

# INTRODUCTION TO STATISTICAL INFERENCE

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Third Semester

# List of Symbols

Placeholder

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## Chapter 1

# SUFFICIENCY

### 1.1 Introduction to Sufficient Statistics

We start by defining terms for the sake of completion, whilst assuming the most basic definitions.

**Definition 1.1.** An *estimator* is any function of the random sample which is used to estimate the unknown value of the given parametric function  $g(\theta)$ .

If  $\underline{X} = (X_1, \dots, X_n)$  is a random sample from a population with a probability distribution  $P_\theta$ , a function  $d(\underline{X})$  used for estimating  $g(\theta)$  is known as an estimator. Let  $\underline{x} = (x_1, \dots, x_n)$  be a realization of  $\underline{X} = (X_1, \dots, X_n)$ . Then  $d(\underline{x})$  is called an *estimate*.

**Definition 1.2.** The *parameter space* is the set of all possible values of a parameter.

For example, the normal distribution  $N(\mu, \sigma^2)$  has the parameter space  $\mu \in \mathbb{R}$  and  $\sigma^2 > 0$ . Similarly, the binomial distribution  $\text{Bin}(n, p)$  has the constraints  $n \in \mathbb{N}$  and  $p \in [0, 1]$ .

Throughout this course, we will assume any data, otherwise stated, will be *independent and identically distributed*; the are separate datapoints that follow the same probability distribution and are independent.

**Definition 1.3.** Let  $X_1, \dots, X_n$  be a random sample from a population  $P_\theta$ , where  $\theta \in \Theta$ . A statistic  $T = T(X_1, \dots, X_n) = T(\underline{X})$  is said to be a *sufficient statistic* for the family  $\mathcal{P} = \{P_\theta : \theta \in \Theta\}$  if the conditional distribution of  $X_1, \dots, X_n$  given  $T = t$  is independent of  $\theta$ .

We shall look at some examples.

**Example 1.4.** Let  $X_1, \dots, X_n$  be a random sample from the Bernoulli distribution with parameter  $p \in (0, 1)$ . We claim that  $T = \sum_{i=1}^n X_i$  is sufficient for  $\{\text{Ber}(p) \mid 0 < p < 1\}$ . To show this, we simply have

$$P(X_i = x_i \text{ for all } i \mid T = t) = \frac{P(X_1 = x_1, \dots, X_{n-1} = x_{n-1}, X_n = t - \sum_{i=1}^{n-1} x_i)}{P(\sum_{i=1}^n X_i = t)} \quad (1.1)$$

$$\begin{aligned} &= \frac{P(X_1 = x_1) \cdots P(X_{n-1} = x_{n-1}) \cdot P(X_n = t - \sum_{i=1}^{n-1} x_i)}{\binom{n}{t} p^t (1-p)^{n-t}} \\ &= \frac{p^{x_1} (1-p)^{1-x_1} \cdots p^{x_{n-1}} (1-p)^{1-x_{n-1}} p^{t - \sum_{i=1}^{n-1} x_i} (1-p)^{1-t + \sum_{i=1}^{n-1} x_i}}{\binom{n}{t} p^t (1-p)^{n-t}} \\ &= \frac{1}{\binom{n}{t}}. \end{aligned} \quad (1.2)$$

Thus, the statistic  $T$  is sufficient. The above expression is valid when  $\sum_{i=1}^n x_i = t$ , and the probability

evaluates to 0 if  $\sum_{i=1}^n x_i \neq t$ .

**Example 1.5.** Let  $X_1, \dots, X_n$  be a random sample from  $\text{Poisson}(\lambda)$  for  $\lambda > 0$ . We claim that the statistic  $T = \sum_{i=1}^n X_i$  is sufficient. Recall that the probability mass function is  $f(x, \lambda) = \frac{e^{-\lambda} \lambda^x}{x!}$  where  $x$  is a non-negative integer, and  $\lambda > 0$ . We have

$$P(X_i = x_i \mid T = t) = \frac{P(X_1 = x_1) \cdots P(X_{n-1} = x_{n-1}) \cdot P(X_n = t - \sum_{i=1}^{n-1} x_i)}{P(\sum_{i=1}^n X_i = t)} \quad (1.3)$$

$$\begin{aligned} &= \frac{\frac{e^{-\lambda} \lambda^{x_1}}{x_1!} \cdots \frac{e^{-\lambda} \lambda^{x_{n-1}}}{x_{n-1}!} \cdot \frac{e^{-\lambda} \lambda^{t - \sum_{i=1}^{n-1} x_i}}{(t - \sum_{i=1}^{n-1} x_i)!}}{\frac{e^{-n\lambda} (n\lambda)^t}{t!}} \\ &= \frac{e^{-n\lambda} \lambda^t}{x_1! \cdots x_{n-1}! (t - \sum_{i=1}^{n-1} x_i)!} \cdot \frac{t!}{e^{-n\lambda} (n\lambda)^t} \\ &= \frac{t!}{x_1! \cdots x_{n-1}! (t - \sum_{i=1}^{n-1} x_i)!} \cdot \frac{1}{n^t} \\ &= \binom{t}{x_1, x_2, \dots, x_n} \cdot \frac{1}{n^t}. \end{aligned} \quad (1.4)$$

This shows that the conditional distribution of  $(X_1, \dots, X_n)$  given  $T = t$  does not depend on  $\lambda$ , so by the definition of sufficiency,  $T$  is a sufficient statistic for  $\lambda$ .

**Definition 1.6.** A *regular model* may be one of two things.

1. All  $P_\theta$  are continuous with probability density function  $f(x \mid \theta)$ .
2. All  $P_\theta$  are discrete with probability mass function  $p(x \mid \theta)$ , and there exists a countable set  $S = \{x_1, x_2, \dots\}$  independent of  $\theta$  such that  $\sum_{i=1}^\infty p(x_i \mid \theta) = 1$ .

## 1.2 Factorization Theorems

The following theorem proves to be useful for finding sufficiency.

**Theorem 1.7** (The *Neyman-Fisher factorization theorem*). Let  $f(\underline{x} \mid \theta)$  be the density of  $\underline{X}$  under the probability model  $P_\theta$  for  $\theta \in \Theta$ . Then if the model is regular, a statistic  $T(\underline{X})$  is sufficient for  $\theta$  if and only if there exist functions  $g$  and  $h$  such that

$$f(\underline{x} \mid \theta) = g(T(\underline{x}), \theta) h(\underline{x}). \quad (1.5)$$

Note that the functions are defined with  $T : \mathbb{R}^n \rightarrow I \subseteq \mathbb{R}^k$  (for  $k \leq n$ ),  $g : I \times \Theta \rightarrow \mathbb{R}_{\geq 0}$ , and  $h : \mathbb{R}^n \rightarrow \mathbb{R}_{\geq 0}$ . The functions  $g$  and  $h$  need not be unique.

