

Advanced Theory of Statistics

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1 Probability Theory

1.1 Measure space, measurable function, and integration

Definition 1: A collection of subsets of Ω, \mathcal{F} , is a σ -field (or σ -algebra) if (i) The empty set $\emptyset \in \mathcal{F}$; (ii) If $A \in \mathcal{F}$, then the complement $A^c \in \mathcal{F}$; (iii) If $A_i \in \mathcal{F}, i = 1, 2, \dots$, then their union $\cup A_i \in \mathcal{F}$. (Ω, \mathcal{F}) is a measurable space if \mathcal{F} is a σ -field on Ω .

Example 1: \mathcal{C} = a collection of subsets of interest. $\sigma(\mathcal{C})$ = the smallest σ -field containing \mathcal{C} (the σ -field generated by \mathcal{C}). $\sigma(\mathcal{C}) = \mathcal{C}$ if \mathcal{C} itself is a σ -field. $\sigma(\{A\}) = \{\emptyset, A, A^c, \Omega\}$.

Example 2 (Borel σ -field): \mathbb{R}^k : the k -dimensional Euclidean space ($\mathbb{R}^1 = \mathbb{R}$ is the real line). \mathcal{O} = all open sets, \mathcal{C} = all closed sets. $\mathcal{B}^k = \sigma(\mathcal{O}) = \sigma(\mathcal{C})$: the Borel σ -field on \mathbb{R}^k . $C \in \mathcal{B}^k, \mathcal{B}_C = \{C \cap B : B \in \mathcal{B}^k\}$ is the Borel σ -field on C .

Definition 2: Let (Ω, \mathcal{F}) be a measurable space. A set function ν defined on \mathcal{F} is a measure if (i) $0 \leq \nu(A) \leq \infty$ for any $A \in \mathcal{F}$; (ii) $\nu(\emptyset) = 0$; (iii) If $A_i \in \mathcal{F}, i = 1, 2, \dots$, and A_i 's are disjoint, i.e. $A_i \cap A_j = \emptyset$ for any $i \neq j$, then $\nu(\cup_{i=1}^{\infty} A_i) = \sum_{i=1}^{\infty} \nu(A_i)$. $(\Omega, \mathcal{F}, \nu)$ is a measure if ν is a measure on \mathcal{F} in (Ω, \mathcal{F}) .

Convention 1: For any $x \in \mathbb{R}$, $\infty + x = \infty$, $x\infty = \infty$ if $x > 0$, $x\infty = -\infty$ if $x < 0$. $0\infty = 0$, $\infty + \infty = \infty$, $\infty^a = \infty$ for any $a > 0$. $\infty - \infty$ or ∞/∞ is not defined.

Example 3 (Important examples of measures): (a) Let $x \in \Omega$ be a fixed point and $\delta_x(A) = \begin{cases} c & x \in A \\ 0 & x \notin A \end{cases}$. This is called a point mass at x . (b) Let \mathcal{F} = all subsets of Ω and $\nu(A)$ = the number of elements in $A \in \mathcal{F}$ ($\nu(A) = \infty$ if A contains infinitely many elements). Then ν is a measure on \mathcal{F} and is called the counting measure. (c) There is a unique measure m on $(\mathbb{R}, \mathcal{B})$, that satisfies $m([a, b]) = b - a$ for every finite interval $[a, b]$, $-\infty < a \leq b < \infty$. This is called the Lebesgue measure.

Proposition 1 (Properties of measures): Let $(\Omega, \mathcal{F}, \nu)$ be a measure space. (1) Monotonicity: If $A \subset B$, then $\nu(A) \leq \nu(B)$. (2) Subadditivity: For any sequence A_1, A_2, \dots , $\nu(\cup_{i=1}^{\infty} A_i) \leq \sum_{i=1}^{\infty} \nu(A_i)$. (3) Continuity: If $A_1 \subset A_2 \subset A_3 \subset \dots$ (or $A_1 \supset A_2 \supset A_3 \supset \dots$ and $\nu(A_1) < \infty$), then $\nu(\lim_{n \rightarrow \infty} A_n) = \lim_{n \rightarrow \infty} \nu(A_n)$ where $\lim_{n \rightarrow \infty} A_n = \cup_{i=1}^{\infty} A_i$ (or $= \cap_{i=1}^{\infty} A_i$).

Definition 3: Let P be a probability measure on $(\mathbb{R}, \mathcal{B})$. The cumulative distribution function (c.d.f.) of P is defined to be $F(x) = P((-\infty, x])$, $x \in \mathbb{R}$.

Proposition 2 (Properties of c.d.f.'s): (i) Let F be a c.d.f. on \mathbb{R} . (a) $F(-\infty) = \lim_{x \rightarrow -\infty} F(x) = 0$; (b) $F(\infty) = \lim_{x \rightarrow \infty} F(x) = 1$; (c) F is nondecreasing, i.e. $F(x) \leq F(y)$ if $x \leq y$; (d) F is right continuous, i.e. $\lim_{y \rightarrow x+0} F(y) = F(x)$. (ii) Suppose a real-valued function F on \mathbb{R} satisfies (a)-(d) in part (i). Then F is the c.d.f. of a unique probability measure on $(\mathbb{R}, \mathcal{B})$.

Definition 4 (Product space): $\mathcal{I} = \{1, \dots, k\}$, k is finite or ∞ . $\Gamma_i, i \in \mathcal{I}$, are some sets. $\prod_{i \in \mathcal{I}} \Gamma_i = \Gamma_1 \times \dots \times \Gamma_k = \{(a_1, \dots, a_k) : a_i \in \Gamma_i, i \in \mathcal{I}\}$. Let $(\Omega_i, \mathcal{F}_i), i \in \mathcal{I}$ be measurable spaces. $\sigma(\prod_{i \in \mathcal{I}} \mathcal{F}_i)$ is called the product σ -field on the product space $\prod_{i \in \mathcal{I}} \Omega_i$. $(\prod_{i \in \mathcal{I}} \Omega_i, \sigma(\prod_{i \in \mathcal{I}} \mathcal{F}_i))$ is denoted by $\prod_{i \in \mathcal{I}} (\Omega_i, \mathcal{F}_i)$.

Definition 5 (σ -finite): A measure ν on (Ω, \mathcal{F}) is said to be σ -finite iff there exists a sequence $\{A_1, A_2, \dots\}$ such that $\cup A_i = \Omega$ and $\nu(A_i) < \infty$ for all i . Any finite measure is clearly σ -finite. The Lebesgue measure on \mathcal{F} is σ -finite.

Proposition 3 (Product measure theorem): Let $(\Omega_i, \mathcal{F}_i, \nu_i), i = 1, \dots, k$, be measure spaces with σ -finite measures. There exists a unique σ -finite measure on σ -field $\sigma(\mathcal{F}_1 \times \dots \times \mathcal{F}_k)$, called the product measure and denoted by $\nu_1 \times \dots \times \nu_k$, such that $\nu_1 \times \dots \times \nu_k(A_1 \times \dots \times A_k) = \nu_1(A_1) \dots \nu_k(A_k)$ for all $A_i \in \mathcal{F}_i, i = 1, \dots, k$.

Definition 6 (Measurable function): Let (Ω, \mathcal{F}) and (Λ, \mathcal{G}) be measurable spaces. Let f be a function from Ω to Λ . f is called a measurable function from (Ω, \mathcal{F}) to (Λ, \mathcal{G}) iff $f^{-1}(\mathcal{G}) \subset \mathcal{F}$.

Definition 7 (Integration): (a) The integral of a nonnegative simple function ϕ w.r.t. ν is defined as $\int \phi d\nu = \sum_{i=1}^k a_i \nu(A_i)$. (b) Let f be a nonnegative Borel function and let \mathcal{S}_f be the collection of all nonnegative simple functions satisfying $\phi(\omega) \leq f(\omega)$ for any $\omega \in \Omega$. The integral of f w.r.t. ν is defined as $\int f d\nu = \sup\{\int \phi d\nu : \phi \in \mathcal{S}_f\}$ (Hence, for any Borel function $f \geq 0$, there exists a sequence of simple functions ϕ_1, ϕ_2, \dots such that $0 \leq \phi_i \leq f$ for all i and $\lim_{n \rightarrow \infty} \int \phi_n d\nu = \int f d\nu$). (c) Let f be a Borel function, $f_+(\omega) = \max\{f(\omega), 0\}$ be the positive part of f , and $f_-(\omega) = \max\{-f(\omega), 0\}$ be the negative part of f . We say that $\int f d\nu$ exists if and only if at least one of $\int f_+ d\nu$ and $\int f_- d\nu$ is finite, in which case $\int f d\nu = \int f_+ d\nu - \int f_- d\nu$. (d) When both $\int f_+ d\nu$ and $\int f_- d\nu$ are finite, we say that f is integrable. Let A be a measurable set and I_A be its indicator function. The integral of f over A is defined as $\int_A f d\nu = \int I_A f d\nu$.

Example 4 (Extended set): For convenience, we define the integral of a measurable f from $(\Omega, \mathcal{F}, \nu)$ to $(\bar{\mathbb{R}}, \bar{\mathcal{B}})$, where $\bar{\mathbb{R}} = \mathbb{R} \cup \{-\infty, +\infty\}, \bar{\mathcal{B}} = \sigma(\mathcal{B} \cup \{\infty, -\infty\})$. Let $A_+ = \{f = \infty\}$ and $A_- = \{f = -\infty\}$. If $\nu(A_+) = 0$, we define $\int f_+ d\nu$ to be $\int I_{A_+} f_+ d\nu$; otherwise $\int f_+ d\nu = \infty$. $\int f_- d\nu$ is similarly defined. If at least one of $\int f_+ d\nu$ and $\int f_- d\nu$ is finite, then $\int f d\nu = \int f_+ d\nu - \int f_- d\nu$ is well defined.

1.2 Integration theory and Radon-Nikodym derivative

Proposition 1: $(\Omega, \mathcal{F}, \nu)$ be a measure space and f and g be Borel functions. (i) If $f \leq g$ a.e., then $\int f d\nu \leq \int g d\nu$, provided that the integrals exist. (ii) If $f \geq 0$ a.e. and $\int f d\nu = 0$, then $f = 0$ a.e.

Theorem 1: Let f_1, f_2, \dots be a sequence of Borel functions on $(\Omega, \mathcal{F}, \nu)$. (i) Fatou's lemma: If $f_n \geq 0$, then $\int \liminf_n f_n d\nu \leq \liminf_n \int f_n d\nu$. (ii) Dominated convergence theorem: If $\lim_{n \rightarrow \infty} f_n = f$ a.e. and $|f_n| \leq g$ a.e. for integrable g , then $\int \lim_{n \rightarrow \infty} f_n d\nu = \lim_{n \rightarrow \infty} \int f_n d\nu$. (iii) Monotone convergence theorem: If $0 \leq f_1 \leq f_2 \leq \dots$ and $\lim_{n \rightarrow \infty} f_n = f$ a.e., then $\int \lim_{n \rightarrow \infty} f_n d\nu = \lim_{n \rightarrow \infty} \int f_n d\nu$.

Example 1 (Interchange of differentiation and integration): Let $(\Omega, \mathcal{F}, \nu)$ be a measure space and, for any fixed $\theta \in \mathbb{R}$, let $f(\omega, \theta)$ be a Borel function on Ω . Suppose that $\partial f(\omega, \theta)/\partial \theta$ exists a.e. for $\theta \in (a, b) \subset \mathbb{R}$ and that $|\partial f(\omega, \theta)/\partial \theta| \leq g(\omega)$ a.e., where g is an integrable function on Ω . Then for each $\theta \in (a, b)$, $\partial f(\omega, \theta)/\partial \theta$ is integrable and, by Theorem 1(ii), $\frac{d}{d\theta} \int f(\omega, \theta) d\nu = \int \frac{\partial f(\omega, \theta)}{\partial \theta} d\nu$.

Theorem 2 (Change of variables): Let f be measurable from $(\Omega, \mathcal{F}, \nu)$ to (Λ, \mathcal{G}) and g be Borel on (Λ, \mathcal{G}) . Then $\int_\Omega g \circ f d\nu = \int_\Lambda g d(\nu \circ f^{-1})$, i.e., if either integral exists, then so does the other, and the two are the same.

Theorem 3 (Fubini's theorem): Let ν_i be a σ -finite measure on $(\Omega_i, \mathcal{F}_i), i = 1, 2$, and f be a Borel function on $\prod_{i=1}^2 (\Omega_i, \mathcal{F}_i)$ with $f \geq 0$ or $\int |f| d\nu_1 \times \nu_2 < \infty$. Then $g(\omega_2) = \int_{\Omega_1} f(\omega_1, \omega_2) d\nu_1$ exists a.e. ν_2 and defines a Borel function on Ω_2 whose integral w.r.t. ν_2 exists, and $\int_{\Omega \times \Omega} f(\omega_1, \omega_2) d\nu_1 \times \nu_2 = \int_{\Omega_2} [\int_{\Omega_1} f(\omega_1, \omega_2) d\nu_1] d\nu_2$.

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Definition 1 (Absolutely continuous): Let λ and ν be two measures on a measurable space $(\Omega, \mathcal{F}, \nu)$. We say λ is absolutely continuous w.r.t. ν and write $\lambda \ll \nu$ iff $\nu(A) = 0$ implies $\lambda(A) = 0$.

Theorem 4 (Radon-Nikodym theorem): Let ν and λ be two measure on (Ω, \mathcal{F}) and ν be σ -finite. If $\lambda \ll \nu$, then there exists a nonnegative Borel function f on Ω such that $\lambda(A) = \int_A f d\nu, A \in \mathcal{F}$. Furthermore, f is unique a.e. ν , i.e. if $\lambda(A) = \int_A g d\nu$ for any $A \in \mathcal{F}$, then $f = g$ a.e. ν .

Example 2: A continuous c.d.f. may not have a p.d.f. w.r.t. Lebesgue measure. A necessary and sufficient condition for a c.d.f. F having a p.d.f. w.r.t. Lebesgue measure is that F is absolute continuous in the sense that for any $\epsilon > 0$, there exists a $\delta > 0$ such that for each finite collection of disjoint bounded open intervals (a_i, b_i) , $\sum(b_i - a_i) < \delta$ implies $\sum[F(b_i) - F(a_i)] < \epsilon$.

Proposition 2 (Calculus with Radon-Nikodym derivatives): Let ν be a σ -finite measure on a measure space (Ω, \mathcal{F}) . (i) If λ is a measure, $\lambda \ll \nu$, and $f \geq 0$, then $\int f d\lambda = \int f \frac{d\lambda}{d\nu} d\nu$. (ii) If $\lambda_i, i = 1, 2$, are measures and $\lambda_i \ll \nu$, then $\lambda_1 + \lambda_2 \ll \nu$ and $\frac{d(\lambda_1 + \lambda_2)}{d\nu} = \frac{d\lambda_1}{d\nu} + \frac{d\lambda_2}{d\nu}$ a.e. ν . (iii) If τ is a measure, λ is a σ -finite measure, and $\tau \ll \lambda \ll \nu$, then $\frac{d\tau}{d\nu} = \frac{d\tau}{d\lambda} \frac{d\lambda}{d\nu}$ a.e. ν . In particular, if $\lambda \ll \nu$ and $\nu \ll \lambda$ (in which case λ and ν are equivalent), then $\frac{d\lambda}{d\nu} = \left(\frac{d\nu}{d\lambda}\right)^{-1}$ a.e. ν or λ . (iv) Let $(\Omega_i, \mathcal{F}_i, \nu_i)$ be a measure space and ν_i be σ -finite, $i = 1, 2$. Let λ_i be a σ -finite measure on (Ω, \mathcal{F}_i) and $\lambda_i \ll \nu_i, i = 1, 2$. Then $\lambda_1 \times \lambda_2 \ll \nu_1 \times \nu_2$ and $\frac{d(\lambda_1 \times \lambda_2)}{d(\nu_1 \times \nu_2)}(\omega_1, \omega_2) = \frac{d\lambda_1}{d\nu_1}(\omega_1) \frac{d\lambda_2}{d\nu_2}(\omega_2)$ a.e. $\nu_1 \times \nu_2$.

