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CONTENTS

1	Introduction	1
2	Applications	1

Abstract—This manual provides an introduction to statistical decision theory.

1 INTRODUCTION

1.1 Let

$$Y = f(\mathbf{X}) \quad (1.1)$$

The *mean square error* (MSE) is defined as

$$MSE(f) = E[Y - f(\mathbf{X})]^2 \quad (1.2)$$

Show that

$$MSE(f) = E_{\mathbf{X}} \{E_Y[Y - f(\mathbf{x})]^2 | \mathbf{X} = \mathbf{x}\} \quad (1.3)$$

1.2 Let

$$c = f(\mathbf{x}) \quad (1.4)$$

Using (1.3)

$$\begin{aligned} \min MSE(f) &= \min MSE(f)|X \\ &= \min_c E_Y \{[Y - c]^2 | \mathbf{X} = \mathbf{x}\} \end{aligned} \quad (1.5)$$

Show that

$$\begin{aligned} MSE(f)|X &= E_Y \{[Y - c]^2 | \mathbf{X} = \mathbf{x}\} \\ &= -2cE_Y \{Y | \mathbf{X} = \mathbf{x}\} + E_Y \{Y^2 | \mathbf{X} = \mathbf{x}\} + c^2 \end{aligned} \quad (1.6)$$

1.3 $MSE(f)$ is minimum when

$$\frac{d}{dc} MSE(f)|X = 0. \quad (1.7)$$

Show that this results in

$$c = f(\mathbf{x}) = E[Y|X = \mathbf{x}] \quad (1.8)$$

f is known as the *regression* function.

2 APPLICATIONS

- 2.1 Explain how (1.8) can be used to obtain the Nearest Neighbour approximation.
- 2.2 Repeat the exercise for the least squares method.

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