n = 1$, we have

$$\frac{EX^*_1}{V^1_1(X_1)} = 1 < 2 - x = g_1(x) \qquad \text{for all } 0 \leq x < 1.$$

With $x = P(X^*_{[2,n]} = 0)$, assume as our induction hypothesis that

$$\frac{EX^*_{[2,n]}}{V_1^{n-1}(X_2, \dots, X_n)} < 2 - x. \tag{36}$$

Without loss of generality, we may assume the variables are as the $\tilde{X}$'s in Lemma 2.4; letting

$$X_1 = \begin{cases} 0, & \text{with probability } 1-\alpha, \\ b_1, & \text{with probability } \alpha, \end{cases}$$

where b_1 is the indifference value, that is, satisfies $b_1 = V_1^{n-1}(X_2, \dots, X_n)$, we have

$$EX_n^* = b_1 \alpha x + EX_{[2,n]}^*.$$

Since

$$V_1^n(X_1, \dots, X_n) = V_1^{n-1}(X_2, \dots, X_n) = b_1,$$

we have by (36),

$$\frac{EX_n^*}{V_1^n(X_1, \dots, X_n)} = \frac{b_1 \alpha x + EX_{[2,n]}^*}{b_1} < \alpha x + 2 - x = 2 - (1-\alpha)x,$$

which is $g_1((1-\alpha)x)$. Now the induction in complete, since $(1-\alpha)x = P(X_n^* = 0)$.

To see that $2 - x$ is the best bound, let $n = 2$, $0 < \mu \le 1$, and X_1 take the values μ and 0 with probabilities $1 - x$ and x, respectively, and X_2 take the values 1 and 0 with probabilities μ and $1 - \mu$, respectively. Then $V_1^2(X_1, X_2) = \mu$ and $E(X_2^*) = \mu + (1-\mu)\mu(1-x)$ and thus

$$E(X_2^*)/V_1^2(X_1, X_2) = 2 - x - \mu(1-x),$$
$$P(X_2^* = 0) = (1-\mu)x.$$

Letting $\mu \to 0$ we have $E(X_2^*)/V_1^2(X_1, X_2) \to 2 - x$ while $P(X_2^* = 0) \to x$. $\square$

Note that Theorem 1.2 shows that inequality (37) of Lemma 3.1 is satisfied for $k = 1$ by $g_1(y) = 2 - y$.

LEMMA 3.1. *Suppose that for a fixed k there exists a function $g_k(y)$ such that, for any $n \ge k$ and any $Y_1, \dots, Y_n$, the inequality*

$$EY_n^* < g_k(x) V_k^n(Y_1, \dots, Y_n) \tag{37}$$

holds for $x = P(Y_n^* = 0) < 1$. Then for any $X_2, \dots, X_n$, $n \ge k+1$, with $X_i = X_i I(X_i > a)$, $i = 2, \dots, n$, for some constant $a > 0$, we have that

$$\{(g_k(x) - 1 + x)a + EX_{[2,n]}^*\}/g_k(x) < V_{k+1}^n(a, X_2, \dots, X_n), \tag{38}$$

where $x = P(X_{[2,n]}^* = 0)$.

PROOF. Let $Y_i = [X_i - a]^+$, $i = 2, \ldots, n$, and $Y^*_{[2,n]} = Y_2 \vee \cdots \vee Y_n$. Note that $EY^*_{[2,n]} = EX^*_{[2,n]} - (1-x)a$. Thus, by (37), since $P(Y^*_{[2,n]} = 0) = P(X^*_{[2,n]} = 0) = x$,

$$\begin{aligned} V^n_{k+1}(a, X_2, \ldots, X_n) &\geq a + V^{n-1}_k(Y_2, \ldots, Y_n) > a + EY^*_{[2,n]}/g_k(x) \\ &= a + \bigl(EX^*_{[2,n]} - (1-x)a\bigr)/g_k(x) \\ &= \bigl\{\bigl(g_k(x) - 1 + x\bigr)a + EX^*_{[2,n]}\bigr\}/g_k(x). \end{aligned} \tag{39}$$ □

We now derive an inequality for $k+1$ choices. By Lemma 2.4 for $n > k+1$ we need only consider random variables such that $X_1 = b_{k+1}$ and 0 with probabilities α and $1-\alpha$, respectively, and $X_i = X_i I(X_i > b_{k+1})$ where $b_{k+1} = b_{k+1}(X_2, \ldots, X_n)$. For short, write $V^n_{k+1} = V^n_{k+1}(X_1, \ldots, X_n)$. Then

$$V^n_{k+1} = V^n_{k+1}(X_1, \ldots, X_n) = V^{n-1}_{k+1}(X_2, \ldots, X_n). \tag{40}$$

From (38) with $a = b_{k+1}$ we have

$$b_{k+1} < \frac{g_k(x)V^n_{k+1} - EX^*_{[2,n]}}{g_k(x) - 1 + x}, \tag{41}$$

where $x = P(X^*_{[2,n]} = 0)$.