A little less formally, the theorem basically states this: let  $X$  be a random variable with probability mass/density function  $f(x, \theta)$  for  $\theta \in \Theta$ . Then  $T(X)$  is sufficient if and only if  $f(x, \theta) = g(T(x), \theta) h(x)$  for all  $\theta \in \Theta$ . We now provide a proof.

*Proof.* We show only for the discrete case. Let us first assume such a factorization exists. With

$$P_\theta(X = x' \mid T(X) = t) = \begin{cases} \frac{P_\theta(X=x', T(X)=t)}{P_\theta(T(X)=t)} & \text{if } T(x') = t, \\ 0 & \text{if } T(x') \neq t, \end{cases} \quad (1.6)$$

we then have

$$P_\theta(T(X) = t) = \sum_{\{x \mid T(x)=t\}} f_\theta(x \mid \theta) = g(T(x), \theta) \sum_{\{x \mid T(x)=t\}} h(x). \quad (1.7)$$

Thus, using the above, and the fact that  $\{X = x\} \subseteq \{T(X) = T(x)\}$ , gives us

$$\frac{P_\theta(X = x', T(X) = t)}{P_\theta(T(X) = t)} = \frac{P_\theta(X = x')}{g(T(x), \theta) \sum_{\{x|T(x)=t\}} h(x)} = \frac{g(t, \theta) h(x')}{g(T(x), \theta) \sum_{\{x|T(x)=t\}} h(x)} = \frac{h(x')}{\sum_{\{x|T(x)=t\}} h(x)}. \quad (1.8)$$

We now suppose that  $T(X)$  is sufficient for  $\theta$ . Let  $g(t, \theta) = P_\theta(T = t)$ . Then,

$$g(t, \theta) = P_\theta(T = t) = P_\theta(T(X) = T(x')) \text{ where } T(x') = t. \quad (1.9)$$

Also set  $h(x) = P_\theta(X = x' | T(X) = T(x'))$ , which is independent of  $\theta$  since  $T$  is sufficient. Therefore, we have

$$f_X(x' | \theta) = P_\theta(X = x') = P_\theta(T(X) = T(x')) \cdot P_\theta(X = x' | T(X) = T(x')) = g(T(x), \theta) h(x). \quad (1.10)$$

■

**Example 1.8.** Let  $X_1, \dots, X_n$  be independent and identically distributed  $N(\mu, \sigma^2)$  random variables, with  $\mu \in \mathbb{R}$  and  $\sigma^2 > 0$ . Let us find a sufficient test statistic. We look at cases; the first case being when  $\sigma^2$  is known ( $\sigma^2 = 1$ ). Since these are independent, we have the joint probability density function of these random variables as

$$f(x_1, \dots, x_n | \mu, \sigma^2) = \prod_{i=1}^n \frac{1}{\sqrt{2\pi}\sigma} e^{-\frac{(x_i - \mu)^2}{2\sigma^2}} = \frac{1}{(2\pi)^{n/2}} e^{-\sum_{i=1}^n (x_i - \mu)^2} \quad (1.11)$$

$$\begin{aligned} &= \frac{1}{(2\pi)^{n/2}} \exp\left(-\frac{1}{2} \left(\sum_{i=1}^n x_i^2 - 2\mu \sum_{i=1}^n x_i + n\mu^2\right)\right) \\ &= \frac{1}{(2\pi)^{n/2}} e^{-\frac{1}{2} \sum_{i=1}^n x_i^2} \times e^{-\frac{1}{2} (-2\mu \sum_{i=1}^n x_i + n\mu^2)}. \end{aligned} \quad (1.12)$$

Make the former term  $h(x)$  and the latter term  $g(\sum_{i=1}^n x_i, \mu)$  with  $T(x) = \sum_{i=1}^n x_i$ . The second case now involves  $\mu$  being known, and we set it to  $\mu = 0$  to get  $T(x) = \sum_{i=1}^n x_i^2$ ,  $h(x) = 1/(2\pi)^{n/2}$ , and  $g(T(x), \sigma^2) = \sigma^{-n} e^{-T(x)/2\sigma^2}$ .

We move on to another factorization theorem.

**Definition 1.9.** The family of distributions  $\{P_\theta | \theta \in \Theta\}$  is said to be a *single parameter exponential family* if there exist real valued functions  $c(\theta), d(\theta)$  on  $\Theta$  and  $T(x), S(x)$  on  $\mathbb{R}^n$  and a set  $A \subset \mathbb{R}^n$  such that

$$f(\underline{x} | \theta) = \exp(c(\theta)T(\underline{x}) + d(\theta) + S(x)) \mathbf{1}_A(x) \quad (1.13)$$

where  $A$  must not depend on  $\theta$ .

**Example 1.10.** Suppose  $X \sim \text{Poisson}(\lambda)$  for  $\lambda > 0$ . With  $A = \{0, 1, 2, \dots\}$ , we have

$$f(x | \lambda) = \exp(x \log(\lambda) - \lambda - \log(x!)) \mathbf{1}_A(x) \quad (1.14)$$

with  $T(x) = x$ ,  $c(\lambda) = \log(\lambda)$ ,  $d(\lambda) = -\lambda$ , and  $S(x) = -\log(x!)$ .

Consider  $X_1, \dots, X_n$  independent and identically distributed random variables following the distribution  $P_\theta$ , and suppose that  $\{P_\theta | \theta \in \Theta\}$  is an exponential family, that is,  $f(x | \theta) = \exp(c(\theta)T(x_i) +$

$d(\theta) + S(x)\mathbf{1}_A(x)$ . Then,

$$f_{x_1, \dots, x_n}(x_1, \dots, x_n \mid \theta) = \prod_{i=1}^n \exp(c(\theta)T(x_i) + d(\theta) + S(x_i))\mathbf{1}_A(x_i) \quad (1.15)$$

$$= \exp(c(\theta) \sum_{i=1}^n T(x_i) + nd(\theta) + \sum_{i=1}^n S(x_i))\mathbf{1}_{A^n}(x_1, \dots, x_n). \quad (1.16)$$

$(x_1, \dots, x_n)$  has distribution belonging to a single parameter exponential family. Thus, if  $\{P_\theta \mid \theta \in \Theta\}$  is a single parameter family with density  $f(x, \theta) = \exp(c(\theta)T(x) + d(\theta) + S(x))\mathbf{1}_A(x)$ , then  $T(x)$  is sufficient for  $\theta$ .