1.3 Densities, moments, inequalities, and generating functions

Example 1: Let X be a random variable on (Ω, \mathcal{F}, P) whose c.d.f. F_X has a Lebesgue p.d.f. f_x and $F_x(c) < 1$, where c is a fixed constant. Let $Y = \min\{X, c\}$. Note that $Y^{-1}((-\infty, X]) = \Omega$ if $x \geq c$ and $Y^{-1}((-\infty, x]) = X^{-1}((-\infty, x])$ if $x < c$. Hence Y is a random variable and the c.d.f. of

$$Y \text{ is } F_Y(x) = \begin{cases} 1 & x \geq c \\ F_X(x) & x < c \end{cases}. \text{ This c.d.f. is discontinuous at } c, \text{ since } F_x(c) < 1. \text{ Thus, it does}$$

not have a Lebesgue p.d.f. It is not discrete either. Does P_Y , the probability measure corresponding to F_y , have a p.d.f. w.r.t. some measure? Consider the point mass probability measure on $(\mathbb{R}, \mathcal{B})$:

$$\delta_c(A) = \begin{cases} 1 & c \in A \\ 0 & c \notin A \end{cases}, A \in \mathcal{B}. \text{ Then } P_Y \ll m + \delta_c, \text{ and the p.d.f. of } P_Y \text{ is } f_Y(x) = \frac{dP_Y}{d(m + \delta_c)}(x) =$$

$$\begin{cases} 0 & x > c \\ 1 - F_X(c) & x = c \\ f_X(x) & x < c \end{cases}. \text{ To show this, it suffices to show that } \int_{(-\infty, x]} f_Y(t) d(m + \delta_c) = P_Y((-\infty, x])$$

for any $x \in \mathcal{B}$.

Proposition 1 (Transformation): Let X be a random k -vector with a Lebesgue p.d.f. f_X and let $Y = g(X)$, where g is a Borel function from $(\mathbb{R}^k, \mathcal{B}^k)$ to $(\mathbb{R}^l, \mathcal{B}^l)$. Let A_1, \dots, A_m be disjoint sets in \mathcal{B}^k such that $\mathcal{B}^k - (A_1 \cup \dots \cup A_m)$ has Lebesgue measure 0 and g on A_j is one-to-one with a nonvanishing Jacobian, i.e., the determinant $\text{Det}(\partial g(x)/\partial x) \neq 0$ on $A_j, j = 1, \dots, m$. Then Y has the following Lebesgue p.d.f.: $f_Y(x) = \sum_{j=1}^m |\text{Det}(\partial h_j(x)/\partial x)| f_X(h_j(x))$, where h_j is the inverse function of g on $A_j, j = 1, \dots, m$.

Example 2 (F-distribution): Let X_1 and X_2 be independent random variables having the chi-

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square distributions $\chi_{n_1}^2$ and $\chi_{n_2}^2$, respectively. One can show that the p.d.f. of $Y = (X_1/n_1)/(X_2/n_2)$ is the p.d.f. of the F-distribution F_{n_1, n_2} .

Example 3 (t-distribution): Let U_1 be a random variable having the standard normal distribution $N(0, 1)$ and U_2 a random variable having the chi-square distribution χ_n^2 . One can show that if U_1 and U_2 are independent, then the distribution of $T = U_1/\sqrt{U_2/n}$ is the t-distribution t_n .

Example 4 (Noncentral chi-square distribution): Let X_1, \dots, X_n be independent random variables and $X_i \sim N(\mu_i, \sigma^2)$. The distribution of $Y = (X_1^2 + \dots + X_n^2)/\sigma^2$ is called the noncentral chi-square distribution and denoted by $\chi_n^2(\delta)$, where $\delta = (\mu_1^2 + \dots + \mu_n^2)/\sigma^2$ is the noncentrality parameter. If Y_1, \dots, Y_k are independent random variables and Y_i has the noncentral independent chi-square distribution $\chi_{n_i}^2(\delta_i)$, $i = 1, \dots, k$, then $Y = Y_1 + \dots + Y_k$ has the noncentral chi-square distribution $\chi_{n_1 + \dots + n_k}^2(\delta_1 + \dots + \delta_k)$.

Definition 1 (Moments): If $\mathbb{E}X^k$ is finite, where k is a positive integer, $\mathbb{E}X^k$ is called the k -th moment of X or P_X . If $\mathbb{E}|X|^a < \infty$ for some real number a , $\mathbb{E}|X|^a$ is called the a -th absolute moment of X or P_X . If $\mu = \mathbb{E}X$, $\mathbb{E}(X - \mu)^k$ is called the k -th central moment of X or P_X . $\text{Var}(X) = \mathbb{E}(X - \mathbb{E}X)^2$ is called the variance of X or P_X . For random matrix $M = (M_{ij})$, $\mathbb{E}M = (\mathbb{E}M_{ij})$. For random vector X , $\text{Var}(X) = \mathbb{E}(X - \mathbb{E}X)(X - \mathbb{E}X)^T$ is its covariance matrix, whose (i, j) -th element, $i \neq j$, is called the covariance of X_i and X_j and denoted by $\text{Cov}(X_i, X_j)$. If $\text{Cov}(X_i, X_j) = 0$, then X_i and X_j are said to be uncorrelated. Independence implies uncorelation, not converse. If X is random and c is fixed, then $\mathbb{E}(c^T X) = c^T \mathbb{E}(X)$ and $\text{Var}(c^T X) = c^T \text{Var}(X)c$.

Definition 2 (Moment generating and characteristic functions): Let X be a random k -vector. (i) The moment generating function (m.g.f.) of X or P_X is defined as $\psi_X(t) = \mathbb{E}e^{t^T X}$, $t \in \mathbb{R}^k$. (ii) The characteristic function (ch.f.) of X or P_X is defined as $\phi_X(t) = \mathbb{E}e^{it^T X} = \mathbb{E}[\cos(t^T X)] + i\mathbb{E}[\sin(t^T X)]$, $t \in \mathbb{R}^k$.

Proposition 2 (Properties of m.g.f. and ch.f.): If the m.g.f. is finite in a neighborhood of $0 \in \mathbb{R}^k$, then (i) moments of X of any order are finite; (ii) $\phi_X(t)$ can be obtained by replacing t in $\psi_X(t)$ by it . If $Y = A^T X + c$, where A is a $k \times m$ matrix and $c \in \mathbb{R}^m$, then $\psi_Y(u) = e^{c^T u} \psi_X(Au)$ and $\phi_Y(u) = e^{ic^T u} \phi_X(Au)$, $u \in \mathbb{R}^m$. For independent X_1, \dots, X_k , $\psi_{\sum_i X_i}(t) = \prod_i \psi_{X_i}(t)$ and $\phi_{\sum_i X_i}(t) = \prod_i \phi_{X_i}(t)$, $t \in \mathbb{R}^k$. For $X = (X_1, \dots, X_k)$ with m.g.f. ψ_X finite in a neighborhood of 0, $\frac{\partial \psi_X(t)}{\partial t}|_{t=0} = \mathbb{E}X$, $\frac{\partial^2 \psi_X(t)}{\partial t \partial t^T}|_{t=0} = \mathbb{E}(XX^T)$. If $\mathbb{E}|X_1^{r_1} \dots X_k^{r_k}| < \infty$ for nonnegative integers r_1, \dots, r_k , then $\frac{\partial \phi_X(t)}{\partial t}|_{t=0} = i\mathbb{E}X$, $\frac{\partial^2 \phi_X(t)}{\partial t \partial t^T}|_{t=0} = -\mathbb{E}(XX^T)$.

Theorem 1 (Uniqueness): Let X and Y be random k -vectors. (i) If $\phi_X(t) = \phi_Y(t)$ for all $t \in \mathbb{R}^k$, then $P_X = P_Y$; (2) If $\psi_X(t) = \psi_Y(t) < \infty$ for all t in a neighborhood of 0, then $P_X = P_Y$.

1.4 Conditional expectation and independence

Definition 1: Let X be an integrable random variable on (Ω, \mathcal{F}, P) . (i) The conditional expectation of X given \mathcal{A} (a sub- σ -field of \mathcal{F}), denoted by $\mathbb{E}(X|\mathcal{A})$, is the a.s.-unique random variable satisfying the following two conditions: (a) $\mathbb{E}(X|\mathcal{A})$ is measurable from (Ω, \mathcal{A}) to $(\mathbb{R}, \mathcal{B})$; (b) $\int_A \mathbb{E}(X|\mathcal{A}) dP = \int_A X dP$ for any $A \in \mathcal{A}$. (ii) The conditional probability of $B \in \mathcal{F}$ given \mathcal{A} is defined to be $P(B|\mathcal{A}) = \mathbb{E}(I_B|\mathcal{A})$. (iii) Let Y be measurable from (Ω, \mathcal{F}, P) to (Λ, \mathcal{G}) . The conditional expectation of X given Y is defined to be $\mathbb{E}(X|Y) = \mathbb{E}[X|\sigma(Y)]$.

Theorem 1: Let Y be measurable from (Ω, \mathcal{F}) to (Λ, \mathcal{G}) and Z a function from (Ω, \mathcal{F}) to \mathbb{R}^k . Then Z is measurable from $(\Omega, \sigma(Y))$ to $(\mathbb{R}^k, \mathcal{B}^k)$ iff there is a measurable function h from (Λ, \mathcal{G}) such that $Z = h \circ Y$.

Example 1: Let X be an integrable random variable on (Ω, \mathcal{F}, P) , A_1, A_2, \dots be disjoint events on (Ω, \mathcal{F}, P) such that $\cup A_i = \Omega$ and $P(A_i) > 0$ for all i , and let a_1, a_2, \dots be distinct real numbers. Define $Y = a_1 I_{A_1} + a_2 I_{A_2} + \dots$. We can show that $\mathbb{E}(X|Y) = \sum_{i=1}^{\infty} \frac{\int_{A_i} X dP}{P(A_i)} I_{A_i}$.

Proposition 1: Let X be a random n -vector and Y a random m -vector. Suppose that (X, Y) has a joint p.d.f. $f(x, y)$ w.r.t. $\nu \times \lambda$, where ν and λ are σ -finite measures on $(\mathbb{R}^n, \mathcal{B}^n)$ and $(\mathbb{R}^m, \mathcal{B}^m)$, respectively. Let $g(x, y)$ be a Borel function on \mathbb{R}^{n+m} for which $\mathbb{E}|g(X, Y)| < \infty$. Then $\mathbb{E}[g(X, Y)|Y] = \frac{\int g(x, Y)f(x, Y)d\nu(x)}{\int f(x, Y)d\nu(x)}$ a.s.

Definition 2 (Conditional p.d.f.): Let (X, Y) be a random vector with a joint p.d.f. $f(x, y)$ w.r.t. $\nu \times \lambda$. The conditional p.d.f. of X given $Y = y$ is defined to be $f_{X|Y}(x|y)/f_Y(y)$ where $f_Y(y) = \int f(x, y)d\nu(x)$ is the marginal p.d.f. of Y w.r.t. λ .

Proposition 2: Let X, Y, X_1, X_2, \dots be integrable random variables on (Ω, \mathcal{F}, P) and \mathcal{A} be a sub- σ -field of \mathcal{F} . (i) If $X = c$ a.s., $c \in \mathbb{R}$, then $\mathbb{E}(X|\mathcal{A}) = c$ a.s. (ii) If $X \leq Y$ a.s., then $\mathbb{E}(X|\mathcal{A}) \leq \mathbb{E}(Y|\mathcal{A})$ a.s. (iii) If $a, b \in \mathbb{R}$, then $\mathbb{E}(aX + bY|\mathcal{A}) = a\mathbb{E}(X|\mathcal{A}) + b\mathbb{E}(Y|\mathcal{A})$ a.s. (iv) $\mathbb{E}[\mathbb{E}(X|\mathcal{A})] = \mathbb{E}X$. (v) $\mathbb{E}[\mathbb{E}(X|\mathcal{A})|\mathcal{A}_0] = \mathbb{E}(X|\mathcal{A}_0) = \mathbb{E}[\mathbb{E}(X|\mathcal{A}_0)|\mathcal{A}]$ a.s., where \mathcal{A}_0 is a sub- σ -field of \mathcal{A} . (vi) If $\sigma(Y) \subset \mathcal{A}$ and $\mathbb{E}|XY| < \infty$, then $\mathbb{E}(XY|\mathcal{A}) = Y\mathbb{E}(X|\mathcal{A})$ a.s. (vii) If X and Y are independent and $\mathbb{E}|g(X, Y)| < \infty$ for a Borel function g , then $\mathbb{E}[g(X, Y)|Y = y] = \mathbb{E}[g(X, y)]$ a.s. P_Y . (viii) If $\mathbb{E}X^2 < \infty$, then $[\mathbb{E}(X|\mathcal{A})]^2 \leq \mathbb{E}(X^2|\mathcal{A})$ a.s. (ix) Fatou's lemma: If $X_n \geq 0$ for any n , then $\mathbb{E}(\liminf_n X_n|\mathcal{A}) \leq \liminf_n \mathbb{E}(X_n|\mathcal{A})$ a.s. (x) Dominated convergence theorem: If $|X_n| \leq Y$ for any n and $X_n \rightarrow_{\text{a.s.}} X$, then $\mathbb{E}(X_n|\mathcal{A}) \rightarrow_{\text{a.s.}} \mathbb{E}(X|\mathcal{A})$.

Definition 3 (Independence): Let (Ω, \mathcal{F}, P) be a probability space. (i) Let \mathcal{C} be a collection of subsets in \mathcal{F} . Events in \mathcal{C} are said to be independent iff for any positive integer n and distinct events $A_1, \dots, A_n \in \mathcal{C}$, $P(A_1 \cap A_2 \cap \dots \cap A_n) = P(A_1)P(A_2) \dots P(A_n)$. (ii) Collections $\mathcal{C}_i \subset \mathcal{F}, i \in \mathcal{I}$ are said to be independent iff events in any collection of the form $\{A_i \in \mathcal{C}_i : i \in \mathcal{J}\}$ are independent. (iii) Random elements $X_i, i \in \mathcal{I}$, are said to be independent iff $\sigma(X_i), i \in \mathcal{I}$ are independent.

Theorem 2: Let $\mathcal{C}_i, i \in \mathcal{I}$ be independent collections of events. If each \mathcal{C}_i is a π -system, then $\sigma(\mathcal{C}_i), i \in \mathcal{I}$ are independent.

Proposition 2: Let X be a random variable with $\mathbb{E}|X| < \infty$ and let Y_i be random k_i vectors, $i = 1, 2$. Suppose that (X, Y_1) and Y_2 are independent. Then $\mathbb{E}[X|(Y_1, Y_2)] = \mathbb{E}(X|Y_1)$ a.s.

Definition 4 (Conditional independence): Let X, Y, Z be random vectors. We say that given Z , X and Y are conditionally independent iff $P(A|X, Z) = P(A|Z)$ a.s. for any $A \in \sigma(Y)$.

1.5 Convergence modes and relationships

Definition 1 (Convergence modes): Let X, X_1, X_2, \dots be a random k -vectors defined on a probability space. (i) We say that the sequence $\{X_n\}$ converges to X almost surely and write $X_n \rightarrow_{\text{a.s.}} X$ iff $\lim_{n \rightarrow \infty} X_n = X$ a.s. (ii) We say that $\{X_n\}$ converges to X in probability and write $X_n \rightarrow_p X$ iff for every fixed $\epsilon > 0$, $\lim_{n \rightarrow \infty} P(\|X_n - X\| > \epsilon) = 0$. (iii) We say that $\{X_n\}$ converges to X in L_r (or in r th moment) with a fixed $r > 0$ and write $X_n \rightarrow_{L_r} X$ iff $\lim_{n \rightarrow \infty} \mathbb{E}\|X_n - X\|_r^r = 0$. (iv)

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Let $F, F_n, n = 1, 2, \dots$ be c.d.f.'s on \mathbb{R}^k and $P, P_n, n = 1, 2, \dots$ be their corresponding probability measures. We say that $\{F_n\}$ converges to F weakly (or $\{P_n\}$ converges to P weakly) and write $F_n \rightarrow_w F$ (or $P_n \rightarrow_w P$) iff, for each continuity point x of F , $\lim_{n \rightarrow \infty} F_n(x) = F(x)$. We say that $\{X_n\}$ converges to X in distribution (or in law) and write $X_n \rightarrow_d X$ iff $F_{X_n} \rightarrow_w F_X$.

Proposition 1: If $F_n \rightarrow_w F$ and F is continuous on \mathbb{R}^k , then $\lim_{n \rightarrow \infty} \sup_{x \in \mathbb{R}^k} |F_n(x) - F(x)| = 0$.

Theorem 1: For random k -vectors X, X_1, X_2, \dots on a probability space, $X_n \rightarrow_{a.s.} X$ iff for every $\epsilon > 0$, $\lim_{n \rightarrow \infty} P(\cup_{m=n}^{\infty} \{\|X_m - X\| > \epsilon\}) = 0$.