The following lemma is the key step in establishing Theorem 1.3.

LEMMA 3.2. *Suppose that for a fixed k there exists a function $g_k(x)$ such that for all $n \geq k$ and all $X_1, \ldots, X_n$, $EX^*_n < g_k(x)V^n_k(X_1, \ldots, X_n)$ for $x = P(X^*_n = 0)$, $0 \leq x < 1$, and let*

$$h_k(x) = g_k(x) - 1 + x. \tag{42}$$

Suppose that a solution h_{k+1} in $[0, 1)$ *exists to*

$$h'_{k+1}(x) = \frac{h_{k+1}(x)}{h_k(x)}, \tag{43}$$

such that $h'_{k+1}(x)$ is nondecreasing, and such that

$$g_{k+1}(x) = h_{k+1}(x) + 1 - x > 1 \qquad \text{for all } 0 \leq x < 1. \tag{44}$$

Then

$$\begin{aligned} &EX^*_n < g_{k+1}(x)V^n_{k+1}(X_1, \ldots, X_n) \\ &\text{for all } n \geq k+1 \text{ and all } X_1, \ldots, X_n, \text{ where } x = P(X^*_n = 0). \end{aligned} \tag{45}$$

PROOF. Again, by Lemma 2.4, we need only consider random variables such that $X_1 = b_{k+1}$ and 0 with probabilities α and $1-\alpha$, respectively, and $X_i = X_i I(X_i > b_{k+1})$ where $b_{k+1} = b_{k+1}(X_2, \ldots, X_n)$. We proceed by induction on n for fixed $k+1$. For our base case $n = k+1$ the only requirement for (45) to hold is that $g_{k+1}(x) > 1$, for $0 \leq x < 1$, which is assumed. Now assume that (45) holds for some $n-1 \geq k+1$, and consider $X_1, \dots, X_n$; let $x = P(X^*_{[2,n]} = 0)$. For $n \geq k+2$ we have, by use of (41),

$$\begin{aligned}
EX^*_n &= \alpha x b_{k+1} + EX^*_{[2,n]} \\
&< \frac{\alpha x(g_k(x)V^n_{k+1} - EX^*_{[2,n]})}{g_k(x) - 1 + x} + EX^*_{[2,n]} \\
&= \frac{\alpha x g_k(x)V^n_{k+1} + EX^*_{[2,n]}(g_k(x) - 1 + (1-\alpha)x)}{g_k(x) - 1 + x}.
\end{aligned}$$

The induction assumption and (40) yield that

$$EX^*_{[2,n]} < g_{k+1}(x)V^{n-1}_{k+1} = g_{k+1}(x)V^n_{k+1}, \tag{46}$$

hence,

$$\begin{aligned}
EX^*_n &< \frac{\alpha x g_k(x)V^n_{k+1} + g_{k+1}(x)V^n_{k+1}(g_k(x) - 1 + (1-\alpha)x)}{g_k(x) - 1 + x} \\
&= \left\{\frac{\alpha x[g_k(x) - g_{k+1}(x)]}{g_k(x) - 1 + x} + g_{k+1}(x)\right\}V^n_{k+1}.
\end{aligned} \tag{47}$$

Our induction will be complete if we can show that for any $0 \leq x < 1$ and any $0 < \alpha \leq 1$ the value in the curly bracket on the right-hand side of (47) is less than or equal to $g_{k+1}(x - \alpha x)$, since $P(X^*_n = 0) = (1-\alpha)x = x - \alpha x$. Rearranging terms, it suffices to show

$$\frac{g_{k+1}(x) - g_{k+1}(x - \alpha x)}{\alpha x} \leq \frac{g_{k+1}(x) - g_k(x)}{g_k(x) - 1 + x}. \tag{48}$$

We can simplify the approach somewhat by rewriting (48) in terms of the functions h_k and h_{k+1} using (42),

$$\frac{h_{k+1}(x) - h_{k+1}(x - \alpha x)}{\alpha x} \leq \frac{h_{k+1}(x)}{h_k(x)}. \tag{49}$$

