Statistical Inference I	**Prof. Chin-Tsang Chiang**
Lecture Notes 13	
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1 Poisson distribution

Poisson random variable is defined with a parameter λ denoting the rate or intensity of a counting process. As Poisson distribution is **memoryless**, these two notions don't conflict. We define the probability density function of Poisson(λ) as follow:

$$f_X(x|\lambda) = \frac{\lambda^x e^{-\lambda}}{x!}\mathbf{1}_{\{0,1,\dots\}}(x)$$

The following is the basic properties of Poisson distribution:

- $\mathbb{E}[x|\lambda] = \lambda$
- $var[x|\lambda] = \lambda$
- $M_X(t) = e^{-\lambda(1-e^t)}$

Now, let's consider a theorem that connects the intuition of Poisson process with Poisson distribution.

Theorem 1 (Poisson process) *Let N_t be a nondecreasing integer-valued random variable satisfying*

1. $N_0 = 0$
2. $\forall 0 < t_1 < t_2 < t_3 < t_4$, $N_{t_2} - Nt_1 \sim N_{t_2-t_1}$ (**identical**). $N_{t_2} - N_{t_1}$ *is independent to* $N_{t_4} - N_{t_3}$
3. $\lim_{n\to\infty} \frac{Pr[N_0=1]}{h} = \lambda$ *and* $\lim_{n\to\infty} \frac{Pr[N_0\geq 2]}{h} = 0$

Then, $Pr[N_t = k] = \frac{(\lambda t)^k e^{-\lambda t}}{k!}$

Proof: First, we consider the case where $k = 0$. Then we use induction to prove the result for all k. In the following proof, denote $P_n(t) = Pr[N_t = n]$

1. Suppose $n = 0$, we have $\forall t > 0$

$$\begin{aligned}
P_0(t+h) &= Pr[N_t = 0 \text{ and } N_{t+h} - N_t = 0] \\
(\because \text{independent and stationary}) &= P_0(t)P_0(h) \\
&= P_0(t)(1 - \lambda h + o(h))
\end{aligned}$$

Subtract $P_(t)$ on both side and divide by h, let $h \to 0$ we have

$$\begin{aligned} P_0'(t) &= \lim_{h\to 0} \frac{P_0(t+h) - P_0(t)}{h} \\ &= \lim_{h\to 0} -\lambda P_0(h) + \frac{o(h)}{h} \\ &= -\lambda P_0(t) \end{aligned}$$

This is equivalent as solving $\frac{d}{dt}\ln P_0(t) = -\lambda$. With the boundary condition $P_0(0) = 0$, we have

$$P_0(t) = e^{-\lambda t}$$

2. Now, consider $n \geq 1$. We have

$$\begin{aligned} P_n(t+h) = &\, Pr[N_t = n-1 \text{ and } N_{t+h} - N_t = 1] + Pr[N_t = n \text{ and } N_{t+h} - N_t = 0] \\ &+ Pr[N_{t+h} - N_t \geq 2] \\ &= P_{n-1}(t)(\lambda h + o(h)) + P_n(t)(1 - \lambda h + o(h)) + o(h) \end{aligned}$$

Subtract $P_n(t)$ on both side and divide by h, let $h \to 0$ we have,

$$\begin{aligned} P_n'(t) &= \lim_{h\to 0} \frac{P_n(t+h) - P_n(t)}{h} \\ &= \lim_{h\to 0} \lambda P_{n-1}(t) - \lambda P_n(t) + \frac{o(h)}{h} \\ &= \lambda P_{n-1}(t) - \lambda P_n(t) \end{aligned}$$

Consider $n = 1$, we have $P_1'(t) = \lambda e^{-\lambda t} - \lambda P_1(t)$, which is equivalent as solving $\frac{d}{dt}(e^{\lambda t}P_1(t)) = \lambda$. With boundary condition $P_1(0) = 0$, we have

$$P_1(t) = \lambda t e^{-\lambda t}$$

With induction hypothesis $P_{n-1}(t) = \frac{(\lambda t)^{n-1}e^{-\lambda t}}{(n-1)!}$, the problem is equivalent as solving $\frac{d}{dt}e^{\lambda t}P_n(t) = \lambda\frac{(\lambda t)^{n-1}}{(n-1)!}$. With boundary condition $P_n(0) = 0$, we have

$$P_n(t) = \frac{(\lambda t)^n e^{\lambda t}}{n!}$$

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1.1 Counting process and Stopping time

In fact, counting process and stopping time are the two side of a coin. The following shows how to interchange from one to another.

Stopping time T → **Counting process** $\{N(t), t \geq 0\}$
For a given stopping T, we can define a corresponding zero-one counting process: $N_T(t) := \mathbf{1}_{\{T<t\}}$

Counting process $\{N(t), t \geq 0\}$ $\rightarrow$ **Stopping time** T

For a counting process $\{N(t), t \geq 0\}$, we can define a stopping time Tas $Pr[T > t] = Pr[N(t) = 0]$ such that

$$
\begin{aligned}
1 - F_T(t) &= e^{-\lambda t} \\
f_T(t) &= \lambda e^{-\lambda t} \mathbf{1}_{\{0,1,2,\ldots\}}(t)
\end{aligned}
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