Theorem 2 (Borel-Cantelli lemma): Let A_n be a sequence of events in a probability space and $\limsup_n A_n = \cap_{n=1}^{\infty} \cup_{m=n}^{\infty} A_m$. (i) If $\sum_{n=1}^{\infty} P(A_n) < \infty$, then $P(\liminf_n A_n) = 0$. (ii) If A_1, A_2, \dots are pairwise independent and $\sum_{n=1}^{\infty} P(A_n) = \infty$, then $P(\limsup_n A_n) = 1$.

Definition 2: Let X_1, X_2, \dots be random vectors and Y_1, Y_2, \dots be random variables defined on a common probability space. (i) $X_n = O(Y_n)$ a.s. iff $P(\|X_n\| = O(|Y_n|)) = 1$. (ii) $X_n = o(Y_n)$ a.s. iff $X_n/Y_n \rightarrow_{a.s.} 0$. (iii) $X_n = O_p(Y_n)$ iff, for any $\epsilon > 0$, there is a constant $C_\epsilon > 0$ such that $\sup_n P(\|X_n\| \geq C_\epsilon |Y_n|) < \epsilon$. (iv) $X_n = o_p(Y_n)$ iff $X_n/Y_n \rightarrow_p 0$.

Theorem 3: (i) If $X_n \rightarrow_{a.s.} X$, then $X_n \rightarrow_p X$. (The converse is not true). (ii) If $X_n \rightarrow_{L_r} X$ for an $r > 0$, then $X_n \rightarrow_p X$. (The converse is not true). (iii) If $X_n \rightarrow_p X$, then $X_n \rightarrow_d X$. (The converse is not true). (iv) (Skorohod's theorem). If $X_n \rightarrow_d X$, then there are random vectors Y, Y_1, Y_2, \dots defined on a common probability space such that $P_Y = P_X, P_{Y_n} = P_{X_n}, n = 1, 2, \dots$ and $Y_n \rightarrow_{a.s.} Y$. (v) If, for every $\epsilon > 0$, $\sum_{n=1}^{\infty} P(\|X_n - X\| \geq \epsilon) < \infty$, then $X_n \rightarrow_{a.s.} X$. (vi) If $X_n \rightarrow_p X$, then there is a subsequence such that $X_{n_j} \rightarrow_{a.s.} X$ as $j \rightarrow \infty$. (vii) If $X_n \rightarrow_d X$ and $P(X = c) = 1$, where $c \in \mathbb{R}^k$ is a constant vector, then $X_n \rightarrow_p c$. (viii) Suppose that $X_n \rightarrow_d X$. Then for any $r > 0$, $\lim_{n \rightarrow \infty} \mathbb{E}\|X_n\|_r^r = \mathbb{E}\|X\|_r^r < \infty$ if $\{\|X_n\|_r^r\}$ is uniformly integrable in the sense that $\lim_{t \rightarrow \infty} \sup_n \mathbb{E}(\|X_n\|_r^r I_{\{\|X_n\|_r > t\}}) = 0$.

Proposition 2 (Sufficient conditions for uniform integrability): $\sup_n \mathbb{E}\|X_n\|_r^{r+\delta} < \infty$ for a $\delta > 0$.

Proposition 3 (Properties of the quotient random variables): (i) Suppose X, X_1, X_2, \dots are positive random variables. Then $X_n \rightarrow_{a.s.} X$ iff for every $\epsilon > 0$, $\lim_{n \rightarrow \infty} P(\sup_{k \geq n} \frac{X_k}{X} > 1 + \epsilon) = 0$, and $\lim_{n \rightarrow \infty} P(\sup_{k \geq n} \frac{X}{X_k} > 1 + \epsilon) = 0$. (ii) Suppose X, X_1, X_2, \dots are positive random variables. If $\sum_{n=1}^{\infty} P(X_n/X > 1 + \epsilon) < \infty$ and $\sum_{n=1}^{\infty} P(X/X_n > 1 + \epsilon) < \infty$, then $X_n \rightarrow_{a.s.} X$.

1.6 Uniform integrability and weak convergence

Definition 1 (Tightness): A sequence $\{P_n\}$ of probability measure on $(\mathbb{R}^k, \mathcal{B}^k)$ is tight if for every $\epsilon > 0$, there is a compact set $C \subset \mathbb{R}^k$ such that $\inf_n P_n(C) > 1 - \epsilon$. If $\{X_n\}$ is a sequence of random k -vectors, then the tightness of $\{P_{X_n}\}$ is the same as the boundedness of $\{\|X_n\|\}$ in probability.

Proposition 1: Let $\{P_n\}$ be a sequence of probability measures on $(\mathbb{R}^k, \mathcal{B}^k)$. (i) Tightness of $\{P_n\}$ is a necessary and sufficient condition that for every subsequence $\{P_n\}$ there exists a further subsequence $\{P_{n_j}\} \subset \{P_n\}$ and a probability measure P on $(\mathbb{R}^k, \mathcal{B}^k)$ such that $P_{n_j} \rightarrow_w P$ as $j \rightarrow \infty$. (ii) If $\{P_n\}$ is tight and if each subsequence that converges weakly at all converges to the same probability measure P , then $P_n \rightarrow_w P$.

Theorem 1 (Useful sufficient and necessary conditions for convergence in distribution): Let X, X_1, X_2, \dots be random k -vectors. (i) $X_n \rightarrow_d X$ is equivalent to any one of the following conditions:

(a) $\mathbb{E}[h(X_n)] \rightarrow \mathbb{E}[h(X)]$ for every bounded continuous function h ; (b) $\limsup_n P_{X_n}(C) \leq P_X(C)$ for any closed set $C \subset \mathbb{R}^k$; (c) $\liminf_n P_{X_n}(O) \geq P_X(O)$ for any open set $O \subset \mathbb{R}^k$. (ii) Lévy-Cramér continuity theorem. Let $\phi_X, \phi_{X_1}, \phi_{X_2}, \dots$ be the ch.f.'s of X, X_1, X_2, \dots , respectively. $X_n \rightarrow_d X$ iff $\lim_{n \rightarrow \infty} \phi_{X_n}(t) = \phi_X(t)$ for all $t \in \mathbb{R}^k$. (iii) Cramér-Wold device. $X_n \rightarrow_d X$ iff $c^T X_n \rightarrow_d c^T X$ for every $c \in \mathbb{R}^k$.

Example 1: Let X_1, \dots, X_n be independent random variables having a common c.d.f. and $T_n = X_1 + \dots + X_n, n = 1, 2, \dots$. Suppose that $\mathbb{E}|X_1| < \infty$. It follows from a result in calculus that the ch.f. of X_1 satisfies $\phi_{X_1}(t) = \phi_{X_1}(0) + \sqrt{-1}\mu t + o(|t|)$ as $|t| \rightarrow 0$, where $\mu = \mathbb{E}X_1$. Then, the ch.f. of T_n/n is $\phi_{T_n/n}(t) = [\phi_{X_1}(\frac{t}{n})]^n = [1 + \frac{\sqrt{-1}\mu t}{n} + o(\frac{t}{n})]^n \rightarrow e^{\sqrt{-1}\mu t}$ for any $t \in \mathbb{R}$ as $n \rightarrow \infty$. $e^{\sqrt{-1}\mu t}$ is the ch.f. of the point mass probability measure at μ . Thus $T_n/n \rightarrow_d \mu$ and $T_n/n \rightarrow_p \mu$.

Proposition 2 (Scheffé's theorem): Let $\{f_n\}$ be a sequence of p.d.f.'s on \mathbb{R}^k w.r.t. ν . Suppose that $\lim_{n \rightarrow \infty} f_n(x) = f(x)$ a.e. and $f(x)$ is a p.d.f. w.r.t. ν . Then $\lim_{n \rightarrow \infty} \int |f_n(x) - f(x)| d\nu = 0$.

1.7 Convergence of transformations and law of large numbers

Theorem 1 (Continuous mapping theorem): Let X, X_1, X_2, \dots be random k -vectors defined on a probability space and g be a measure function from $(\mathbb{R}^k, \mathcal{B}^k)$ to $(\mathbb{R}^l, \mathcal{B}^l)$. Suppose that g is continuous a.s. P_X . Then (i) $X_n \rightarrow_{a.s.} X$ implies $g(X_n) \rightarrow_{a.s.} g(X)$; (ii) $X_n \rightarrow_p X$ implies $g(X_n) \rightarrow_p g(X)$; (iii) $X_n \rightarrow_d X$ implies $g(X_n) \rightarrow_d g(X)$.

Theorem 2 (Slutsky's theorem): Let $X, X_1, X_2, \dots, Y_1, Y_2, \dots$ be random variables on a probability space. Suppose that $X_n \rightarrow_d X$ and $Y_n \rightarrow_p c$, where c is a constant. Then (i) $X_n + Y_n \rightarrow_d X + c$; (ii) $Y_n X_n \rightarrow_d cX$; (iii) $X_n/Y_n \rightarrow_d X/c$ if $c \neq 0$.

Theorem 3: Let X_1, X_2, \dots and $Y = (Y_1 + \dots, Y_k)$ be random k -vectors satisfying $a_n(X_n - c) \rightarrow_d Y$, where $c \in \mathbb{R}^k$ and $\{a_n\}$ is a sequence of positive numbers with $\lim_{n \rightarrow \infty} a_n = \infty$. Let g be a function from $\mathbb{R}^k \rightarrow \mathbb{R}$. (i) If g is differentiable at c , then $a_n[g(X_n) - g(c)] \rightarrow_d [\nabla g(c)^T]Y$, where $\nabla g(x)$ denotes the k -vector of partial derivatives of g at x . (ii) Suppose that g has continuous partial derivatives of order $m > 1$ in a neighborhood of c , with all the partial derivatives of order $j, 1 \leq j \leq m-1$, vanishing at c , but with the m th-order partial derivatives not all vanishing at c . Then $a_n^m[g(X_n) - g(c)] \rightarrow_d \frac{1}{m!} \sum_{i_1=1}^k \dots \sum_{i_m=1}^k \frac{\partial^m g}{\partial x_{i_1} \dots \partial x_{i_m}}|_{x=c} Y_{i_1} \dots Y_{i_m}$.

Theorem 4 (The δ -method): If Y has the $\mathcal{N}_k(0, \Sigma)$ distribution, then $a_n[g(X_n) - g(c)] \rightarrow_d \mathcal{N}(0, [\nabla g(c)]^T \Sigma \nabla g(c))$.

Theorem 5: Let X_1, X_2, \dots be i.i.d. random variables. (i) The WLLN. A necessary and sufficient condition for the existence of a sequence of real numbers $\{a_n\}$ for which $\frac{1}{n} \sum_{i=1}^n X_i - a_n \rightarrow_p 0$ is that $nP(|X_1| > n) \rightarrow 0$, in which case we may take $a_n = \mathbb{E}(X_1 1_{\{|X_1| \leq n\}})$. (ii) The SLLN. A necessary and sufficient condition for the existence of a constant c for which $\frac{1}{n} \sum_{i=1}^n X_i \rightarrow_{a.s.} c$ is that $\mathbb{E}|X_1| < \infty$, in which case $c = \mathbb{E}X_1$ and $\frac{1}{n} \sum_{i=1}^n c_i(X_i - \mathbb{E}X_1) \rightarrow_{a.s.} 0$ for any bounded sequence of real numbers $\{c_i\}$.

Theorem 6: Let X_1, X_2, \dots be independent random variables with finite expectations. (i) The SLLN. If there is a constant $p \in [1, 2]$ such that $\sum_{i=1}^i n \text{fty} \frac{\mathbb{E}|X_i|^p}{i^p} < \infty$, then $\frac{1}{n} \sum_{i=1}^n (X_i - \mathbb{E}X_i) \rightarrow_{a.s.} 0$. (ii) The WLLN. If there is a constant $p \in [1, 2]$ such that $\lim_{n \rightarrow \infty} \frac{1}{n^p} \sum_{i=1}^n \mathbb{E}|X_i|^p = 0$, then $\frac{1}{n} \sum_{i=1}^n (X_i - \mathbb{E}X_i) \rightarrow_p 0$.

1.8 The central limit theorem

Theorem 1 (Lindeberg's CLT): Let $\{X_{nj}, j = 1, \dots, k_n\}$ be independent random variables with $k_n \rightarrow \infty$ as $n \rightarrow \infty$ and $0 < \sigma_n^2 = \text{var}(\sum_{j=1}^{k_n} X_{nj}) < \infty, n = 1, 2, \dots$. If $\frac{1}{\sigma_n^2} \sum_{j=1}^{k_n} \mathbb{E}[(X_{nj} - \mathbb{E}X_{nj})^2 I_{\{|X_{nj} - \mathbb{E}X_{nj}| > \epsilon \sigma_n\}}] \rightarrow 0$ for any $\epsilon > 0$, then $\frac{1}{\sigma_n} \sum_{j=1}^{k_n} (X_{nj} - \mathbb{E}X_{nj}) \rightarrow_d \mathcal{N}(0, 1)$.

Theorem 2 (Multivariate CLT): For i.i.d. random k -vectors X_1, \dots, X_n with a finite $\Sigma = \text{var}(X_1)$, $\frac{1}{\sqrt{n}} \sum_{i=1}^n (X_i - \mathbb{E}X_1) \rightarrow_d \mathcal{N}_k(0, \Sigma)$.

Theorem 3 (Berry-Esséen bound): For i.i.d. $\{X_n\}$ and $W_n = \sqrt{n}(\bar{X} - \mu)/\sigma$, $\sup_t |F_{W_n}(t) - \phi(t)| \leq \frac{33}{4} \frac{\mathbb{E}|X_1 - \mu|^3}{\sigma^3 \sqrt{n}}, n = 1, 2, \dots$. Thus, the convergence speed of F_{W_n} to ϕ is of the order $n^{-1/2}$.

2 Fundamentals of Statistics

2.1 Models, data, statistics, and sampling distributions

Definition 1: A set of probability measures P_θ on (Ω, \mathcal{F}) indexed by a parameter $\theta \in \Theta$ is said to be a parametric family or follow a parametric model iff $\Theta \subset \mathbb{R}^d$ for some fixed positive integer d and each P_θ is a known probability measure when θ is known. The set Θ is called the parameter space and d is called its dimension. $\mathcal{P} = \{P_\theta : \theta \in \Theta\}$ is identifiable iff $\theta_1 \neq \theta_2$ and $\theta_i \in \Theta$ imply $P_{\theta_1} \neq P_{\theta_2}$, which may be achieved through reparameterization.

Definition 2 (Dominated family): A family of populations \mathcal{P} is dominated by ν (a σ -finite measure) if $P \ll \nu$ for all $P \in \mathcal{P}$, in which case \mathcal{P} can be identified by the family of densities $\{\frac{dP}{d\nu} : P \in \mathcal{P}\}$ or $\{\frac{dP_\theta}{d\nu} : \theta \in \Theta\}$.

Definition 3 (Exponential families): A parametric family $\{P_\theta : \theta \in \Theta\}$ dominated by a σ -finite measure ν on (Ω, \mathcal{F}) is called an exponential family iff $\frac{dP_\theta}{d\nu}(\omega) = \exp\{[\eta(\theta)]^T T(\omega) - \xi(\theta)\} h(\omega), \omega \in \Omega$ where $\xi(\theta) = \log\{\int_\Omega \exp\{[\eta(\theta)]^T T(\omega)\} h(\omega) d\nu(\omega)\}$. In an exponential family, consider the parameter $\eta = \eta(\theta)$ and $f_\eta(\omega) = \exp\{\eta^T T(\omega) - \zeta(\eta)\} h(\omega), \omega \in \Omega$. This is called the canonical form for the family, and $\Xi = \{\eta : \zeta(\eta) \text{ is defined}\}$ is called the natural parameter space. An exponential family in canonical form is a natural exponential family. If there is an open set contained in the natural parameter space of an exponential family, then the family is said to be of full rank.

Theorem 1: Let \mathcal{P} be a natural exponential family. (i) Let $T = (Y, U)$ and $\eta = (\theta, \phi)$, Y and θ have the same dimension. Then, Y has the p.d.f. $f_\eta(y) = \exp\{\theta^T y - \zeta(\eta)\}$. In particular, T has a p.d.f. in a natural exponential family. Furthermore, the conditional distribution of Y given $U = u$ has the p.d.f. $f_{\theta, u}(y) = \exp\{\theta^T y - \zeta_u(\theta)\}$ w.r.t. a σ -finite measure depending on ϕ . Furthermore, the conditional distribution of Y given $U = u$ has the p.d.f. $f_{\theta, u}(y) = \exp(\theta^T y - \zeta_u(\theta))$ w.r.t. a σ -finite measure depending on u . (ii) If η_0 is an interior point of the natural parameter space, then the m.g.f. of $P_{\eta_0} \circ T^{-1}$ is finite in a neighborhood of 0 and is given by $\psi_{\eta_0}(t) = \exp\{\zeta(\eta_0 + t) - \zeta(\eta_0)\}$.