**Corollary 1.11.** *If  $x_1, \dots, x_n$  are independent and identically distributed random variables following the distribution  $P_\theta$  with density  $f(x \mid \theta) = \exp(c(\theta)T(x) + d(\theta) + S(x))\mathbf{1}_A(x)$ , then  $\sum_{i=1}^n T(X_i)$  is sufficient for  $\theta$ .*

The exponential family is expanded.

**Definition 1.12.** A family of distributions  $\{P_\theta : \theta \in \Theta\}$  with density  $f(x \mid \theta)$  is called a *k-parameter exponential family* if there exists real valued functions  $c_1(\theta), \dots, c_k(\theta), d(\theta)$  on  $\Theta$  and  $T_1(\underline{x}), \dots, T_k(\underline{x}), S(\underline{x})$  on  $\mathbb{R}^n$ , and a set  $A \subset \mathbb{R}^n$  such that

$$f(\underline{x} \mid \theta) = \left( \exp\left(\sum_{j=1}^n c_j(\theta)T_j(\underline{x}) + d(\theta) + S(\underline{x})\right) \right) \mathbf{1}_A(\underline{x}). \quad (1.17)$$

Here,  $(T_1, \dots, T_k)$  is a  $k$ -dimensional sufficient statistic for  $\theta$ . Note that the parameter here is  $\theta$  and not  $(c_1(\theta), \dots, c_k(\theta))$ .

We look at more examples.

**Example 1.13.** For a normal distribution with  $\sigma^2 = 1$ , we have

$$f(x \mid \theta) = \frac{1}{\sqrt{2\pi}} e^{-\frac{(x-\theta)^2}{2}} \mathbf{1}_A(x) = \exp\left(-\frac{1}{2}\log(2\pi) - \frac{x^2}{2} + x\theta - \frac{\theta^2}{2}\right) \mathbf{1}_A(x). \quad (1.18)$$

Here,  $c(\theta) = \theta$ ,  $T(x) = x$ ,  $S(x) = -\frac{x^2}{2} - \frac{1}{2}\log(2\pi)$ , and  $d(\theta) = -\frac{\theta^2}{2}$ .

*August 1st.*

**Remark 1.14.** 1. The Neyman-Fisher factorization theorem holds if  $\underline{\theta}$  and  $\underline{T}$  are vectors. Their dimensions need not be equal.

2. If  $T$  is sufficient and  $T$  is a function of  $U$ , then  $U$  is also sufficient.

3. If  $V$  is a function of  $T$ , then  $V$  need not be sufficient. But if  $V$  is one-to-one with  $T$ , then  $V$  is also sufficient.  $V = B(T)$  and  $T = B^{-1}(V)$  shows that  $g(T, \theta) = g(B^{-1}(V), \theta) = g^*(V, \theta)$ . Note that the inverse exists since it is defined on the image of the original function only.

## 1.3 Minimal Sufficiency

Again, we begin with a few definitions.

**Definition 1.15.** A *partition* of a space  $\mathcal{X}$  is a collection  $\{E_i\}$  of subsets of  $\mathcal{X}$  such that

$$\bigcup_{n \geq 1} E_i = \mathcal{X} \text{ and } E_i \cap E_j = \emptyset \text{ for } i \neq j. \quad (1.19)$$

The  $E_i$ 's are called *partition sets*. Let  $T : \mathcal{X} \rightarrow \mathcal{Y}$ . The partition of  $\mathcal{X}$  induced by the function  $T$  is the collection of the sets  $T_y = \{x \mid T(x) = y\}$  for  $y \in \mathcal{Y}$ .

We say that  $\mathcal{P}_2$  is a *reduction* of  $\mathcal{P}_1$  if each partition set of  $\mathcal{P}_2$  is the union of the same members of  $\mathcal{P}_1$ .

**Definition 1.16.** A sufficient statistic  $T(X)$  is called a *minimal sufficient statistic* if for any other sufficient statistic  $T'(X)$ ,  $T(\underline{X})$  is a function of  $T'(X)$ . That is,

$$T(\underline{X}) = U(T'(X)) \implies \text{if } T'(\underline{x}) = T'(\underline{y}) \text{ then } T(\underline{x}) = T(\underline{y}). \quad (1.20)$$

In terms of partition sets, if  $\{B_{t'} \mid t' \in T'\}$  are partition sets for  $T'(x)$  and  $\{A_t : t \in T\}$  are partition sets for  $T(x)$ , then the definition states that every  $B_{t'}$  is a subset of some  $A_t$ . Thus the partition associated with a minimal sufficient statistic is the coarsest possible partition for a sufficient statistic, and a minimal sufficient statistic achieves the greatest possible data reduction.

**Theorem 1.17.** Let  $f(x \mid \theta)$  be the probability mass/density function of a sample  $\underline{X}$ . Suppose there exists a function  $T(\underline{x})$  such that for every two sample points  $\underline{x}$  and  $\underline{y}$ , the ratio  $f(\underline{x} \mid \theta)/f(\underline{y} \mid \theta)$  is constant as a function of  $\theta$  if and only if  $T(\underline{x}) = T(\underline{y})$ . Then  $T(\underline{X})$  is a minimal sufficient statistic for  $\theta$ .

We look at an example first before proving the theorem.

**Example 1.18.** Let  $X_1, \dots, X_n$  be independent and identically distributed  $\text{Exp}(\theta)$  for  $\theta > 0$ . Recall that the probability density function is  $f(x \mid \theta) = \theta \exp(-\theta x)$ . We show that  $T(\underline{X}) = \sum_{i=1}^n X_i$  is minimal sufficient for  $\theta$ . The joint density in this case is

$$f(\underline{X} = \underline{x} \mid \theta) = \prod_{i=1}^n \theta \exp(-\theta x_i) = \theta^n \exp\left(-\theta \cdot \sum_{i=1}^n x_i\right). \quad (1.21)$$

The ratio is now

$$\frac{f(\underline{x} \mid \theta)}{f(\underline{y} \mid \theta)} = \exp\left(-\theta \sum_{i=1}^n (x_i - y_i)\right) = \exp(-\theta(T(\underline{x}) - T(\underline{y}))). \quad (1.22)$$

This expression is constant as a function of  $\theta$  if and only if  $T(\underline{x}) = T(\underline{y})$ . Thus,  $T$  is minimal sufficient statistic for  $\theta$ .