By the mean value theorem, the value of the left-hand side of (49) is $h'_{k+1}(x - \theta x)$ for some $0 < \theta < \alpha$, and hence, since by our assumption $h'_{k+1}(x)$ is nondecreasing,

$$\frac{h_{k+1}(x) - h_{k+1}(x - \alpha x)}{\alpha x} = h'_{k+1}(x - \theta x) \leq h'_{k+1}(x) = \frac{h_{k+1}(x)}{h_k(x)}. \qquad \square$$

PROOF OF THEOREM 1.3. We show that the functions defined in (8) satisfy the conditions of Lemma 3.2. First, since h_{k+1} in (8) is positive, it satisfies (43) of Lemma 3.2 if and only if

$$u'_{k+1}(x) = e^{-u_k(x)} \tag{50}$$

for

$$u_j(x) = \log h_j(x), \qquad j = k, k+1. \tag{51}$$

Since we want the smallest solution $g_{k+1}(x)$, we take $h_{k+1}(1) = 1$ and therefore have chosen in (8) the solution for which $u_{k+1}(1) = 0$.

To verify the properties of these functions claimed in Theorem 1.3 we begin by proving that $u_k' e^{u_k} < 1$ for all $k \geq 1$, for the functions u_k defined in (8). The case $k = 1$ for $u_1(x) = 0$ is trivial, and we proceed by induction, assuming the inequality is true for k. Then

$$u_k'(x) < e^{-u_k(x)},$$

and integrating from x to 1 and using that $u_k(1) = 0$ we derive that

$$\exp\left\{-\left(u_k(x) + \int_x^1 e^{-u_k(y)}\,dy\right)\right\} < 1,$$

which is equivalent to $u_{k+1}' e^{u_{k+1}} < 1$.

We can now verify the claim made in Theorem 1.3 that the functions g_k defined in (8) are strictly decreasing; we have $g_k' < 0$ if and only if $h_k' < 1$, if and only if $u_k' e^{u_k} < 1$.

Next we show that the functions h_{k+1}' are nondecreasing. The inequality $u_k' e^{u_k} < 1$, or $u_k' < e^{-u_k}$ is equivalent to $u_k' < u_{k+1}'$. Hence

$$\frac{h_k'}{h_k} < \frac{h_{k+1}'}{h_{k+1}},$$

which with (43) yields

$$h_{k+1}''(x) = \frac{h_{k+1}' h_k - h_{k+1} h_k'}{h_k^2} > 0,$$

and that h_{k+1}' is increasing.

Next, we need to show that $g_{k+1}(x) > 1$ for $0 \leq x < 1$. Since g_{k+1} is strictly decreasing, for $0 \leq x < 1$ we have

$$g_{k+1}(x) > g_{k+1}(1) = h_{k+1}(1) = e^{u_{k+1}(1)} = 1.$$

Last, Theorem 1.2 gives the base step for the induction with $g_1(x) = 2 - x$, and therefore $h_1(x) = 1$, and $u_1(x) = 0$. For $k = 2$ we have

$$u_2(x) = -\int_x^1 1\,dy = -(1 - x), \qquad h_2(x) = e^{-(1-x)},$$

and so

$$g_2(x) = e^{-(1-x)} + 1 - x.$$

Then

$$u_3(x) = -\int_x^1 e^{1-y}\,dy = 1 - e^{1-x}, \qquad h_3(x) = \exp(1 - e^{1-x})$$

and

$$g_3(x) = \exp(1 - e^{1-x}) + 1 - x.$$

Thus

$$u_4(x) = -e^{-1} \int_x^1 e^{e^{(1-y)}} \, dy = e^{-1}[Ei(1) - Ei(e^{1-x})], \tag{52}$$

where $Ei(y)$ is defined in (14).

In particular for $x = 0$ we get $u_4(0) = e^{-1}[Ei(1) - Ei(e)] = -2.32337\ldots$ and thus $g_4 = g_4(0) = 1.0979\ldots$ as in Theorem 1.1. Further numerical integration yields the values $g_5 = 1.0567\ldots$, $g_6 = 1.0341\ldots$.

We conclude the paper with Assertion 3.1, asserting that the bounds derived here are strictly better than the bounds of Assaf and Samuel-Cahn (2000), for all $k \geq 2$. The proof follows by induction and can be found in Assaf, Goldstein and Samuel-Cahn (2001).

ASSERTION 3.1. *For $k \geq 2$, $g_k(0) < (k + 1)/k$.*

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