Definition 4 (Location-scale families): Let P be a known probability measure on $(\mathbb{R}^k, \mathcal{B}^k)$, $\mathcal{V} \subset \mathbb{R}^k$, and \mathcal{M}_k be a collection of $k \times k$ symmetric positive definite matrices. The family $\{P_{(\mu, \Sigma)} : \mu \in \mathcal{V}, \Sigma \in \mathcal{M}_k\}$ is called a location-scale family (on \mathbb{R}^k), where $P_{(\mu, \Sigma)}(B) = P(\Sigma^{-1/2}(B - \mu)), B \in \mathcal{B}^k$. The parameters μ and $\Sigma^{1/2}$ are called the location and scale parameters, respectively.

Definition 5 (Statistics and their sampling distributions): Our data set is a realization of a sample

(random vector) X from an unknown population P . Statistic $T(X)$: A measurable function T of X ; $T(X)$ is a known value whenever X is known. A nontrivial statistic $T(X)$ is usually simpler than X . Finding the form of the distribution of T is one of the major problems in statistical inference and decision theory.

Example 1: Let X_1, \dots, X_n be i.i.d. random variables having a common distribution P . The sample mean and sample variance $\bar{X} = \frac{1}{n} \sum_{i=1}^n X_i$, $S^2 = \frac{1}{n-1} \sum_{i=1}^n (X_i - \bar{X})^2$ are two commonly used statistics.

Example 2 (Order statistics): Let $X = (X_1, \dots, X_n)$ with i.i.d. random components. Let $X_{(i)}$ be the i th smallest value of X_1, \dots, X_n . The statistics $X_{(1)}, \dots, X_{(n)}$ are called the order statistics.

2.2 Sufficiency and minimal sufficiency

Definition 1 (Sufficiency): Let X be a sample from an unknown population $P \in \mathcal{P}$, where \mathcal{P} is a family of populations. A statistic $T(X)$ is said to be sufficient for $P \in \mathcal{P}$ iff conditional distribution of X given T is known.

Theorem 1 (The factorization theorem): Suppose that X is a sample from $P \in \mathcal{P}$ and \mathcal{P} is a family of probability measures on $(\mathbb{R}^n, \mathcal{B}^n)$ dominated by a σ -finite measure ν . Then $T(X)$ is sufficient for $P \in \mathcal{P}$ iff there are nonnegative Borel functions h and g_p on the range of T such that $\frac{dP}{d\nu}(x) = g_p(T(x))h(x)$.

Theorem 2: If a family \mathcal{P} is dominated by a σ -finite measure, then \mathcal{P} is dominated by a probability measure $Q = \sum_{i=1}^{\infty} c_i P_i$, where c_i 's are nonnegative constants with $\sum_{i=1}^{\infty} c_i = 1$ and $P_i \in \mathcal{P}$.

Convention 1: If a statement holds except for outcomes in an event A satisfying $P(A) = 0$ for all $P \in \mathcal{P}$, then we say that the statement holds a.s. \mathcal{P} .

Definition 2 (Minimal sufficiency): Let T be a sufficient statistic for $P \in \mathcal{P}$. T is called a minimal sufficient statistic iff, for any other statistic S sufficient for $P \in \mathcal{P}$, there is a measurable function ψ such that $T = \psi(S)$ a.s. \mathcal{P} .

Theorem 3 (Existence and uniqueness): Minimal sufficient statistics exist when \mathcal{P} contains distributions on \mathbb{R}^k dominated by a σ -finite measure. If both T and S are minimal sufficient statistics, then by definition there is one-to-one measurable function ψ such that $T = \psi(S)$ a.s. \mathcal{P} .

Theorem 4: Let \mathcal{P} be a family of distributions on \mathbb{R}^k . (i) Suppose that $\mathcal{P}_0 \subset \mathcal{P}$ and a.s. \mathcal{P}_0 implies a.s. \mathcal{P} . If T is sufficient for $P \in \mathcal{P}$ and minimal sufficient for $P \in \mathcal{P}_0$, then T is minimal sufficient for $P \in \mathcal{P}$. (ii) Suppose that \mathcal{P} contains p.d.f.'s f_0, f_1, f_2, \dots w.r.t. a σ -finite ν . Let $f_{\infty}(x) = \sum_{i=0}^{\infty} c_i f_i(x)$, where $c_i > 0$ for all i and $\sum_{i=0}^{\infty} c_i = 1$, and let $T_i(x) = f_i(x)/f_{\infty}(x)$ when $f_{\infty}(x) > 0$, $i = 0, 1, 2, \dots$. Then $T(x) = (T_0, T_1, T_2, \dots)$ is minimal sufficient for $P \in \mathcal{P}$. Furthermore, if $\{x : f_i(x) > 0\} \subset \{x : f_0(x) > 0\}$ for all i , then we may replace $f_{\infty}(x)$ for $f_0(x)$, in which case $T(x) = (T_1, T_2, \dots)$ is minimal sufficient for $P \in \mathcal{P}$. (iii) Suppose that \mathcal{P} contains p.d.f.'s f_p w.r.t. a σ -finite measure and that there exists a sufficient statistic $T(x)$ such that, for any possible values x and y of X , $f_p(x) = f_p(y)\phi(x, y)$ for all P implies $T(x) = T(y)$, where ϕ is a measurable function. Then $T(x)$ is minimal sufficient for $P \in \mathcal{P}$.

2.3 Completeness

Definition 1 (Ancillary statistics): A statistic $V(x)$ is ancillary iff its distribution does not depend on any unknown quantity. A statistic $V(X)$ is first-order ancillary iff $\mathbb{E}[V(X)]$ does not depend on any unknown quantity.

Remark 1: If $V(x)$ is a non-trivial ancillary statistic, then $\sigma(V)$ does not contain any information about the unknown population P . If $T(x)$ is a statistic and $V(T(x))$ is a non-trivial ancillary statistic, it indicates that the reduced data set by T contains a non-trivial part that does not contain any information about θ and, hence, a further simplification of T may still be needed.

Definition 2 (Completeness): A statistic $T(x)$ is complete (or boundedly complete) for $P \in \mathcal{P}$ iff, for any Borel f (or bounded Borel f), $\mathbb{E}[f(T)] = 0$ for all $P \in \mathcal{P}$ implies $f = 0$ a.s. \mathcal{P} .

Remark 2: If T is complete (or boundedly complete) and $S = \psi(T)$ for a measurable ψ , then S is complete (or boundedly complete). A complete and sufficient statistic should be minimal sufficient. But a minimal sufficient statistic may be not complete.

Proposition 1: If P is in an exponential family of full rank with p.d.f.'s given by $f_\eta(x) = \exp\{\eta^T T(x) - \zeta(\eta)\}h(x)$, then $T(x)$ is complete and sufficient for $\eta \in \Xi$.

Example 1: Suppose that X_1, \dots, X_n are i.i.d. random variables having the $\mathcal{N}(\mu, \sigma^2)$ distribution, $\mu \in \mathbb{R}$, $\sigma > 0$. The joint p.d.f. of X_1, \dots, X_n is $(2\pi)^{-n/2} \exp\{\eta_1 T_1 + \eta_2 T_2 - n\zeta(\eta)\}$, where $T_1 = \sum_{i=1}^n X_i$, $T_2 = -\sum_{i=1}^n X_i^2$ and $\eta = (\eta_1, \eta_2) = (\frac{\mu}{\sigma^2}, \frac{1}{2\sigma^2})$. Hence, the family of distributions for $X = (X_1, \dots, X_n)$ is a natural exponential family of full rank ($\Xi = \mathbb{R} \times (0, \infty)$). Thus $T(X) = (T_1, T_2)$ is complete and sufficient for η .

Example 2: $T(x) = (X_{(1)}, \dots, X_{(n)})$ of i.i.d. random variables X_1, \dots, X_n is sufficient for $P \in \mathcal{P}$, where \mathcal{P} is the family of distributions on \mathbb{R} having Lebesgue p.d.f.'s. We can show that $T(x)$ is also complete for $P \in \mathcal{P}$.

Theorem 1 (Basu's theorem): Let V and T be two statistics of X from a population $P \in \mathcal{P}$. If V is ancillary and T is boundedly complete and sufficient for $P \in \mathcal{P}$, then V and T are independent w.r.t. any $P \in \mathcal{P}$.

Example 3: X_1, \dots, X_n is a random sample from uniform($\theta, \theta + 1$), $\theta \in \mathbb{R}$, and $T = (X_{(1)}, X_{(n)})$ is the minimal sufficient statistic for θ . We can show that T is not complete.

Theorem 2: Suppose that S is a minimal sufficient statistic and T is a complete and sufficient statistic. Then T must be minimal sufficient and S must be complete.

2.4 Statistical decision

Convention 1 (Basic elements): X : a sample from a population $P \in \mathcal{P}$. Decision: an action we take after observing X . \mathcal{A} : the set of allowable actions. $(\mathcal{A}, \mathcal{F}_{\mathcal{A}})$: the action space. \mathcal{X} : the range of X . Decision rule: a measurable function T from $(\mathcal{X}, \mathcal{F}_{\mathcal{X}})$ to $(\mathcal{A}, \mathcal{F}_{\mathcal{A}})$. If $X = x$ is observed, then we take the action $T(x) \in \mathcal{A}$.

Definition 1 (Loss function): $L(P, a)$: a function from $\mathcal{P} \times \mathcal{A}$ to $[0, \infty)$. $L(P, a)$ is Borel for each P . If $X = x$ is observed and our decision rule is T , then our loss is $L(P, T(x))$.

Definition 2 (Risk): The averaged loss $R_T(P) := \mathbb{E}[L(P, T(X))] = \int_{\mathcal{X}} L(P, T(x)) dP_X(x)$.

Definition 3 (Comparisons): For decision rules T_1 and T_2 , T_1 is as good as T_2 iff $R_{T_1}(P) \leq R_{T_2}(P)$ for any $P \in \mathcal{P}$ and is better than T_2 if, in addition, $R_{T_1}(P) < R_{T_2}(P)$ for some P . T_1 and T_2 are equivalent iff $R_{T_1}(P) = R_{T_2}(P)$ for all $P \in \mathcal{P}$. Optimal rule: If T^* is as good as any other rule in \mathcal{E} , a class of allowable decision rules, then T^* is \mathcal{E} -optimal.

Definition 4 (Randomized decision rules): A function δ on $\mathcal{X} \times \mathcal{F}_{\mathcal{A}}$; for every $A \in \mathcal{F}_{\mathcal{A}}$, $\delta(\cdot, A)$ is a Borel function and, for every $x \in \mathcal{X}$, $\delta(x, \cdot)$ is a probability measure on $(\mathcal{A}, \mathcal{F}_{\mathcal{A}})$. If $X = x$ is observed, we have a distribution of actions: $\delta(x, \cdot)$. A nonrandomized rule T is a special randomized decision rule with $\delta(x, \{a\}) = I_{\{a\}}(T(x))$, $a \in \mathcal{A}$, $x \in \mathcal{X}$. The loss function for a randomized rule δ is defined as $L(P, \delta, x) = \int_{\mathcal{A}} L(P, a) d\delta(x, a)$, which reduces to the same loss function when δ is nonrandomized. The risk of a randomized δ is then $R_{\delta}(P) = \mathbb{E}[L(P, \delta, X)] = \int_{\mathcal{X}} \int_{\mathcal{A}} L(P, a) d\delta(x, a) dP_X(x)$.

Example 1: $X = (X_1, \dots, X_n)$ is a vector of i.i.d. measurements for a parameter $\theta \in \mathbb{R}$. We want to estimate θ . Action space: $(\mathcal{A}, \mathcal{F}_{\mathcal{A}}) = (\mathbb{R}, \mathcal{B})$. A common loss function in this problem is the squared error loss $L(P, a) = (\theta - a)^2$, $a \in \mathcal{A}$. Let $T(X) = \bar{X}$, the sample mean. The loss for \bar{X} is $(\bar{X} - \theta)^2$. If the population has mean μ and variance $\sigma^2 < \infty$, then $R_{\bar{X}}(P) = (\mu - \theta)^2 + \frac{\sigma^2}{n}$. This problem is a special case of a general problem called estimation. In an estimation problem, a decision rule T is called an estimator.

Example 2: Let \mathcal{P} be a family of distributions, $\mathcal{P}_0 \subset \mathcal{P}$, $\mathcal{P}_1 = \{P \in \mathcal{P} : P \notin \mathcal{P}_0\}$. A hypothesis testing problem can be formulated as that of deciding which of the following two statements is true: $H_0 : P \in \mathcal{P}_0$ versus $H_1 : P \in \mathcal{P}_1$. H_0 is called the null hypothesis and H_1 is the alternative hypothesis. The action space for this problem contains only two elements, i.e., $\mathcal{A} = \{0, 1\}$, where 0 is accepting H_0 and 1 is rejecting H_0 . This problem is a special case of a general problem called hypothesis testing. A decision rule is called a test, which must have the form $I_C(X)$, where $C \in \mathcal{F}_{\mathcal{X}}$ is called the rejection or critical region.

Definition 5 (0-1 loss): $L(P, a) = 0$ if a correct decision is made and 1 if an incorrect decision is made, which leads to the risk $R_T(P) = \begin{cases} P(T(X) = 1) = P(X \in C) & P \in \mathcal{P}_0 \\ P(T(X) = 0) = P(X \notin C) & P \in \mathcal{P}_1 \end{cases}$.

Definition 6 (Admissibility): Let \mathcal{E} be a class of decision rules. A decision rule $T \in \mathcal{E}$ is called \mathcal{E} -admissible iff there does not exist any $S \in \mathcal{E}$ that is better than T (in terms of the risk).

Remark 1: An admissible decision rule is not necessarily good. For example, in an estimation problem a silly estimator $T(X) \equiv a$ constant may be admissible.

Proposition 1: Let $T(X)$ be a sufficient statistic for $P \in \mathcal{P}$ and let δ_0 be a decision rule. Then $\delta_1(t, A) = \mathbb{E}[\delta_0(X, A) | T = t]$, which is a randomized decision rule depending only on T , is equivalent to δ_0 if $R_{\delta_0}(P) < \infty$ for any $P \in \mathcal{P}$.

Theorem 1: Suppose that \mathcal{A} is a convex subset of \mathbb{R}^k and that for any $P \in \mathcal{P}$, $L(P, a)$ is a convex function of a . (i) Let δ be a randomized rule satisfying $\int_{\mathcal{A}} \|a\| d\delta(x, a) < \infty$ for any $x \in \mathcal{X}$ and let $T_1(x) = \int_{\mathcal{A}} a d\delta(x, a)$. Then $L(P, T_1(x)) \leq L(P, \delta, x)$ (or $L(P, T_1(x)) < L(P, \delta, x)$) if L is strictly convex in a for any $x \in \mathcal{X}$ and $P \in \mathcal{P}$. (ii) Rao-Blackwell theorem. Let T be a sufficient statistic for $P \in \mathcal{P}$, $T_0 \in \mathbb{R}^k$ be a nonrandomized rule satisfying $\mathbb{E}\|T_0\| < \infty$, and $T_1 = \mathbb{E}[T_0(X) | T]$. Then $R_{T_1}(P) \leq R_{T_0}(P)$ for any $P \in \mathcal{P}$. If L is strictly convex in a and T_0 is not a function of T ,

then T_0 is inadmissible.

Definition 7 (Unbiasedness): In an estimation problem, the bias of an estimator $T(X)$ of a parameter θ of the unknown population is defined to be $b_T(P) = \mathbb{E}[T(X)] - \theta$. An estimator $T(X)$ is unbiased for θ iff $b_T(P) = 0$ for any $P \in \mathcal{P}$.

Approach 1: Define a class \mathcal{E} of decision rules that have some desirable properties and then try to find the best rule in \mathcal{E} .

Approach 2: Consider some characteristic R_T of $R_T(P)$, for a given decision rule T , and then minimize R_T over $T \in \mathcal{E}$. Methods include the Bayes rule and the minimax rule.