*Proof.* We shall assume that  $f(x \mid \theta) > 0$  for all  $x \in \mathcal{X}, \theta \in \Theta$ . Suppose there exists  $T(X)$  such that  $f(\underline{x} \mid \theta)/f(\underline{y} \mid \theta)$  is constant as a function of  $\theta$  if and only if  $T(\underline{x}) = T(\underline{y})$ . We first show that  $T$  is sufficient. The map is really  $T : \mathcal{X} \rightarrow \mathcal{T} = \{t \mid T(x) = t \text{ for some } x \in \mathcal{X}\}$ . Let  $A_t = \{x \in \mathcal{X} \mid T(x) = t\}$ . Then the collection of sets  $\{A_t\}_{t \in \mathcal{T}}$  is a partition of  $\mathcal{X}$ .

For each  $A_t$ , fix an element  $x_t \in A_t$ . For any  $x \in \mathcal{X}$ , we have  $x \in A_{T(x)}$  and hence  $x_{T(x)}$  is the fixed element which belongs to the same partitioning set as  $x$  does. Thus,  $T(x) = T(x_{T(x)})$  since  $x$  and  $x_{T(x)}$  belong to  $A_{T(x)}$ .  $\frac{f(x \mid \theta)}{f(x_{T(x)} \mid \theta)}$  is a constant function of  $\theta$ , so  $h(x) = \frac{f(x \mid \theta)}{f(x_{T(x)} \mid \theta)}$  independent of  $\theta$  and  $h : \mathcal{X} \rightarrow \mathbb{R}_{\geq 0}$ . Define  $g : \mathcal{T} \times \Theta \rightarrow \mathbb{R}_{\geq 0}$  by  $g(t, \theta) = f(x_t \mid \theta)$ . Then

$$f(x \mid \theta) = \frac{f(x \mid \theta)}{f(x_{T(x)} \mid \theta)} f(x_{T(x)} \mid \theta) = h(x)g(t, \theta). \quad (1.23)$$



Now that we have shown  $T$  is sufficient, we show its minimality. Let  $T'(X)$  be any other sufficient statistic. Then there exist functions  $g'$  and  $h'$  such that

$$f(x | \theta) = g'(T'(x), \theta)h'(x). \quad (1.24)$$

Let  $x$  and  $y$  be any two sample points such that  $T'(x) = T'(y)$ . Then

$$\frac{f(x | \theta)}{f(y | \theta)} = \frac{g'(T'(x), \theta)h'(x)}{g'(T'(y), \theta)h'(y)} = \frac{h'(x)}{h'(y)} \text{ is independent of } \theta. \quad (1.25)$$

We already know that  $T(x) = T(y)$  whenever the above ratio is a constant function of  $\theta$ . Hence,  $T'(x) = T'(y) \implies T(x) = T(y)$ . This means that  $T$  is coarser. ■

**Theorem 1.19.** Suppose  $\mathcal{P}$  is a family of probability models with common support and  $\mathcal{P}_0 \subset \mathcal{P}$ . If  $T$  is minimal sufficient for  $\mathcal{P}_0$  and sufficient for  $\mathcal{P}$ , then it is minimal sufficient for  $\mathcal{P}$  also.

*Proof.* Let  $U$  be any sufficient statistic for  $\mathcal{P}$ . Then it is sufficient for  $\mathcal{P}_0$ . But  $T$  is minimal for  $\mathcal{P}_0$ . Therefore,  $T = H(U)$ . Now consider  $\mathcal{P}$ .  $T$  is sufficient for  $\mathcal{P}$  and for any other sufficient statistic  $U$ ,  $T = H(U)$ . Thus,  $T$  is minimal sufficient. ■

**Example 1.20.** Let  $X_1, \dots, X_n$  be independent and identically distributed Poisson( $\lambda$ ) random variables. The probability mass function in this case is

$$f(x_1, \dots, x_n | \lambda) = e^{-n\lambda} \frac{\lambda^{x_1 + \dots + x_n}}{x_1! \dots x_n!}. \quad (1.26)$$

We find whether  $\sum_{i=1}^n X_i$  is sufficient for  $\lambda$ . We have

$$\frac{f(\underline{x} | \theta)}{f(\underline{y} | \theta)} = \theta^{-(\sum_{i=1}^n x_i - \sum_{j=1}^n y_j)} \frac{y_1! \dots y_n!}{x_1! \dots x_n!} \quad (1.27)$$

which is a constant with respect to  $\theta$  if and only if  $T(\underline{x}) = T(\underline{y})$ .

**Definition 1.21.** Two statistics  $S_1$  and  $S_2$  are said to be *equivalent statistics* if  $S_1(x) = S_1(y)$  if and only if  $S_2(x) = S_2(y)$ . Note that if  $S_1$  and  $S_2$  are equivalent, then they provide the same

1. partition of the sample space,
2. reduction, and
3. information.

**Definition 1.22.** A statistic  $S(\underline{X})$  whose distribution does not depend on the parameter  $\theta$  is called an *ancillary statistic*. An example is the chi-squared distribution.

## 1.4 Location Scale Family

With examples as context, we define the following families.

**Example 1.23.** Consider  $U \sim \text{Unif}(-1, 1)$ . Then  $f_U(u) = \frac{1}{2}I_{(-1,1)}(u)$ . Let  $X = \mu + U$ . Then  $X \sim \text{Unif}(\mu - 1, \mu + 1)$ . Thus,

$$f_X(x) = \frac{1}{2}I_{(\mu-1, \mu+1)}(x) = \frac{1}{2}I_{(-1,1)}(x - \mu) = f_U(x - \mu). \quad (1.28)$$

The family of distributions for  $X$  indexed by  $\mu$  is called a *location family* with *location parameter*  $\mu$ . Note that  $\mu$  is the location for  $X$  if  $X - \mu$  has a distribution which is free of  $\mu$ .

**Example 1.24.** Suppose  $Z_1 \sim N(0, 1)$  with density  $f_Z(z) = \frac{1}{\sqrt{2\pi}} e^{-\frac{z^2}{2}}$ . If we set  $X = \sigma Z$  with  $\sigma > 0$ , then  $X \sim (0, \sigma^2)$ . Thus,

$$f_X(x) = \frac{1}{\sigma\sqrt{2\pi}} e^{-\frac{x^2}{2\sigma^2}} = \frac{1}{\sigma} f_Z\left(\frac{x}{\sigma}\right). \quad (1.29)$$

Here,  $\sigma$  is called the *scale parameter* for the family of distributions  $X$  indexed by it, which is called a *scale family*. Together, we have the changed distribution as

$$f_X(x) = \frac{1}{\sigma} f\left(\frac{x - \mu}{\sigma}\right). \quad (1.30)$$



## Chapter 2

# POINT ESTIMATION

August 8th.

