Problem 5.6

If $x \sim Mult_L(n, \pi)$, use the Poisson trick (5.44) to appropriate the mean and variance of x_1/x_2. (Here we are assumming that $n\pi_2$ is large enough to ignore the possibility $x_2 = 0$.) Hint: In notation (5.41),

$$\frac{S1}{S2} \doteq \frac{\mu_1}{\mu_2}(1 + \frac{S_1 - \mu_1}{\mu_1} - \frac{S_2 - \mu_2}{\mu_2}).$$

$$S_l \overset{ind}{\sim} Poi(\mu_l), \quad l = 1, 2, \ldots, L \qquad (5.41)$$

$$Mult_L(N, \pi) \sim Poi(n\pi) \qquad (5.44)$$

Solution Let $X = (x_1, x_2, \ldots, x_L) \sim Mult_L(n, \pi)$ where $\pi = (\pi_1, \pi_2, \ldots, \pi_L)$ and $N \sim Poi(n)$. Then, by using Poisson trick, we can approximate $X = (x_1, x_2, \ldots, x_L) \sim Poi(n\pi)$. In other words, $x_i \overset{indep}{\sim} Poi(n\pi_i)\ \forall i = 1, 2, \ldots, L$. Define $\mu_i = n\pi_i\ \forall i$. We know that $E_\pi(x_i) = n\pi_i = \mu_i$ and $Var_\pi = n\pi_i = \mu_i$. Next, we use the hint given to the problem. Then, we can calculate the mean and variance of x_1/x_2.

First, the mean of x_1/x_2 is

$$\begin{aligned}
E_\pi(\frac{x_1}{x_2}) &= E_\pi\left(\frac{\mu_1}{\mu_2}(1 + \frac{x_1 - \mu_1}{\mu_1} - \frac{x_2 - \mu_2}{\mu_2}\right) \\
&= \frac{\mu_1}{\mu_2}(1 + E_\pi\left(\frac{x_1 - \mu_1}{\mu_1}\right) - E_\pi\left(\frac{x_2 - \mu_2}{\mu_2}\right)) \\
&= \frac{\mu_1}{\mu_2}
\end{aligned}$$

Second, the variance of x_1/x_2 is

$$\begin{aligned}
Var_\pi(\frac{x_1}{x_2}) &= Var_\pi\left(\frac{\mu_1}{\mu_2}(1 + \frac{x_1 - \mu_1}{\mu_1} - \frac{x_2 - \mu_2}{\mu_2}\right) \\
&= \frac{\mu_1^2}{\mu_2^2}(\frac{1}{\mu_1^2}Var_\pi(x_1) + \frac{1}{\mu_2^2}Var_\pi(x_2)) \\
&= \frac{\mu_1^2}{\mu_2^2}(\frac{1}{\mu_1} + \frac{1}{\mu_2}) \\
&= \frac{\mu_1(\mu_1 + \mu_2)}{\mu_2^3}
\end{aligned}$$

Problem 5.7

Show explicitly how the binomial density bi(12, 0.3) is an exponential tilt of bi(12, 0.6).

Solution