2.5 Statistical inference

Definition 1 (Three components in statistical inference): Point estimators, hypothesis tests, confidence sets.

Definition 2 (Point estimators): Let $T(X)$ be an estimator of $\theta \in \mathbb{R}$. Bias: $b_T(P) = \mathbb{E}[T(X)] - \theta$. Mean squared error (mse): $\text{mse}_T(P) = \mathbb{E}[T(X) - \theta]^2 = [b_T(P)]^2 + \text{Var}(T(X))$. Bias and mse are two common criteria for the performance of point estimators, i.e., instead of considering risk functions, we use bias and mse to evaluate point estimators.

Definition 3 (Hypothesis tests): To test the hypotheses $H_0 : P \in \mathcal{P}_0$ versus $H_1 : P \in \mathcal{P}_1$, there are two types of errors we may commit: rejecting H_0 when H_0 is true (called the type I error) and accepting H_0 when H_0 is wrong (called the type II error). A test T : a statistic from \mathcal{X} to $\{0, 1\}$.

Theorem 1 (Probabilities of making two types of errors): Type I error rate: $\alpha_T(P) = P(T(X) = 1), P \in \mathcal{P}_0$. Type II error rate: $1 - \alpha_T(P) = P(T(X) = 0), P \in \mathcal{P}_1$. $\alpha_T(P)$ is also called the power function of T . Power function is $\alpha_T(\theta)$ if P is in a parametric family indexed by θ .

Example 1: Let X_1, \dots, X_n be i.i.d. from the $\mathcal{N}(\mu, \sigma^2)$ distribution with an unknown $\mu \in \mathbb{R}$ and a known σ^2 . Consider the hypotheses $H_0 : \mu \leq \mu_0$ versus $H_1 : \mu > \mu_0$, where μ_0 is a fixed constant. Since the sample mean \bar{X} is sufficient for $\mu \in \mathbb{R}$, it is reasonable to consider the following class of tests: $T_c(X) = I_{(c, \infty)}(\bar{X})$. By the property of the normal distributions, $\alpha_{T_c}(\mu) = P(T_c(X) = 1) = 1 - \phi(\frac{\sqrt{n}(c-\mu)}{\sigma})$. Since $\phi(t)$ is an increasing function of t , $\sup_{P \in \mathcal{P}_0} \alpha_{T_c}(\mu) = 1 - \phi(\frac{\sqrt{n}(c-\mu_0)}{\sigma})$. In fact, it is also true for $\sup_{P \in \mathcal{P}_1} [1 - \alpha_{T_c}(\mu)] = \phi(\frac{\sqrt{n}(c-\mu_0)}{\sigma})$. If we would like to use an α as the level of significance, then the most effective way is to choose a c_α such that $\alpha = \sup_{P \in \mathcal{P}_0} \alpha_{T_{c_\alpha}}(\mu)$, in which case c_α must satisfy $1 - \phi(\frac{\sqrt{n}(c_\alpha-\mu_0)}{\sigma}) = \alpha$, i.e., $c_\alpha = \sigma z_{1-\alpha} / \sqrt{n} + \mu_0$, where $z_a = \Phi^{-1}(a)$. It can be shown that for any test $T(X)$ satisfying $\sup_{P \in \mathcal{P}_0} \alpha_T(P) \leq \alpha$, $1 - \alpha_T(\mu) \geq 1 - \alpha_{T_{c_\alpha}}(\mu), \mu > \mu_0$.

Definition 4 (Significance tests): A common approach of finding an “optimal” test is to assign a small bound α to the type I error rate $\alpha_T(P), P \in \mathcal{P}_0$, and then to attempt to minimize the type II error rate $1 - \alpha_T(P), P \in \mathcal{P}_1$, subject to $\sup_{P \in \mathcal{P}_0} \alpha_T(P) \leq \alpha$. The bound α is called the level of significance. The left-hand side is called the size of the test T . The level of significance should be positive, otherwise no test satisfies.

Definition 5 (p-value): It is good practice to determine not only whether H_0 is rejected for a given α and a chosen test T_α , but also the smallest possible level of significance at which H_0 would be rejected for the computed $T_\alpha(x)$, i.e., $\hat{\alpha} = \inf\{\alpha \in (0, 1) : T_\alpha(x) = 1\}$. Such an $\hat{\alpha}$, which depends on x and the chosen test and is a statistic, is called the p -value for the test T_α .

Example 2: Let us calculate the p -value for T_{c_α} in Example 1. Note that $\alpha = 1 - \phi(\frac{\sqrt{n}(c_\alpha - \mu_0)}{\sigma}) > 1 - \Phi(\frac{\sqrt{n}(\bar{X} - \mu_0)}{\sigma})$ if and only if $\bar{X} > c_\alpha$ (or $T_{c_\alpha}(x) = 1$). Hence, $1 - \phi(\frac{\sqrt{n}(\bar{X} - \mu_0)}{\sigma}) = \inf\{\alpha \in (0, 1) : T_{c_\alpha}(x) = 1\} = \hat{\alpha}(X)$ is the p -value for T_{c_α} . It turns out that $T_{c_\alpha}(x) = I_{(0, \alpha)}(\hat{\alpha}(X))$.

Definition 6 (Confidence sets) θ : a k -vector of unknown parameters related to the unknown $P \in \mathcal{P}$. If a Borel set $C(X)$ (in the range of θ) depending only on the sample X such that $\inf_{P \in \mathcal{P}} P(\theta \in C(X)) \geq 1 - \alpha$, where α is a fixed constant in $(0, 1)$, then $C(X)$ is called a confidence set for θ with level of significance $1 - \alpha$. The left-hand side is called the confidence coefficient of $C(X)$, which is the highest possible level of significance for $C(X)$. A confidence set is a random element that covers the unknown θ with certain probability.

Example 3: Let X_1, \dots, X_n be i.i.d. from the $\mathcal{N}(\mu, \sigma^2)$ distribution with both $\mu \in \mathbb{R}$ and $\sigma^2 > 0$ unknown. Let $\theta = (\mu, \sigma^2)$ and $\alpha \in (0, 1)$ be given. Let \bar{X} be the sample mean and S^2 be the sample variance. Since (\bar{X}, S^2) is sufficient, we focus on $C(X)$ that is a function of (\bar{X}, S^2) . Since $\sqrt{n}(\bar{X} - \mu)/\sigma$ has the $\mathcal{N}(0, 1)$ distribution, $P(-\tilde{c}_\alpha \leq \frac{\bar{X} - \mu}{\sigma/\sqrt{n}} \leq \tilde{c}_\alpha) = \sqrt{1 - \alpha}$, where $\tilde{c}_\alpha = \Phi^{-1}(\frac{1 + \sqrt{1 - \alpha}}{2})$. Since the χ^2 distribution χ_{n-1}^2 is a known distribution, we can always find two constants $c_{1\alpha}$ and $c_{2\alpha}$ such that $P(c_{1\alpha} \leq \frac{(n-1)S^2}{\sigma^2} \leq c_{2\alpha}) = \sqrt{1 - \alpha}$. Then $P(-\tilde{c}_\alpha \leq \frac{\bar{X} - \mu}{\sigma/\sqrt{n}} \leq \tilde{c}_\alpha, c_{1\alpha} \leq \frac{(n-1)S^2}{\sigma^2} \leq c_{2\alpha}) = 1 - \alpha$. The LHS defines a set in the range of $\theta = (\mu, \sigma^2)$ bounded by two straight lines, $\sigma^2 = (n-1)S^2/c_{i\alpha}, i = 1, 2$, and a curve $\sigma^2 = n(\bar{X} - \mu)^2/\tilde{c}_\alpha^2$. This set is a confidence set for θ with confidence coefficient $1 - \alpha$.

Definition 7 (Randomized tests): Since the action space contains only two points, 0 and 1, for a hypothesis testing problem, any randomized test $\delta(X, A)$ is equivalent to a statistic $T(X) \in [0, 1]$ with $T(x) = \delta(x, \{1\})$ and $1 - T(X) = \delta(x, \{0\})$. A nonrandomized test is obviously a special case where $T(x)$ does not take any value in $(0, 1)$. For any randomized test $T(X)$, we define the type I error probability to be $\alpha_T(P) = \mathbb{E}[T(X)], P \in \mathcal{P}_0$, and the type II error probability to be $1 - \alpha_T(P) = \mathbb{E}[1 - T(X)], P \in \mathcal{P}_1$. For a class of randomized tests, we would like to minimize $1 - \alpha_T(P)$ subject to $\sup_{P \in \mathcal{P}_0} \alpha_T(P) = \alpha$.

Definition 8 (Consistency of point estimators): Let $X = (X_1, \dots, X_n)$ be a sample from $P \in \mathcal{P}$, $T_n(X)$ be an estimator of θ for every n , and $\{a_n\}$ be a sequence of positive constants, $a_n \rightarrow \infty$. (i) $T_n(x)$ is consistent for θ iff $T_n(x) \rightarrow_p \theta$ w.r.t. any P . (ii) $T_n(x)$ is a_n -consistent for θ iff $a_n[T_n(X) - \theta] = O_p(1)$ w.r.t. any P . (iii) $T_n(x)$ is strongly consistent for θ iff $T_n(x) \rightarrow_{a.s.} \theta$ w.r.t. any P . (iv) $T_n(X)$ is L_r -consistent for θ iff $T_n(x) \rightarrow_{L_r} \theta$ w.r.t. for any P for some fixed $r > 0$; if $r = 2$, L_2 -consistency is called consistency in mse.

Remark 1 (Consistency is an essential requirement): Like the admissibility, consistency is an essential requirement: any inconsistent estimators should not be used, but there are many consistent estimators and some may not be good. Thus, consistency should be used together with other criteria.

Remark 2 (Approximate and asymptotic bias): Unbiasedness is a criterion for point estimator. In some cases, however, there is no unbiased estimator. Furthermore, having a “slight” bias in some cases may not be a bad idea.

Definition 9: (i) Let ξ, ξ_1, ξ_2, \dots be random variables and $\{a_n\}$ be a sequence of positive numbers satisfying $a_n \rightarrow \infty$ or $a_n \rightarrow a > 0$. If $a_n \xi_n \rightarrow_d \xi$ and $\mathbb{E}|\xi| < \infty$, then $\mathbb{E}\xi/a_n$ is called an asymptotic expectation of ξ_n . (ii) For a point estimator T_n of θ , an asymptotic expectation of $T_n - \theta$, if it exists,

is called an asymptotic bias of T_n and denoted by $\tilde{b}_{T_n}(P)$. If $\lim_{n \rightarrow \infty} \tilde{b}_{T_n}(P) = 0$ for any P , then T_n is asymptotically unbiased.

Proposition 1 (Asymptotic expectation is essentially unique): For a sequence of random variables $\{\xi_n\}$, suppose both $\mathbb{E}\xi/a_n$ and $\mathbb{E}\eta/b_n$ are asymptotic expectations of ξ_n . Then, one of the following three must hold: (a) $\mathbb{E}\xi = \mathbb{E}\eta = 0$; (b) $\mathbb{E}\xi \neq 0, \mathbb{E}\eta = 0$, and $b_n/a_n \rightarrow 0$; (c) $\mathbb{E}\xi \neq 0, \mathbb{E}\eta \neq 0$, and $(\mathbb{E}\xi/a_n)/(\mathbb{E}\eta/b_n) \rightarrow 1$.

Example 4 (Functions of sample means): We consider the case where X_1, \dots, X_n are i.i.d. random k -vectors with finite $\Sigma = \text{Var}(X_1)$, $T_n = g(\bar{X})$, where g is a function on \mathbb{R}^k that is second-order differentiable at $\mu = \mathbb{E}X_1$. Consider T_n as an estimator of $\theta = g(\mu)$. By Taylor's expansion, $T_n - \theta = [\nabla g(\mu)]^T(\bar{X} - \mu) + 2^{-1}(\bar{X} - \mu)^T \nabla^2 g(\mu)(\bar{X} - \mu) + o_p(n^{-1})$. By the CLT, $2^{-1}n(\bar{X} - \mu) \nabla^2 g(\mu)(\bar{X} - \mu) \rightarrow_d 2^{-1}Z_\Sigma^T \nabla^2 g(\mu) Z_\Sigma$, where $Z_\Sigma = \mathcal{N}_k(0, \Sigma)$. Thus, $\frac{\mathbb{E}[Z_\Sigma^T \nabla^2 g(\mu) Z_\Sigma]}{2n} = \frac{\text{tr}(\nabla^2 g(\mu) \Sigma)}{2n}$ is the n^{-1} order asymptotic bias of $T_n = g(\bar{X})$.

Definition 10 (Asymptotic variance and amse): Let T_n be an estimator of θ for every n and $\{a_n\}$ be a sequence of positive numbers satisfying $a_n \rightarrow \infty$ or $a_n \rightarrow a > 0$. Assume that $a_n(T_n - \theta) \rightarrow_d Y$ with $0 < \mathbb{E}Y^2 < \infty$. (i) The asymptotic mean squared error of T_n , denoted by $\text{amse}_{T_n}(P)$, is defined as the asymptotic expectation of $(T_n - \theta)^2$, $\text{amse}_{T_n}(P) = \mathbb{E}Y^2/a_n^2$. The asymptotic variance of T_n is defined as $\sigma_{T_n}^2(P) = \text{Var}(Y)/a_n^2$. (ii) Let T'_n be another estimator of θ . The asymptotic relative efficiency of T'_n w.r.t. T_n is defined as $e_{T'_n, T_n} = \text{amse}_{T_n}(P)/\text{amse}_{T'_n}(P)$. (iii) T_n is said to be asymptotically more efficient than T'_n iff $\limsup_n e_{T'_n, T_n}(P) \leq 1$ for any P and < 1 for some P .

Proposition 2: Let T_n be an estimator of θ for every n and $\{a_n\}$ be a sequence of positive numbers satisfying $a_n \rightarrow \infty$ or $a_n \rightarrow a > 0$. If $a_n(T_n - \theta) \rightarrow_d Y$ with $0 < \mathbb{E}Y^2 < \infty$, then (i) $\mathbb{E}Y^2 \leq \liminf_n \mathbb{E}[a_n^2(T_n - \theta)^2]$ and (ii) $\mathbb{E}Y^2 = \lim_{n \rightarrow \infty} \mathbb{E}[a_n^2(T_n - \theta)^2]$ if and only if $\{a_n^2(T_n - \theta)^2\}$ is uniformly integrable.

Example 5: Let X_1, \dots, X_n be i.i.d. from the Poisson distribution $P(\theta)$ with an unknown $\theta > 0$. Consider the estimation of $\theta = P(X_i = 0) = e^{-\theta}$. Let $T_{1n} = F_n(0)$, where F_n is the empirical c.d.f. Then T_{1n} is unbiased and has $\text{mse}_{T_{1n}}(\theta) = e^{-\theta}(1 - e^{-\theta})/n$. Also, $\sqrt{n}(T_{1n} - \theta) \rightarrow_d \mathcal{N}(0, e^{-\theta}(1 - e^{-\theta}))$ by the CLT. Thus, in the case $\text{amse}_{T_{1n}}(\theta) = \text{mse}_{T_{1n}}(\theta)$. Consider $T_{2n} = e^{-\bar{X}}$. Note that $\mathbb{E}T_{2n} = e^{n\theta(e^{-1/n} - 1)}$, hence $nb_{T_{2n}}(\theta) \rightarrow \theta e^{-\theta}/2$. Using the CLT, we can show that $\sqrt{n}(T_{2n} - \theta) \rightarrow_d \mathcal{N}(0, e^{-2\theta}\theta)$. Then $\text{amse}_{T_{2n}}(\theta) = e^{-2\theta}\theta/n$. Thus, the asymptotic relative efficiency of T_{1n} w.r.t. T_{2n} is $e_{T_{1n}, T_{2n}} = \theta/(e^\theta - 1) < 1$. This shows that T_{2n} is asymptotically more efficient than T_{1n} .

3 Unbiased Estimation

3.1 UMVUE: functions of sufficient and complete statistics

Definition 1 (Estimable): If there exists an unbiased estimator of ϑ , then ϑ is called an estimable parameter.

Definition 2 (UMVUE): An unbiased estimator $T(X)$ of θ is called uniformly minimum variance unbiased estimator (UMVUE) iff $\text{Var}(T(X)) \leq \text{Var}(U(X))$ for any $P \in \mathcal{P}$ and any other unbiased estimator $U(X)$ of θ .

Theorem 1 (Lehmann-Scheffé theorem): Suppose that there exists a sufficient and complete

statistic $T(X)$ for $P \in \mathcal{P}$. If θ is estimable, i.e., there is a unique unbiased estimator of θ , then there is a unique UMVUE of θ that is of the form $h(T)$ with a Borel function h .