We begin with a definition.

**Definition 2.1.** A *point estimator* is a function  $W$  of the sample, mapping into the parameter space  $\Theta$  of the parameter  $\theta$  of interest. The value  $W(X)$  is called a *point estimate* of  $\theta$ .

Various methods of point estimation are discussed in this chapter, including the method of moments, maximum likelihood estimation, and Bayes estimation.

## 2.1 Estimators

### 2.1.1 Method of Moments

Let  $X_1, \dots, X_n$  be a sample from a population with a probability distribution function and probability density function. The *method of moments* estimators are found by equating the first  $k$  sample moments to the corresponding  $k$  population moments and solving the resulting system of simultaneous equations. Here, the  $k^{\text{th}}$  sample moment and the  $k^{\text{th}}$  population moment are given as

$$m_k = \frac{1}{n} \sum_{j=1}^n X_j^k \quad \text{and} \quad \mu'_k = E[X^k] \quad (2.1)$$

respectively. For  $\mu'_j = \mu'_j(\theta_1, \dots, \theta_i)$ , with  $1 \leq j \leq k$ , the estimators are obtained by solving the equations

$$m_j = \mu'_j(\theta_1, \dots, \theta_i) \quad \text{for } 1 \leq j \leq k. \quad (2.2)$$

### 2.1.2 Maximum Likelihood Estimators

Let  $X_1, \dots, X_n$  be an independent and identically distributed sample from a population with a probability distribution/mass function  $f(\underline{x} \mid \theta_1, \dots, \theta_k)$ . The *likelihood function* is defined as

$$L(\underline{\theta} \mid \underline{x}) = L(\theta_1, \dots, \theta_k \mid x_1, \dots, x_n) := \prod_{j=1}^n f(x_j \mid \theta_1, \dots, \theta_k). \quad (2.3)$$

**Definition 2.2.** For each sample points, let  $\bar{\theta}(\underline{x})$  be a parameter value at which  $L(\underline{\theta} \mid \underline{x})$  attains its maxima as a function of  $\underline{\theta}$ , with  $\underline{x}$  held fixed. A *maximum likelihood estimator* (MLE) of the parameter  $\theta$  based on a sample  $\underline{X}$  is  $\hat{\theta}(\underline{X})$ .

- Remark 2.3.**
1. By its contraction, the ranges of the MLE concludes with the range of the parameter.
  2. The MLE is the parameter points for which the observation sample is most likely.

If the likelihood function is differentiable in  $\theta_i$ , then possible candidates for the MLE are the values of  $(\theta_1, \dots, \theta_k)$  that solve  $\frac{\partial}{\partial \theta_i} L(\underline{\theta} | \underline{x}) = 0$  for  $1 \leq i \leq k$ . Moreover, we must have  $\frac{\partial^2}{\partial^2 \theta_i} L(\underline{\theta} | \underline{x}) < 0$  for the solution to be a maximum.

- Remark 2.4.**
1. The solutions to the above equation are the only possible candidates for the MLE since the first derivative being zero is only a necessary condition for the maximum and not sufficient.
  2. The zeroes of the first derivatives only locate extreme points in the interior of the domain of the function.
  3. If the extrema occurs on the boundary of the domain, then the first derivative may not be zero. Thus the boundary must be checked separately.
  4. The points where the first derivatives are zero may be local/global maxima or minima.

**Example 2.5.** Let us take the example of the binomial distribution,  $X \sim \text{Bin}(n, p)$ . The likelihood function is given by  $L(p | x) = \binom{n}{x} p^x (1-p)^{n-x}$ , where  $0 < p < 1$ . We have

$$\frac{\partial}{\partial p} L(p | x) = \frac{dL}{dp}(p | x) = 0. \quad (2.4)$$

This derivative is hard to compute directly. So we take the logarithm (an increasing function) of the likelihood function, and then differentiate.

$$\implies \frac{d}{dp} \log L(p | x) = \frac{x}{p} - \frac{n-x}{1-p} = 0. \quad (2.5)$$

This gives us  $p = \frac{x}{n}$ , with the second derivative less than zero, confirming that this is a maximum. Thus, the MLE of  $p$  is  $\hat{p} = \frac{X}{n}$ .

The method in this example is known as *log likelihood estimation*. It is often easier to work with the log likelihood function, especially when dealing with products.

- Remark 2.6.**
1. The MLE may not exist at all or may not be unique.
  2. If  $\hat{\theta}$  is the MLE of  $\theta$ , then  $\rho(\hat{\theta})$  is the MLE of  $\rho(\theta)$  for any function  $\rho$ .

The following is a vital and important result.

**Theorem 2.7.** *The MLE depends on  $\underline{x}$  only through the sufficient statistic  $T(\underline{x})$ .*

*Proof.* We have  $L(\theta | \underline{x}) = f(\underline{x} | \theta) = g(T(\underline{x}), \theta)h(\underline{x})$ . Therefore, we have

$$L(\hat{\theta}(\underline{x}) | \underline{x}) = \max_{\theta} g(T(\underline{x}), \theta)h(\underline{x}). \quad (2.6)$$

Since  $h(\underline{x}) > 0$ , and does not depend on  $\theta$ , we must have

$$L(\hat{\theta}(\underline{x}) | \underline{x}) = h(\underline{x}) \max_{\theta} g(T(\underline{x}), \theta) \quad (2.7)$$

where the maximization is on the part that involves  $\underline{x}$  through  $T(\underline{x})$  only. ■

### 2.1.3 One Parameter Exponential Family in Natural Form

Recall that the usual density form of the exponential family was given as

$$f(x | \theta) = \exp(c(\theta)T(x) + d(\theta) + s(x))\mathbf{1}_A(x). \quad (2.8)$$

Define  $\eta = c(\theta)$  for  $\theta \in \Theta$ , and let  $\Gamma = \{\eta | \eta = c(\theta), \theta \in \Theta\}$ . We then have

$$f^*(x | \eta) = \exp(\eta T(x) + d_0(\eta) + s(x))\mathbf{1}_A(x) \quad (2.9)$$

where  $d_0(\eta) = d(c^{-1}(\eta))$  if  $c$  is one-one. Moreover,

$$1 = \int_A f^*(x | \eta) dx = \int_A \exp(\eta T(x) + d_0(\eta) + s(x)) dx = \exp(d_0(\eta)) \int_A \exp(\eta T(x) + s(x)) dx \quad (2.10)$$

$$\implies d_0(\eta) = -\log \left( \int_A \exp(\eta T(x) + s(x)) dx \right). \quad (2.11)$$