The first method (Directly solving for h): Need the distribution of T . Try some function h to see if $\mathbb{E}[h(T)]$ is related to θ . If $\mathbb{E}[h(T)] = \theta$ for all P , what should h be?

Example 1: Let X_1, \dots, X_n be i.i.d. from the uniform distribution on $(0, \theta)$, $\theta > 0$. Consider $\vartheta = \theta$. Since the sufficient and complete statistic $X_{(n)}$ has the Lebesgue p.d.f. $n\theta^{-n}x^{n-1}1_{(0,\theta)}(x)$, $\mathbb{E}X_{(n)} = n\theta^{-n} \int_0^\theta x^n dx = \frac{n}{n+1}\theta$. An unbiased estimator of θ is $(n+1)X_{(n)}/n$, which is the UMVUE. Consider now $\vartheta = g(\theta)$, where g is a differentiable function on $(0, \theta)$. An unbiased estimator $h(X_{(n)})$ of ϑ must satisfy $\theta^n g(\theta) = n \int_0^\theta h(x)x^{n-1}dx$ for all $\theta > 0$. Hence, the UMVUE of ϑ is $h(X_{(n)}) = g(X_{(n)}) + n^{-1}X_{(n)}g'(X_{(n)})$.

The second method (When a sufficient and complete statistic is available): Find an unbiased estimator of θ , say $U(X)$. Conditioning on a sufficient and complete statistic $T(X)$: $\mathbb{E}[U(X)|T]$ is the UMVUE of θ . We need to derive an explicit form of $\mathbb{E}[U(X)|T]$.

Example 2: Let X_1, \dots, X_n be i.i.d. from the exponential distribution $\text{Exp}(0, \theta)$. $F_\theta(x) = (1 - e^{-x/\theta})1_{(0,\theta)}(x)$. Consider the estimation of $\vartheta = 1 - F_\theta(t)$. \bar{X} is sufficient and complete for $\theta > 0$. $1_{(t,\infty)}(X_1)$ is unbiased for ϑ , $\mathbb{E}[1_{(t,\infty)}(X_1)] = P(X_1 > t) = \vartheta$. Hence $T(X) = \mathbb{E}[1_{(t,\infty)}(X_1)|\bar{X}] = P(X_1 > t|\bar{X})$ is the UMVUE of ϑ . By Basu's theorem, X_1/\bar{X} and \bar{X} are independent. Thus, $P(X_1 > t|\bar{X} = \bar{x}) = P(X_1/\bar{X} > t/\bar{x}|\bar{X} = \bar{x}) = P(X_1/\bar{X} > t/\bar{x})$. To compute this unconditional probability, we need the distribution of $X_1/\sum_{i=1}^n X_i = X_1/(X_1 + \sum_{i=2}^n X_i)$. Using the transformation technique and the fact that $\sum_{i=2}^n X_i$ is independent of X_1 and has a gamma distribution, we obtain that $X_1/\sum_{i=1}^n X_i$ has the Lebesgue p.d.f. $(n-1)(1-x)^{n-2}1_{(0,1)}(x)$. Hence $P(X_1 > t|\bar{X} = \bar{x}) = (n-1) \int_{t/(n\bar{x})}^1 (1-x)^{n-2}dx = (1 - \frac{t}{n\bar{x}})^{n-1}$ and the UMVUE of ϑ is $T(X) = (1 - \frac{t}{n\bar{X}})^{n-1}$.

Example 3: Let X_1, \dots, X_n be i.i.d. from an unknown population P in a nonparametric family \mathcal{P} . In many cases the vector of order statistics, $T = (X_{(1)}, \dots, X_{(n)})$, is sufficient and complete for $P \in \mathcal{P}$. Note that an estimator $\phi(X_1, \dots, X_n)$ is a function of T iff the function ϕ is symmetric in its n arguments. Hence, if T is sufficient and complete, then a symmetric unbiased estimator of any estimable ϑ is the UMVUE. Specific examples: \bar{X} is the UMVUE of $\vartheta = \mathbb{E}X_1$, S^2 is the UMVUE of $\text{Var}(X_1)$, $n^{-1} \sum_{i=1}^n X_i^2 - S^2$ is the UMVUE of $(\mathbb{E}X_1)^2$, $F_n(t)$ is the UMVUE of $P(X_1 \leq t)$ for any fixed t . The previous conclusions are not true if T is not sufficient and complete for $P \in \mathcal{P}$.

Remark 1 (Nonexistence of any UMVUE): If $n > 2$ and \mathcal{P} contains all symmetric distributions having Lebesgue p.d.f.'s and finite means, then there is no UMVUE for $\mu = \mathbb{E}X_1$.

Example 4 (Survey samples from a finite population): Let $\mathcal{P} = \{1, \dots, N\}$ be a finite population of interest. For each $i \in \mathcal{P}$, let y_i be a value of interest associated with unit i . Let $s = \{i_1, \dots, i_n\}$ be a subset of distinct elements of \mathcal{P} , which is a sample selected with selection probability $p(s)$, where p is known. The value y_i is observed if and only if $i \in s$. If $p(s)$ is constant, the sampling plan is called the simple random sampling without replacement. Consider the estimation of $Y = \sum_{i=1}^N y_i$, the population total as the parameter of interest. Let $X = (X_i, i \in s)$ be the vector such that $P(X_1 = y_{i_1}, \dots, X_n = y_{i_n}) = p(s)/n!$. Let \mathcal{Y} be the range of y_i , $\theta = (y_1, \dots, y_N)$ and $\Theta = \prod_{i=1}^N \mathcal{Y}$. Under simple random sampling without replacement, the population under consideration is a parametric family indexed by $\theta \in \Theta$.

Theorem 2 (Watson-Royall theorem): (i) If $p(s) > 0$ for all s , then the vector of order statistics $X_{(1)} \leq \dots \leq X_{(n)}$ is complete for $\theta \in \Theta$. (ii) Under simple random sampling without replacement, the vector of order statistics is sufficient for $\theta \in \Theta$. (iii) Under simple random sampling without replacement, for any estimable function of θ , its unique UMVUE is the unbiased estimator $g(X_1, \dots, X_n)$, where g is symmetric in its n arguments.

3.2 Characteristic of UMVUE and Fisher information bound

Remark 1: When a complete and sufficient statistic is not available, it is usually very difficult to derive a UMVUE. In some cases, the following result can be applied, if we have enough knowledge about unbiased estimators of 0.

Theorem 1: Let \mathcal{U} be the set of all unbiased estimators of 0 with finite variances and T be an unbiased estimator of θ with $\mathbb{E}(T^2) < \infty$. (i) A necessary and sufficient condition for $T(X)$ to be a UMVUE of θ is that $\mathbb{E}[T(X)U(X)] = 0$ for any $U \in \mathcal{U}$ and any $P \in \mathcal{P}$. (ii) Suppose that $T = h(\tilde{T})$, where \tilde{T} is a sufficient statistic for $P \in \mathcal{P}$ and h is a Borel function. Let $\mathcal{U}_{\tilde{T}}$ be the subset of \mathcal{U} consisting of Borel functions of \tilde{T} . Then a necessary and sufficient condition for T to be a UMVUE of θ is that $\mathbb{E}[T(X)U(X)] = 0$ for any $U \in \mathcal{U}_{\tilde{T}}$ and any $P \in \mathcal{P}$. The theorem can be used to find a UMVUE, check whether a particular estimator is a UMVUE and show the nonexistence of any UMVUE.

Theorem 2: (i) If T_j is a UMVUE of $\theta_j, j = 1, \dots, k$, then $\sum_{j=1}^k c_j T_j$ is a UMVUE of $\theta = \sum_{j=1}^k c_j \theta_j$ for any constants c_1, \dots, c_k . (ii) If T_1 and T_2 are two UMVUE's of θ , then $T_1 = T_2$ a.s. P for any $P \in \mathcal{P}$.

Example 1: Let X_1, \dots, X_n be i.i.d. from the uniform distribution on the interval $(0, \theta)$. We have shown that $(1+n^{-1})X_{(n)}$ is the UMVUE for θ when the parameter space is $\Theta = (0, \infty)$. Suppose now that $\Theta = [1, \infty)$. Then $X_{(n)}$ is not complete, although it is still sufficient for θ . We now illustrate how to use Theorem 1 to find a UMVUE of θ . Let $U(X_{(n)})$ be an unbiased estimator of 0. Since $X_{(n)}$ has the Lebesgue p.d.f $n\theta^{-n}x^{n-1}1_{(0,\theta)}(x)$, $0 = \int_0^1 U(x)x^{n-1}dx + \int_1^\theta U(x)x^{n-1}dx$ for all $\theta \geq 1$. This implies that $U(x) = 0$ a.e. Lebesgue measure on $[1, \infty)$ and $\int_0^1 U(x)x^{n-1}dx = 0$. Consider $T = h(X_{(n)})$. To have $\mathbb{E}(TU) = 0$, we must have $\int_0^1 h(x)U(x)x^{n-1}dx = 0$. Thus, we may consider the following function: $h(x) = \begin{cases} c & 0 \leq x \leq 1 \\ bx & x > 1 \end{cases}$, where c and b are some constants. Since $\mathbb{E}[h(X_{(n)})] = \theta$,

we obtain that $\theta = cP(X_{(n)} \leq 1) + b\mathbb{E}[X_{(n)}1_{(1,\infty)}(X_{(n)})] = c\theta^{-n} + \frac{bn}{n+1}(\theta - \theta^{-n})$. Thus, $c = 1$ and $b = (n+1)/n$. The UMVUE of θ is then $h(X_{(n)}) = \begin{cases} 1 & 0 \leq X_{(n)} \leq 1 \\ (1+n^{-1})X_{(n)} & X_{(n)} > 1 \end{cases}$.

Theorem 3 (Cramér-Rao lower bound): Let $X = (X_1, \dots, X_n)$ be a sample from $P \in \mathcal{P} = \{P_\theta : \theta \in \Theta\}$, where Θ is an open set in \mathbb{R}^k . Suppose that $T(X)$ is an estimator with $\mathbb{E}[T(X)] = g(\theta)$ being a differentiable function of θ ; P_θ has a p.d.f. f_θ w.r.t. a measure ν for all $\theta \in \Theta$; and f_θ is differentiable as a function of θ and satisfies $\frac{\partial}{\partial \theta} \int h(x)f_\theta(x)d\nu = \int h(x)\frac{\partial}{\partial \theta}f_\theta(x)d\nu, \theta \in \Theta$ for $h(x) \equiv 1$ and $h(x) = T(x)$. Then $\text{Var}(T(X)) \geq [\frac{\partial}{\partial \theta}g(\theta)]^T [I(\theta)]^{-1} \frac{\partial}{\partial \theta}g(\theta)$, where $I(\theta) = \mathbb{E}\{\frac{\partial}{\partial \theta} \log f_\theta(X) [\frac{\partial}{\partial \theta} \log f_\theta(X)]^T\}$ is assumed to be positive definite for any $\theta \in \Theta$ and is called the Fisher information matrix.

Proposition 1: (i) If X and Y are independent with the Fisher information matrices $I_X(\theta)$ and $I_Y(\theta)$, respectively, then the Fisher information about θ contained in (X, Y) is $I_X(\theta) + I_Y(\theta)$. (ii) Suppose that X has the p.d.f. f_θ that is twice differentiable in θ and $\frac{\partial}{\partial \theta} \int h(x) f_\theta(x) d\nu = \int h(x) \frac{\partial}{\partial \theta} f_\theta(x) d\nu$ holds with $h(x) \equiv 1$ and f_θ replaced by $\partial f_\theta / \partial \theta$. Then $I(\theta) = -\mathbb{E}[\frac{\partial^2}{\partial \theta \partial \theta^T} \log f_\theta(X)]$.

Remark 2: If $\theta = \psi(\eta)$ and ψ is differentiable, then the Fisher information that X contains about η is $\frac{\partial}{\partial \eta} \psi(\eta) I(\psi(\eta)) [\frac{\partial}{\partial \eta} \psi(\eta)]^T$. However, the Cramér-Rao lower bound is not affected by any one-to-one reparameterization.

Proposition 2: Suppose that the distribution of X is from an exponential family $\{f_\theta : \theta \in \Theta\}$, i.e., the p.d.f. of X w.r.t. a σ -finite measure is $f_\theta(x) = \exp\{\eta(\theta)^T T(X) - \xi(\theta)\} c(x)$, where Θ is an open subset of \mathbb{R}^k . (i) The regularity condition $\frac{\partial}{\partial \theta} \int h(x) f_\theta(x) d\nu = \int h(x) \frac{\partial}{\partial \theta} f_\theta(x) d\nu$ is satisfied for any h with $\mathbb{E}|h(X)| < \infty$ and $I(\theta) = -\mathbb{E}[\frac{\partial^2}{\partial \theta \partial \theta^T} \log f_\theta(X)]$. (ii) If $I(\eta)$ is the Fisher information matrix for the natural parameter η , then the variance-covariance matrix $\text{Var}(T) = I(\eta)$. (iii) If $I(\theta)$ is the Fisher information matrix for the parameter $\vartheta = \mathbb{E}[T(X)]$, then $\text{Var}(T) = [I(\vartheta)]^{-1}$.

3.3 U- and V-statistics

Definition 1 (U-statistics): Let X_1, \dots, X_n be i.i.d. from an unknown population P in a non-parametric family \mathcal{P} . If the vector of order statistic is sufficient and complete for $P \in \mathcal{P}$, then a symmetric unbiased estimator of an estimable θ is the UMVUE of θ . In many problems, parameters to be estimated are of the form $\theta = \mathbb{E}[h(X_1, \dots, X_m)]$ with a positive integer m and a Borel function h that is symmetric and satisfies $\mathbb{E}|h(X_1, \dots, X_m)| < \infty$ for any $P \in \mathcal{P}$. An effective way of obtaining an unbiased estimator of θ is to use $U_n = (C_n^m)^{-1} \sum_c h(X_{i_1}, \dots, X_{i_m})$, where \sum_c denotes the summation over the C_n^m combinations of m distinct elements $\{i_1, \dots, i_m\}$ from $\{1, \dots, n\}$. The statistic is called a U-statistic with kernel h of order m .

Example 1: Consider the estimation of μ^m , where $\mu = \mathbb{E}X_1$ and m is an integer > 0 . Using $h(x_1, \dots, x_m) = x_1 \cdots x_m$, we obtain the following U-statistic for μ^m : $U_n = (C_n^m)^{-1} \sum_c X_{i_1} \cdots X_{i_m}$. Consider next the estimation of $\sigma^2 = \mathbb{E}[(X_1 - X_2)^2/2]$, we obtain the following U-statistic with kernel $h(x_1, x_2) = (x_1 - x_2)^2/2$: $U_n = \frac{2}{n(n-1)} \sum_{1 \leq i < j \leq n} \frac{(X_i - X_j)^2}{2} = \frac{1}{n-1} (\sum_{i=1}^n X_i^2 - n\bar{X}^2) = S^2$, which is the sample variance.

Theorem 1 (Hoeffding's theorem): For a U-statistic U_n with $\mathbb{E}[h(X_1, \dots, X_m)]^2 < \infty$, $\text{Var}(U_n) = (C_n^m)^{-1} \sum_{k=1}^m C_m^k C_{n-m}^{m-k} \zeta_k$, where $\zeta_k = \text{Var}(h_k(X_1, \dots, X_k))$, $h_k(x_1, \dots, x_k) = \mathbb{E}[h(X_1, \dots, X_m) | X_1 = x_1, \dots, X_k = x_k] = \mathbb{E}[h(x_1, \dots, x_k, X_{k+1}, \dots, X_m)]$, $\tilde{h}_k = h_k - \mathbb{E}[h(X_1, \dots, X_m)]$.

Proposition 1: (i) $\frac{m^2}{n} \zeta_1 \leq \text{Var}(U_n) \leq \frac{m}{n} \zeta_m$; (ii) $(n+1)\text{Var}(U_{n+1}) \leq n\text{Var}(U_n)$ for any $n > m$; (iii) For any fixed m and $k = 1, \dots, m$, if $\zeta_j = 0$ for $j < k$ and $\zeta_k > 0$, then $\text{Var}(U_n) = \frac{k!(C_m^k)^2 \zeta_k}{n^k} + O(\frac{1}{n^{k+1}})$.