**Theorem 2.8.** *If  $X$  has density of the form  $f(x | \eta) = \exp(\eta T(x) + d_0(\eta) + s(x))\mathbf{1}_A(x)$  and  $\eta$  is an interior points of  $H := \{\eta | |d_0(\eta)| < \infty\}$ , then the moment generating function of  $T(X)$  exists and is given by*

$$\varphi(s) = E[\exp(sT(X))]. \quad (2.12)$$

Also,

$$E[T(X)] = -\frac{d}{d\eta}d_0(\eta), \quad \text{and} \quad \text{Var}(T(X)) = -\frac{d^2}{d\eta^2}d_0(\eta). \quad (2.13)$$

**Theorem 2.9.** *Let  $\{P_\theta | \theta \in \Theta\}$  be a one parameter exponential family with density  $f(x | \theta) = \exp(c(\theta)T(x) + d(\theta) + s(x))\mathbf{1}_A(x)$  and let  $c$  be the interior of  $C = \{c(\theta) | \theta \in \Theta\}$ . Also suppose  $\theta \mapsto c(\theta)$  is one-one. If the equation*

$$E_\theta[T(X)] = T(x) \quad (2.14)$$

*has a solution  $\hat{\theta}(x)$  for which  $c(\hat{\theta}(x)) \in C$ , then  $\hat{\theta}(x)$  is the unique MLE of  $\theta$ .*

*Proof.* Since  $\theta \mapsto c(\theta)$  is one-one, maximizing the likelihood over  $\theta$  is maximizing over  $\eta = c(\theta)$ . Hence, consider the natural parametrization

$$f(x | \eta) = \exp(\eta T(x) + d_0(\eta) + s(x))\mathbf{1}_A(x) \text{ for } \eta \in H. \quad (2.15)$$

$L(\eta | x) = \eta T(x) + d_0(\eta) + s(x)$ , if  $x \in A$ , is the log likelihood function. Also,

$$\frac{\partial}{\partial \eta} L(\eta | x) = T(x) + d'_0(\eta) \text{ and } \frac{\partial^2}{\partial \eta^2} L(\eta | x) = d''_0(\eta). \quad (2.16)$$

Therefore, we get  $\frac{\partial}{\partial \eta} L(\eta | x) = T(x) - E_\eta[T(X)] = 0$  implying that  $E_\eta[T(X)] = T(x)$ . Now,  $\frac{\partial^2}{\partial \eta^2} L(\eta | x) < 0$  so that  $L$  is strictly concave. Then we get a unique maxima at  $\hat{\eta}(x)$  for which  $E_{\hat{\eta}(x)}[T(X)] = T(x)$ . ■

*August 22nd.*

The loss function  $L(q(\theta), T(X))$  measures the discrepancy between the true parameter  $q(\theta)$  and the estimate  $T(X)$ . A common choice for  $L$  is the squared error loss, defined as

$$L(q(\theta), T(X)) = (q(\theta) - T(X))^2. \quad (2.17)$$

One may also choose the absolute error loss, defined as

$$L(q(\theta), T(X)) = |q(\theta) - T(X)|. \quad (2.18)$$

**Theorem 2.10** (The Rao-Blackwell theorem). Let  $\underline{X}$  be a random vector with distribution  $P_\theta$ ,  $\theta \in \Theta$ , and let  $T$  be sufficient for  $\theta$ . Moreover, let  $\delta(\underline{X})$  be an estimator of  $\theta$  and  $\delta^*(t) = E[\delta(X) | T = t]$ . Also let  $L(\theta, d)$  be a strictly convex loss function (in  $d$ ) and  $R(\theta, d) = E[L(\theta, d(\underline{X}))]$ . Then if  $R(\theta, \delta) = E[L(\theta, \delta(X))] < \infty$ , we obtain  $R(\theta, \delta^*) < R(\theta, \delta)$  for all  $\theta$  unless  $\delta(x) = \delta^*(T(x))$  with probability 1.

Another form is

**Theorem 2.11.** If  $T$  is an unbiased estimate of  $\tau(\theta)$  and  $S$  is a sufficient statistic, then  $T' = E_\theta[T | S]$  is also unbiased for  $\tau(\theta)$  and

$$\text{Var}_\theta(T') \leq \text{Var}_\theta(T) \text{ for all } \theta. \quad (2.19)$$

*Proof.* We simply have  $E_\theta[T'] = E_\theta[E[T | S]] = \tau(\theta) = E_\theta[T] = \tau(\theta)$ , where we have used the property  $E[E[X | Y]] = E[X]$ . For the next part, we have

$$\begin{aligned} \text{Var}_\theta(T) &= E[T - E[T]]^2 = E[T - \tau(\theta)]^2 = E[T - T' + T' - \tau(\theta)]^2 \\ &= E[T - T']^2 + E[T' - \tau(\theta)]^2 + 2E[(T - T')(T' - \tau(\theta))]. \end{aligned} \quad (2.20)$$

The last term can be worked upon as

$$E[(T - T')(T' - \tau(\theta))] = E[E[(T - T')(T' - \tau(\theta)) | S]] = E[(T - \tau(\theta))E[(T - T') | S]] \quad (2.21)$$

where we have used the fact that  $E[AB | S] = AE[B | S]$  when  $B$  is any random variable and  $A$  is measurable with respect to  $S$ . But note that the inner term,  $E[(T - T') | S]$  expands as

$$E[(T - T') | S] = E[T | S] - E[T' | S] = 0 \quad (2.22)$$

giving us

$$\text{Var}_\theta(T) = E[T - T']^2 + E[T' - \tau(\theta)]^2 \geq E[T' - \tau(\theta)]^2 = \text{Var}_\theta(T'). \quad (2.23)$$

**Theorem 2.12.** Let  $X$  have distribution  $P_\theta$ ,  $\theta \in \Theta$ , and let  $T = T(\underline{X})$  be complete and sufficient for  $\theta$  (or  $P_\theta$ ,  $\theta \in \Theta$ ). Then every function  $h(T)$  is the unique unbiased estimator of its own expected value; that is, for any  $h$ , if  $g(\theta) = E_\theta[h(T)]$  holds, then  $h(T)$  is the only unbiased estimate available for  $g(\theta)$ .