Example 2: Consider $h(x_1, x_2) = x_1 x_2$, the U-statistic unbiased for μ^2 , $\mu = \mathbb{E}X_1$. Note that $h_1(x_1) = \mu x_1$, $\tilde{h}_1(x_1) = \mu(x_1 - \mu)$. $\zeta_1 = \mathbb{E}[\tilde{h}_1(X_1)]^2 = \mu^2 \text{Var}(X_1) = \mu^2 \sigma^2$, $\tilde{h}(x_1, x_2) = x_1 x_2 - \mu^2$, and $\zeta_2 = \text{Var}(X_1 X_2) = (\mu^2 + \sigma^2)^2 - \mu^4$. Thus for $U_n = (C_n^2)^{-1} \sum_{1 \leq i < j \leq n} X_i X_j$, $\text{Var}(U_n) = (C_n^2)^{-1} (C_2^1 C_{n-2}^1 \zeta_1 + C_2^2 C_{n-2}^0 \zeta_2) = \frac{2}{n(n-1)} [2(n-2)\mu^2 \sigma^2 + (\mu^2 + \sigma^2)^2 - \mu^4] = \frac{4\mu^2 \sigma^2}{n} + \frac{2\sigma^4}{n(n-1)}$.

Remark 1 (Asymptotic distributions of U-statistics): For nonparametric \mathcal{P} , the exact distribution of U_n is hard to derive. We study the method of projection, which is particularly effective for studying asymptotic distributions of U-statistics.

Definition 2: Let T_n be a given statistic based on X_1, \dots, X_n . The projection of T_n on k_n random elements Y_1, \dots, Y_{k_n} is defined to be $\tilde{T}_n = \mathbb{E}(T_n) + \sum_{i=1}^{k_n} [\mathbb{E}(T_n|Y_i) - \mathbb{E}(T_n)]$.

Theorem 2: Let T_n be a symmetric statistics with $\text{Var}(T_n) < \infty$ for every n and \tilde{T}_n be the projection of T_n on X_1, \dots, X_n . Then $\mathbb{E}(T_n) = \mathbb{E}(\tilde{T}_n)$ and $\mathbb{E}(T_n - \tilde{T}_n)^2 = \text{Var}(T_n) - \text{Var}(\tilde{T}_n)$.

Example 3: For a U-statistic U_n , one can show that $\tilde{U}_n = \mathbb{E}(U_n) + \frac{m}{n} \sum_{i=1}^n \tilde{h}_1(X_i)$, where \tilde{U}_n is the projection of U_n on X_1, \dots, X_n and $\tilde{h}_1(x) = h_1(x) - \mathbb{E}[h(X_1, \dots, X_m)]$, $h_1(x) = \mathbb{E}[h(x, X_2, \dots, X_m)]$. Hence, if $\zeta_1 = \text{Var}(\tilde{h}_1(X_i)) > 0$, $\text{Var}(\tilde{U}_n) = m^2 \zeta_1 / n$ and $\mathbb{E}(U_n - \tilde{U}_n)^2 = O(n^{-2})$. If $\zeta_1 = 0$ but $\zeta_2 > 0$, then we can show that $\mathbb{E}(U_n - \tilde{U}_n)^2 = O(n^{-3})$. One may derive results for the cases where $\zeta_2 = 0$, but the case of either $\zeta_1 > 0$ or $\zeta_2 > 0$ is the most interesting case in applications.

Theorem 3: Let U_n be a U-statistic with $\mathbb{E}[h(X_1, \dots, X_m)]^2 < \infty$. (i) If $\zeta_1 > 0$, then $\sqrt{n}[U_n - \mathbb{E}(U_n)] \rightarrow_d \mathcal{N}(0, m^2 \zeta_1)$. (ii) If $\zeta_1 = 0$ but $\zeta_2 > 0$, then $n[U_n - \mathbb{E}(U_n)] \rightarrow_d \frac{m(m-1)}{2} \sum_{j=1}^{\infty} \lambda_j (\chi_{1j}^2 - 1)$, where χ_{1j}^2 's are i.i.d. random variables having the chi-square distribution χ_1^2 and λ_j 's are some constants (which may depend on P) satisfying $\sum_{j=1}^{\infty} \lambda_j^2 = \zeta_2$.

Proposition 2: $\mathbb{E}[\frac{m(m-1)}{2} \sum_{j=1}^{\infty} \lambda_j (\chi_{1j}^2 - 1)]^2 = \frac{m^2(m-1)^2}{2} \zeta_2$.

Definition 3 (V-statistics): Let X_1, \dots, X_n be i.i.d. from P . For every U-statistic U_n as an estimator $\theta = \mathbb{E}[h(X_1, \dots, X_m)]$, there is a closely related V-statistic defined by $V_n = \frac{1}{n^m} \sum_{i_1=1}^n \dots \sum_{i_m=1}^n h(X_{i_1}, \dots, X_{i_m})$. As an estimator of θ , V_n is biased; but the bias is small asymptotically. For a fixed n , V_n may be better than U_n in terms of the mse.

Proposition 3: (i) Assume that $\mathbb{E}|h(X_{i_1}, \dots, X_{i_m})| < \infty$ for all $1 \leq i_1 \leq \dots \leq i_m \leq m$. Then the bias of V_n satisfies $b_{V_n}(P) = O(n^{-1})$. (ii) Assume that $\mathbb{E}[h(X_{i_1}, \dots, X_{i_m})]^2 < \infty$ for all $1 \leq i_1 \leq \dots \leq i_m \leq m$. Then the variance of V_n satisfies $\text{Var}(V_n) = \text{Var}(U_n) + O(n^{-2})$.

Theorem 4: Let V_n be a V-statistic with $\mathbb{E}[h(X_{i_1}, \dots, X_{i_m})]^2 < \infty$ for all $1 \leq i_1 \leq \dots \leq i_m \leq m$. (i) If $\zeta_1 = \text{Var}(h_1(X_1)) > 0$, then $\sqrt{n}(V_n - \theta) \rightarrow_d \mathcal{N}(0, m^2 \zeta_1)$. (ii) If $\zeta_1 = 0$ but $\zeta_2 = \text{Var}(h_2(X_1, X_2)) > 0$, then $n(V_n - \theta) \rightarrow_d \frac{m(m-1)}{2} \sum_{j=1}^{\infty} \lambda_j \chi_{1j}^2$.

3.4 Construction of unbiased or approximately unbiased estimators and method of moments

Definition 1 (Survey samples from a finite population): Let $\mathcal{P} = \{1, \dots, N\}$ be a finite population of interest. For each $i \in \mathcal{P}$, let y_i be a value of interest associated with unit i . Let $s = \{i_1, \dots, i_n\}$ be a subset of distinct elements of \mathcal{P} , which is a sample selected with selection probability $p(s)$, where p is known. The value y_i is observed iff $i \in s$. $Y = \sum_{j=1}^N y_j$ is the unknown population total of interest. Define π_i = probability that $i \in s, i = 1, \dots, N$.

Theorem 1: (i) (Horvitz-Thompson). If $\pi_i > 0$ for $i = 1, \dots, N$ and π_i is known when $i \in s$, then $\hat{Y}_{ht} = \sum_{i \in s} y_i / \pi_i$ is an unbiased estimator of the population total Y . (ii) Define π_{ij} = probability that $i \in s$ and $j \in s, i = 1, \dots, N, j = 1, \dots, N$. Then $\text{Var}(\hat{Y}_{ht}) = \sum_{i=1}^N \sum_{j=i+1}^N (\pi_i \pi_j - \pi_{ij}) (\frac{y_i}{\pi_i} - \frac{y_j}{\pi_j})^2$.

Remark 1 (Deriving asymptotically unbiased estimators): An exactly unbiased estimator may not exist, or is hard to obtain. We often derive asymptotically unbiased estimators. Functions of sample means are popular estimators.

Remark 2 (Functions of unbiased estimators): If the parameter to be estimated is $\vartheta = g(\theta)$ with a vector-valued parameter θ and U_n is a vector of unbiased estimators of components of θ ,

then $T_n = g(U_n)$ is often asymptotically unbiased for ϑ . Note that $\mathbb{E}(T_n) = \mathbb{E}g(U_n)$ may not exist. Assume that g is differentiable and $c_n(U_n - \theta) \rightarrow_d Y$. Then $\text{amse}_{T_n}(P) = \mathbb{E}\{[\nabla g(\theta)]^T Y\}^2 / c_n^2$. Hence, T_n has a good performance in terms of amse if U_n is optimal in terms of mse.

Definition 2 (Method of moments): Consider a parametric problem where X_1, \dots, X_n are i.i.d. random variables from $P_\theta, \theta \in \Theta \subset \mathbb{R}^k$, and $\mathbb{E}|X_1|^k < \infty$. Let $\mu_j = \mathbb{E}X_1^j$ be the j th moment of P and let $\hat{\mu}_j = \frac{1}{n} \sum_{i=1}^n X_i^j$ be the j th sample moment, which is an unbiased estimator of $\mu_j, j = 1, \dots, k$. Typically, $\mu_j = h_j(\theta), j = 1, \dots, k$, for some functions h_j on \mathbb{R}^k . By substituting μ_j 's on the left-hand side by the sample moments $\hat{\mu}_j$, we obtain a moment estimator $\hat{\theta}$, i.e. $\hat{\theta}$ satisfies $\hat{\mu}_j = h_j(\hat{\theta}), j = 1, \dots, k$. This method of deriving estimators is called the method of moments.

Example 1: Let X_1, \dots, X_n be i.i.d. from a population P_θ indexed by the parameter $\theta = (\mu, \sigma^2)$, where $\mu = \mathbb{E}X_1 \in \mathbb{R}$ and $\sigma^2 = \text{Var}(X_1) \in (0, \infty)$. Since $\mathbb{E}X_1 = \mu$ and $\mathbb{E}X_1^2 = \sigma^2 + \mu^2$, setting $\hat{\mu}_1 = \mu$ and $\hat{\mu}_2 = \sigma^2 + \mu^2$ we obtain the moment estimator $\hat{\theta} = (\bar{X}, \frac{1}{n} \sum_{i=1}^n (X_i - \bar{X})^2)$.

4 Estimation in Parametric Models

4.1 Bayesian approach

Definition 1 (Bayesian approach): X is from a population in a parametric family $\mathcal{P} = P_\theta : \theta \in \Theta$, where $\theta \in \mathbb{R}^k$ for a fixed integer $k \geq 1$. θ is viewed as a realization of a random vector $\theta \in \Theta$ whose prior distribution is Π . Prior distribution: past experience, past data, or a statistician's belief (subjective). Sample $X \in \mathcal{X}$: from $P_\theta = P_{x|\theta}$, the conditional distribution of X given θ . Posterior distribution: updated prior distribution using observed $X = x$.

Theorem 1 (Bayes formula): Assume $\mathcal{P} = \{P_{x|\theta} : \theta \in \Theta\}$ is dominated by a σ -finite measure ν and $f_\theta(x) = dP_{x|\theta}/d\nu$ is a Borel function on $(\mathcal{X} \times \Theta, \sigma(\mathcal{B}_\mathcal{X} \times \mathcal{B}_\Theta))$. Let Π be a prior distribution on Θ . Suppose that $m(x) = \int_\Theta f_\theta(x) d\Pi > 0$. (i) The posterior distribution $P_{\theta|x} \ll \Pi$ and $dP_{\theta|x}/d\Pi = f_\theta(x)/m(x)$. (ii) If $\Pi \ll \lambda$ and $d\Pi/d\lambda = \pi(\theta)$ for a σ -finite measure λ , then $dP_{\theta|x}/d\lambda = f_\theta(x)\pi(\theta)/m(x)$.

Definition 2 (Bayes action): Let \mathcal{A} be an action space in a decision problem and $L(\theta, a) \geq 0$ be a loss function. For any $x \in \mathcal{X}$, a Bayes action w.r.t. Π is any $\delta(x) \in \mathcal{A}$ such that $\mathbb{E}[L(\theta, \delta(x))|X = x] = \min_{a \in \mathcal{A}} \mathbb{E}[L(\theta, a)|X = x]$ where the expectation is w.r.t. the posterior distribution $P_{\theta|x}$.

Definition 3 (Conjugate prior): An interesting phenomenon is that the prior and the posterior are in the same parametric family of distributions. Such a prior is called a conjugate prior.

Definition 4 (Generalized Bayes action): The minimization in Definition 4.1 is the same as the minimizing $\int_\Theta L(\theta, \delta(x)) f_\theta(x) d\Pi = \min_{a \in \mathcal{A}} \int_\Theta L(\theta, a) f_\theta(x) d\Pi$. This is still defined even if Π is not a probability measure but a σ -finite measure on Θ , in which case $m(x)$ may not be finite. If $\Pi(\Theta) \neq 1$, Π is called an improper prior. $\delta(x)$ is called a generalized Bayes action.

Definition 5 (Hyperparameters and empirical Bayes): A Bayes action depends on the chosen prior with a vector ξ of parameters called hyperparameters. If the hyperparameters ξ is unknown, one way to solve the problem is to estimate ξ using some historical data; the resulting Bayes action is called an empirical Bayes action. If there is no historical data, we may estimate ξ using data x and the resulting Bayes action is also called an empirical Bayes action. The simplest empirical Bayes method is to

estimate ξ by viewing x as a “sample” from the marginal distribution $P_{x|\xi}(A) = \int_{\Theta} P_{x|\theta}(A) d\Pi_{\theta|\xi}$, $A \in \mathcal{B}_X$, where $\Pi_{\theta|\xi}$ is a prior depending on ξ or from the marginal p.d.f. $m(x) = \int_{\Theta} f_{\theta}(x) d\Pi$, if $P_{x|\theta}$ has a p.d.f. f_{θ} . The method of moments can be applied to estimate ξ .

Example 1: Let $X = (X_1, \dots, X_n)$ and X_i 's be i.i.d. with an unknown mean $\mu \in \mathbb{R}$ and a known variance σ^2 . Assume the prior $\Pi_{\mu|\xi}$ has mean μ_0 and variance σ_0^2 , $\xi = (\mu_0, \sigma_0^2)$. To obtain a moment estimate of ξ , we need to calculate $\int_{\mathbb{R}^n} x_1 m(x) dx$ and $\int_{\mathbb{R}^n} x_1^2 m(x) dx$, $x = (x_1, \dots, x_n)$. These two integrals can be obtained without knowing $m(x)$. Note that $\int_{\mathbb{R}^n} x_1 m(x) dx = \int_{\Theta} \int_{\mathbb{R}^n} x_1 f_{\mu}(x) dx d\Pi_{\mu|\xi} = \int_{\mathbb{R}} \mu d\Pi_{\mu|\xi} = \mu_0$ and $\int_{\mathbb{R}^n} x_1^2 m(x) dx = \int_{\Theta} \int_{\mathbb{R}^n} x_1^2 f_{\mu}(x) dx d\Pi_{\mu|\xi} = \sigma^2 + \int_{\mathbb{R}} \mu^2 d\Pi_{\mu|\xi} = \sigma^2 + \mu_0^2 + \sigma_0^2$. Thus, by viewing x_1, \dots, x_n as a sample from $m(x)$, we obtain the moment estimates $\hat{\mu}_0 = \bar{x}$ and $\hat{\sigma}_0^2 = \frac{1}{n} \sum_{i=1}^n (x_i - \bar{x})^2 - \sigma^2$, where \bar{x} is the sample mean of x_i 's.

Definition 6 (Hierarchical Bayes): Instead of estimating hyperparameters, in the hierarchical Bayes approach we put a prior on hyperparameters. Let $\Pi_{\theta|\xi}$ be a prior with a hyperparameter vector ξ and let Λ be a prior on Ξ , the range of ξ . Then the “marginal” prior for θ is defined by $\Pi(B) = \int_{\Xi} \Pi_{\theta|\xi}(B) d\Lambda(\xi)$, $B \in \mathcal{B}_{\Theta}$. If the second-stage prior Λ also depends on some unknown hyperparameters, then one can go on to consider a third-stage prior. In most applications, however, two-stage priors are sufficient, since misspecifying a second-stage prior is much less serious than misspecifying a first-stage prior.

Example 2: If $\bar{X} \sim \mathcal{N}(\mu, \sigma^2/n)$ with a known σ^2 , the prior $\pi(\mu|\xi)$ is the p.d.f. of $\mathcal{N}(\xi, \sigma_0^2)$ with a known σ_0^2 , and the prior of ξ is $\mathcal{N}(\mu_0, \tau^2)$ with a known μ_0 and τ^2 , then the marginal prior p.d.f. of μ is $\mathcal{N}(\mu_0, \sigma_0^2 + \tau^2)$.