*Proof.*  $T$  is complete for  $\theta$ , so for any function  $h$ ,  $E[h(T(X))] = 0$  for all  $\theta$  implies that  $h \equiv 0$ . Let  $h_1(T)$  and  $h_2(T)$  be unbiased, so that  $E[h_1(T)] = \theta = E[h_2(T)]$ . Set  $h(t) = h_1(t) - h_2(t)$ . Then  $E[h(T)] = 0$  for all  $\theta$ , which implies that  $h \equiv 0$ , or  $h_1(t) = h_2(t)$ .

**Theorem 2.13** (The Lehmann-Scheffe theorem). Suppose  $T = T(\underline{X})$  is complete sufficient for  $P_\theta$ ,  $\theta \in \Theta$ , and  $S = S(\underline{X})$  is any unbiased estimate of  $q(\theta)$ . Then  $S^* = E[S(\underline{X}) | T]$  is the unique minimum variance unbiased estimator (UMVUE) of  $q(\theta)$  is  $\text{Var}_\theta(S^*(\underline{X})) < \infty$  for all  $\theta$ .

*Proof.* Both  $S$  and  $S^*$  are unbiased, and the mean squared error is the variance. By Rao-Blackwell theorem,  $\text{Var}_\theta(S^*) \leq \text{Var}_\theta(S)$  for all  $\theta$ . Let  $S_1$  and  $S_2$  be two such that  $g_1(T) = E[S_1 | T]$  and  $g_2(T) = E[S_2 | T]$  with  $E[g_1(T)] = \theta = E[g_2(T)]$ . Then  $E[h(T)] = E[g_1(T) - g_2(T)] = 0$  showing  $h \equiv 0$ .

**Remark 2.14.** 1. Give any  $S(X)$  unbiased for  $q(\theta)$ , the UMVUE is found by obtaining  $S^*(X) = E[S(X) | T(X)]$ , where  $T$  is a complete sufficient statistic for  $\theta$ .

2. If we already have  $h(T)$  unbiased for  $q(\theta)$  and  $T$  complete sufficient, then  $h(T)$  is the UMVUE for  $q(\theta)$  since  $S^* = E[h(T) | T] = h(T)$ .

We work with some problems to familiarize.

**Example 2.15.** Let  $X_1, \dots, X_n \sim N(\mu, \sigma^2)$  be independent and identically distributed random variables. Setting  $s^2 = \frac{1}{n-1} \sum_i (X_i - \bar{X})^2$ , one can show that  $s^2$  is unbiased for  $\sigma^2$ .

**Example 2.16.** For  $X_1, \dots, X_n \sim N(\theta, \theta^2)$ , one can show that  $(\sum X_i, \sum X_i^2)$  is sufficient but not complete.

**Theorem 2.17** (*Basu's theorem*). Suppose  $T$  is complete sufficient for  $\{P_\theta \mid \theta \in \Theta\}$ . Let  $S$  be any ancillary statistic. Then  $T$  and  $S$  are independent for all  $\theta$ .

*Proof.* We have

$$\int_{-\infty}^{\infty} [F_S(s) - F_{S|T=t}(s)] f_T(t) dt = 0 \text{ for all } \theta. \quad (2.24)$$

■

**Theorem 2.18.** Let  $\{P_\theta \mid \theta \in \Theta\}$  be a  $k$ -parameter exponential family with density

$$f(\underline{x} \mid \theta) = \exp \left( \sum_{j=1}^k c_j(\theta) T_j(\underline{x}) + d(\theta) + S(\underline{x}) \right) \mathbf{1}_A(\underline{x}). \quad (2.25)$$

Suppose  $\{\underline{c}(\theta) = (c_1(\theta), \dots, c_k(\theta)) \mid \theta \in \Theta\}$  contains an open set  $g(e)$  in  $\mathbb{R}^k$ . Then  $\underline{T}(\underline{X}) = (T_1, \dots, T_k)$  is complete sufficient.

**Theorem 2.19.** A (bounded) complete sufficient statistic is minimal sufficient, assuming that the minimal sufficient statistic exists.

*Proof.* Let  $T$  be minimal sufficient and  $U$  complete sufficient. Then  $T = h(U)$  for some function  $h$ . We need to show that  $T$  and  $U$  are equivalent statistics (produce the same partition). It is enough to show that for all integrable  $\varphi$ ,  $E[\varphi(U) \mid T] = \varphi(U)$ . Suppose  $E[\varphi(U) \mid T] \neq \varphi(U)$  for some  $\varphi$ . Define  $K(U) = \varphi(U) - E[\varphi(U) \mid h(U)]$ . Then

$$E[K(U)] = E[\varphi(U)] - E[E[\varphi(U) \mid h(U)]] = E[\varphi(U)] - E[\varphi(U)] = 0. \quad (2.26)$$

But  $U$  is complete, so  $K(U) \equiv 0$ , or  $\varphi(U) = E[\varphi(U) \mid h(U)]$  for all integrable  $\varphi$ . This shows that  $T$  and  $U$  are equivalent statistics. ■

## 2.2 Information Number

Let  $\{P_\theta : \theta \in \Theta\}$  be a family of probability distributions satisfying the following mathematical regularity conditions.

(A)  $A = \{x : f(x) > 0\}$  does not depend on  $\theta$ .

For all  $x \in A$ ,  $\theta \in \Theta$ , the *score function*

$$S(x) = \frac{\partial}{\partial \theta} \log f(x \mid \theta) = \frac{\frac{\partial}{\partial \theta} f(x \mid \theta)}{f(x \mid \theta)} \quad (2.27)$$

exists and is finite.  $S(x)$  measures the relative rate at which  $f(x \mid \theta)$  changes at  $x$ . Since  $X$  is random, this needs averaging as

$$I(\theta) = E_\theta[S(X)^2] = \int \left( \frac{\partial}{\partial \theta} \log f(x \mid \theta) \right)^2 f(x \mid \theta) dx. \quad (2.28)$$

$I(\theta)$  is called the *Fisher information number* about  $\theta$  contained in the observation  $X$ . It measures the amount of information that the observable random variable  $X$  carries about the unknown parameter  $\theta$ . The second regularity condition is



(B) The derivative, with respect to  $\theta$ , of  $\int f(x | \theta)dx$  can be obtained by differentiating under the integral sign.

**Theorem 2.20.** *If both (A) and (B) hold then*

1.  $E_\theta[S(X)] = 0$ ,
2.  $I(\theta) = \text{Var}_\theta(S(X))$ .

*In addition, if the second derivative (w.r.t.  $\theta$ ) of  $\log f(x | \theta)$  for all  $x$  and  $\theta$ , and the second derivative of  $\int f(x | \theta)dx$  can be obtained by differentiating under the integral sign, then*

3.  $I(\theta) = -E_\theta[\frac{\partial^2}{\partial \theta^2} \log f(X | \theta)]$ .

**Theorem 2.21.** *Let  $X, Y$  be two independent random variables with densities  $f_1(x | \theta)$  and  $f_2(y | \theta)$  respectively. If  $I(\theta)$ ,  $I_1(\theta)$ ,  $I_2(\theta)$  are the Fisher information numbers of  $(X, Y)$ ,  $X$ ,  $Y$  respectively, then  $I(\theta) = I_1(\theta) + I_2(\theta)$ .*

The above theory works for single parameters; for multiple parameters, the *fisher information matrix* is defined as

$$I(\theta) = [I_{ij}(\theta)] \text{ where } I_{ij}(\theta) = E \left[ \frac{\partial}{\partial \theta_i} \log f(x | \theta) \cdot \frac{\partial}{\partial \theta_j} \log f(x | \theta) \right]. \quad (2.29)$$

The matrix is symmetric.

August 29th.

**Theorem 2.22.** *Let  $X$  have one parameter exponential family density*

$$f(x | \theta) = \exp(c(\theta)T(x) + d(\theta) + s(x))\mathbf{1}_A(x). \quad (2.30)$$

*Consider the mean value parametrization  $\delta(\theta) = E_\theta[T(X)]$ . Then  $I(\delta) = \frac{1}{\text{Var } T}$ .*

*Proof.* The natural parametrization  $\eta = c(\theta)$  gives

$$f^*(x | \eta) = \exp(\eta T(x) + d_0(\eta) + s(x))\mathbf{1}_A(x). \quad (2.31)$$

Log gives us

$$\log f^*(x | \eta) = \eta T(x) + d_0(\eta) + s(x) \implies \frac{\partial}{\partial \eta} \log f^*(x | \eta) = T(x) + d'_0(\eta) = T(x) - E_\eta(T). \quad (2.32)$$

Here  $E_\eta(T) = -d'_0(\eta)$  and  $\text{Var}_\eta(T) = -d''_0(\eta)$ . Therefore, we have

$$I^*(\eta) = E_\eta \left[ \frac{\partial}{\partial \eta} \log f^*(X | \eta) \right] = E_\eta[T(X) - E_\eta(T)] = \text{Var}_\eta(T). \quad (2.33)$$

Here  $\delta(\theta) = E_\theta[T] = -d'_0(\eta) = h(\eta)$ .

$$\frac{d\eta}{d\delta} = \left( \frac{d\delta}{d\eta} \right)^{-1} = (-d''_0(\eta))^{-1} = \frac{1}{\text{Var}_\eta(T)} \implies I(\delta) = I^*(\eta) \left( \frac{d\eta}{d\delta} \right)^2 \Big|_{\eta=h^{-1}(\delta)} = \frac{1}{\text{Var}_\eta(T)}. \quad (2.34)$$

■

### 2.2.1 Information Inequality

Suppose the conditions (A) and (B) (above) hold, and  $0 < I(\theta) < \infty$ . Let  $T(X)$  be any statistic with  $\text{Var } T < \infty$  and such that the derivative, with respect to  $\theta$ , of

$$E_\theta(T) = \int T(x)f(x | \theta)dx \quad (2.35)$$

exists and can be obtained by differentiating under the integral sign. Then

$$\text{Var}_\theta(T(X)) \geq \frac{\frac{d}{d\theta}[E_\theta[T]]^2}{I(\theta)}. \quad (2.36)$$

This is known as the *Cramér-Rao lower bound*. To see this inequality, note that

$$\frac{d}{d\theta}E_\theta[T] = \int T(x) \frac{d}{d\theta}f(x | \theta)dx = \int T(x)S(x)f(x | \theta)dx = E_\theta[T(X)S(X)]. \quad (2.37)$$

$E[S(X)] = 0$ , so the covariance  $\text{Cov}(T(X), S(X)) = E[T(X)S(X)] - E[T(X)]E[S(X)] = E[T(X)S(X)] \leq \sqrt{\text{Var}(T(X))\text{Var}(S(X))}$ .  $\text{Var}(S(X))$  is nothing but  $I(\theta)$ . The inequality follows.

For the class of all unbiased estimators of  $\theta$  we have

$$\text{Var}_\theta(T(X)) \geq \frac{\frac{d}{d\theta}[E_\theta[T]]^2}{I(\theta)} = \frac{1}{I(\theta)}. \quad (2.38)$$

This lower bound is independent of any particular  $T$ . If there exists an unbiased estimator that attains this lower bound, then that estimator has to be the UMVUE.

**Remark 2.23.** Let  $X_1, \dots, X_n$  be i.i.d. from a location parameter family with probability distribution function  $f_X(x | \theta) = f(x - \theta)$  with  $\theta \in \mathbb{R}$ . Then  $R = X_{(n)} - X_{(1)}$  is ancillary. If they come from a scale parameter family with pdf  $f_X(x | \theta) = \frac{1}{\theta}f\left(\frac{x}{\theta}\right)$ , then  $R = X_{(n)} - X_{(1)}$  is also ancillary.



## Chapter 3

# ORDER STATISTICS

Suppose  $X_1, \dots, X_n \sim F(x)$  are independent and identically distributed. Then the data points are arranged in increasing order and labelled  $X_{(1)} \leq X_{(2)} \leq \dots \leq X_{(n)}$ . The distribution of the smallest order statistic  $X_{(1)}$  is given by

$$F_{(1)}(x) = P(X_{(1)} \leq x) = 1 - P(X_{(1)} > x) = 1 - P(X_1 > x)^n = 1 - (1 - F(x))^n. \quad (3.1)$$

Similarly, the distribution of the largest order statistic  $X_{(n)}$  is given by

$$F_{(n)}(x) = P(X_{(n)} \leq x) = P(X_1 \leq x)^n = (F(x))^n. \quad (3.2)$$

The joint distribution of  $X_{(1)}$  and  $X_{(n)}$  may also be obtained. Here,

$$\begin{aligned} P(X_{(n)} \leq y) &= P(X_{(1)} \leq x, X_{(n)} \leq y) + P(X_{(1)} > x, X_{(n)} \leq y) \\ \implies F_{X_{(1)}, X_{(n)}}(x, y) &= P(X_{(1)} \leq x, X_{(n)} \leq y) = (F(y))^n - (F(y) - F(x))^n. \end{aligned} \quad (3.3)$$



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