4.2 Bayes rule and computation

Theorem 1 (Admissibility of Bayes rule) In a decision problem, let $\delta(x)$ be a Bayes rule w.r.t. a prior Π . (i) If $\delta(X)$ is a unique Bayes rule, then $\delta(X)$ is admissible. (ii) If Θ is countable set, the Bayes risk $r_{\delta}(\Pi) < \infty$, and Π gives positive probability to each $\theta \in \Theta$, then $\delta(X)$ is admissible. (iii) Let \mathcal{E} be the class of decision rules having continuous risk functions. If $\delta(X) \in \mathcal{E}$, $r_{\delta}(\Pi) < \infty$, and Π gives positive probability to any open subset of Θ , then $\delta(X)$ is \mathcal{E} -admissible.

Theorem 2: Suppose that Θ is an open set of \mathbb{R}^k . In a decision problem, let \mathcal{E} be the class of decision rules having continuous risk functions. A decision rule $T \in \mathcal{E}$ is \mathcal{E} -admissible if there exists a sequence $\{\Pi_j\}$ of priors such that (a) the generalized Bayes risks $r_T(\Pi_j)$ are finite for all j ; (2) for any $\theta_0 \in \Theta$ and $\eta > 0$, $\lim_{j \rightarrow \infty} \frac{r_T(\Pi_j) - r_j^*(\Pi_j)}{\Pi_j(O_{\theta_0, \eta})} = 0$, where $r_j^*(\Pi_j) = \inf_{T \in \mathcal{E}} r_T(\Pi_j)$ and $O_{\theta_0, \eta} = \{\theta \in \Theta : \|\theta - \theta_0\| < \eta\}$ with $\Pi_j(O_{\theta_0, \eta}) < \infty$ for all j .

Proposition 1 (Bayes estimators are biased): If $\delta(X)$ is a Bayes estimator of $\vartheta = g(\theta)$ under the squared error loss, then $\delta(X)$ is not unbiased except in the trivial case where $r_{\delta}(\Pi) = 0$.

Theorem 3: Suppose that X has a p.d.f. $f_{\theta}(x)$ w.r.t. a σ -finite measure ν . Suppose that $\theta = (\theta_1, \theta_2)$, $\theta_j \in \Theta_j$, and that the prior has a p.d.f. $\pi(\theta) = \pi_{\theta_1|\theta_2}(\theta_1) \pi_{\theta_2}(\theta_2)$ where $\pi_{\theta_2}(\theta_2)$ is a p.d.f. w.r.t. a σ -finite measure ν_2 on Θ_2 and for any given θ_2 , $\pi_{\theta_1|\theta_2}(\theta_1)$ is a p.d.f. w.r.t. a σ -finite measure ν_1 on Θ_1 . Suppose further that if θ_2 is given, the Bayes estimator of $h(\theta_1) = g(\theta_1, \theta_2)$ under the squared error loss is $\delta(X, \theta_2)$. Then the Bayse estimator of $g(\theta_1, \theta_2)$ under the squared error loss is $\delta(X)$ with $\delta(x) = \int_{\Theta_2} \delta(x, \theta_2) p_{\theta_2|x}(\theta_2) d\nu_2$ where $p_{\theta_2|x}(\theta_2)$ is the posterior p.d.f. of θ_2 given $X = x$.

Remark 1: Often, Bayes actions or estimators have to be computed numerically. Typically we need to compute $\mathbb{E}_p(g) = \int_{\Theta} g(\theta)p(\theta)d\nu$ with some function g , where $p(\theta)$ is a p.d.f. w.r.t. a σ -finite measure ν on $(\Theta, \mathcal{B}_{\Theta})$ and $\Theta \subset \mathbb{R}^k$. There are many numerical methods for computing integrals $\mathbb{E}_p(g)$.

Definition 1 (The simple Monte Carlo method): Generate i.i.d. $\theta^{(1)}, \dots, \theta^{(m)}$ from a p.d.f. $h(\theta) > 0$ w.r.t. ν . By the SLLN, as $m \rightarrow \infty$, $\hat{\mathbb{E}}_p(g) = \frac{1}{m} \sum_{j=1}^m \frac{g(\theta^{(j)})p(\theta^{(j)})}{h(\theta^{(j)})} \rightarrow_{\text{a.s.}} \int_{\Theta} \frac{g(\theta)p(\theta)}{h(\theta)} h(\theta)d\nu = \mathbb{E}_p(g)$.

Remark 2: The simple Monte Carlo method may not work well because (i) the convergence of $\hat{\mathbb{E}}_p(g)$ is very slow when k (the dimension of Θ) is large; (ii) generating a random vector from some k -dimensional distribution may be difficult, if not impossible.

Remark 3 (More sophisticated MCMC methods): Different from the simple Monte Carlo in two aspects: (i) generating random vectors can be done using distributions whose dimensions are much lower than k ; (ii) $\theta^{(1)}, \dots, \theta^{(m)}$ are not independent, but form a homogeneous Markov chain.

Definition 2 (Gibbs sampler): Let $y = (y_1, y_2, \dots, y_d)$. y_j 's may be vectors with different dimensions. At step $t = 1, 2, \dots$, given $y^{(t-1)}$, generate $y_1^{(t)}$ from $P(y_2^{(t-1)}, \dots, y_d^{(t-1)} | y_1^{(t-1)})$, \dots , $y_j^{(t)}$ from $P(y_1^{(t)}, \dots, y_{j-1}^{(t)}, y_{j+1}^{(t-1)}, \dots, y_k^{(t-1)} | y_j^{(t-1)})$, \dots , $y_k^{(t)}$ from $P(y_1^{(t)}, \dots, y_{k-1}^{(t)} | y_k^{(t-1)})$.

4.3 Minimality and admissibility

Definition 1 (Minimax estimator): An estimator δ is minimax if $\sup_{\theta} R_{\delta}(\theta) = \inf_T \sup_{\theta} R_T(\theta)$.

Remark 1: A minimax estimator can be very conservative and unsatisfactory. It tries to do as well as possible in the worst case. A unique minimax estimator is admissible, since any estimator better than a minimax estimator is also minimax.

Theorem 1 (Minimality of a Bayes estimator): Let Π be a proper prior on Θ and δ be a Bayes estimator of θ w.r.t. Π . Suppose δ has constant risk on Θ_{Π} . If $\Pi(\Theta_{\Pi}) = 1$, then δ is minimax. If, in addition, δ is the unique Bayes estimator w.r.t. Π , then it is the unique minimax estimator.

Theorem 2: Let $\Pi_j, j = 1, 2, \dots$ be a sequence of priors and r_j be the Bayes risk of a Bayes estimator of θ w.r.t. Π_j . Let T be a constant risk estimator of θ . If $\liminf_j r_j \geq R_T$, then T is minimax.

Example 1: Let X_1, \dots, X_n be i.i.d. components having the $\mathcal{N}(\mu, \sigma^2)$ distribution with an known $\mu = \theta \in \mathbb{R}$ and a known σ^2 . If the prior is $\mathcal{N}(\mu_0, \sigma_0^2)$, then the posterior of θ given $X = x$ is $\mathcal{N}(\mu_*(x), c^2)$ with $\mu_*(x) = \frac{\sigma^2}{n\sigma_0^2 + \sigma^2} \mu_0 + \frac{n\sigma_0^2}{n\sigma_0^2 + \sigma^2} \bar{X}$ and $c^2 = \frac{\sigma_0^2}{\sigma^2} n\sigma_0^2 + \sigma^2$. We now show that \bar{X} is minimax under the squared error loss. For any decision rule T , $\sup_{\theta \in \mathbb{R}} R_T(\theta) \geq \int_{\mathbb{R}} R_T(\theta) d\Pi(\theta) \geq \int_{\mathbb{R}} R_{\mu_*}(\theta) d\Pi(\theta) = \mathbb{E}\{[\theta - \mu_*(X)]^2\} = \mathbb{E}\{\mathbb{E}\{[\theta - \mu_*(X)]^2 | X\}\} = \mathbb{E}(c^2) = c^2$. Since this result is true for any $\sigma_0^2 > 0$ and $c^2 \rightarrow \sigma^2/n$ as $\sigma_0^2 \rightarrow \infty$, $\sup_{\theta \in \mathbb{R}} R_T(\theta) \geq \frac{\sigma^2}{n} = \sup_{\theta \in \mathbb{R}} R_{\bar{X}}(\theta)$ where the equality holds because the risk of \bar{X} under the squared error loss is σ^2/n and independent of $\theta = \mu$. Thus, \bar{X} is minimax.

Theorem 3: Let Θ_0 be a subset of Θ and T be a minimax estimator of θ when Θ_0 is the parameter space. Then T is minimax estimator if $\sup_{\theta \in \Theta} R_T(\theta) = \sup_{\theta \in \Theta_0} R_T(\theta)$.

Theorem 4 (Admissibility in one-parameter exponential families): Suppose that X has the p.d.f. $c(\theta)e^{\theta T(x)}$ w.r.t. a σ -finite measure ν , where $T(x)$ is real-valued and $\theta \in (\theta_-, \theta_+) \subset \mathbb{R}$. Consider the estimation of $\theta = \mathbb{E}[T(X)]$ under the squared error loss. Let $\lambda \geq 0$ and γ be known constants

and let $T_{\lambda,\gamma}(X) = (T + \gamma\lambda)/(1 + \lambda)$. Then a sufficient condition for the admissibility of $T_{\lambda,\gamma}$ is that $\int_{\theta_0}^{\theta_+} \frac{e^{-\gamma\lambda\theta}}{[c(\theta)]^\lambda} d\theta = \int_{\theta_-}^{\theta_0} \frac{e^{-\gamma\lambda\theta}}{[c(\theta)]^\lambda} d\theta = \infty$, where $\theta_0 \in (\theta_-, \theta_+)$.

Theorem 5: Assume that X has the p.d.f. as described in Theorem 4 with $\theta_- = -\infty$ and $\theta_+ = \infty$. (i) As an estimator of $\theta = \mathbb{E}(T)$, $T(X)$ is admissible under the squared error loss and the loss $(a - \theta)^2/\text{Var}(T)$. (ii) Y is the unique minimax estimator of θ under the loss $(a - \theta)^2/\text{Var}(T)$.

Example 2: Let X_1, \dots, X_n be i.i.d. from $\mathcal{N}(0, \sigma^2)$ with an unknown $\sigma^2 > 0$ and let $Y = \sum_{i=1}^n X_i^2$. Consider the estimation of σ^2 . The risk of $Y/(n+2)$ is a constant under the loss $(a - \sigma^2)^2/\sigma^4$. We now apply Theorem 4 to show that $Y/(n+2)$ is admissible. Note that the joint p.d.f. of X_i 's is of the form $c(\theta)e^{\theta T(x)}$ with $\theta = -n/(4\sigma^2)$, $c(\theta) = (-2\theta/n)^{n/2}$, $T(X) = 2Y/n$, $\theta_- = -\infty$ and $\theta_+ = 0$. By Theorem 4, $T_{\lambda,\gamma} = (T + \gamma\lambda)/(1 + \lambda)$ is admissible under the squared error loss if, for some $c > 0$, $\int_{-\infty}^{-c} e^{-\gamma\lambda\theta} \left(\frac{-2\theta}{n}\right)^{-n\lambda/2} d\theta = \int_0^c e^{\gamma\lambda\theta} \theta^{-n\lambda/2} d\theta = \infty$. This means $T_{\lambda,\gamma}$ is admissible if $\gamma = 0$ and $\lambda = 2/n$, or if $\gamma > 0$ and $\lambda \geq 2/n$. In particular, $2Y/(n+2)$ is admissible for estimating $\mathbb{E}(T) = 2\mathbb{E}(Y)/n = 2\sigma^2$, under the squared error loss. It is easy to see that $Y/(n+2)$ is then an admissible estimator of σ^2 under the squared error loss and the loss $(a - \sigma^2)^2/\sigma^4$. Hence $Y/(n+2)$ is minimax under the loss $(a - \sigma^2)^2/\sigma^4$.

4.4 Simultaneous estimation and shrinkage estimators

Definition 1 (Simultaneous estimation): Estimation of a p -vector ϑ of parameters (functions of θ) under the decision theory approach.

Remark 1 (Difference from estimating ϑ component-by-component): A single loss function $L(\vartheta, a)$, instead of p loss functions.

Definition 2 (Squared error loss): A natural generalization of the squared error loss is $L(\theta, a) = \|a - \theta\|^2 = \sum_{i=1}^p (a_i - \theta_i)^2$.

Definition 3 (James-Stein estimator): We start with the simple case where X is from $\mathcal{N}_p(\theta, I_p)$ with an unknown $\theta \in \mathbb{R}^p$. James and Stein proposed the following class of estimators of θ having smaller risks than X when the squared error loss is used and $p \geq 3$: $\delta_c = X - \frac{p-2}{\|X-c\|^2}(X-c)$, where $c \in \mathbb{R}^p$ is fixed and the choice of c is discussed later.

Definition 4 (Extended James-Stein estimators): For the purpose of generalizing the results to more complicated situations, we consider the following extension of the James-Stein estimator: $\delta_{c,r} = X - \frac{r(p-2)}{\|X-c\|^2}(X-c)$, where $c \in \mathbb{R}^p$ and $r \in \mathbb{R}$ are known.

Motivation 1 (Shrink the observation toward a given point c): Suppose it were thought a priori likely, though not certain, that $\theta = c$. Then we might first test a hypothesis $H_0 : \theta = c$ and estimate θ by c if H_0 is accepted and by X otherwise. The best rejection region has the form $\|X - c\|^2 > t$ for some constant $t > 0$ so that we might estimate θ by $I_{(t,\infty)}(\|X - c\|^2)X + [1 - I_{(t,\infty)}(\|X - c\|^2)]c$. $\delta_{c,r}$ is a smoothed version of this estimator, since, for some function ψ , $\delta_{c,r} = \psi(\|X - c\|^2)X + [1 - \psi(\|X - c\|^2)]c$. Any estimator having this form is called a shrinkage estimator.

Motivation 2 (Empirical Bayes estimator): A Bayes estimator of θ is of the form $\delta = (1 - B)X + Bc$, where c is the prior mean of θ and B involves prior variances. $1 - B$ is “estimated” by $\psi(\|X - c\|^2)$. $\delta_{c,r}$ can be viewed as an empirical Bayes estimator.

Theorem 1 (Risks of shrinkage estimators): Suppose that X is from $\mathcal{N}_p(\theta, I_p)$ with $p \geq 3$. Then,

under the squared error loss, the risks of the following shrinkage estimators of θ , $\delta_{c,r} = X - \frac{r(p-2)}{\|X-c\|^2}(X-c)$, where $c \in \mathbb{R}^p$ and $r \in \mathbb{R}$ are known, are given by $R_{\delta_{c,r}}(\theta) = p - (2r - r^2)(p-2)^2\mathbb{E}(\|X-c\|^{-2})$.

Remark 2: The risk of $\delta_{c,r}$ is smaller than p , the risk of X for every value of θ when $p \geq 3$ and $0 < r < 2$. $\delta = \delta_{c,1}$ is better than any $\delta_{c,r}$ with $r \neq 1$.

Remark 3 (The improvement): To see that δ_c may have a substantial improvement over X in terms of risks, consider the special case where $\theta = c$. Since $\|X-c\|^2$ has the chi-square distribution χ_p^2 when $\theta = c$, $\mathbb{E}\|X-c\|^{-2} = (p-2)^{-1}$ and $R_{\delta_{c,1}}(\theta) = p - (2r - r^2)(p-1)^2\mathbb{E}(\|X-c\|^{-2}) = 2$. The ratio $R_X(\theta)/R_{\delta_c}(\theta)$ equals $p/2$ when $\theta = c$ and can be substantially larger than 1 near $\theta = c$ when p is large.

Remark 4 (Minimaxity and admissibility of δ_c): Since X is minimax, $\delta_{c,r}$ is minimax provided that $p \geq 3$ and $0 < r < 2$. Unfortunately, the James-Stein estimator δ_c with any c is also inadmissible. It is dominated by $\delta_c^+ = X - \min\{1, \frac{p-2}{\|X-c\|^2}\}(X-c)$. This estimator, however, is still inadmissible. Although neither the James-Stein estimator δ_c nor δ_c^+ is admissible, it is found that no substantial improvements over δ_c^+ are possible.

Definition 5 (Extension of Theorem 1 to $\text{Var}(X) = \sigma^2 D$): Consider the case where $\text{Var}(X) = \sigma^2 D$ with an unknown $\sigma^2 > 0$ and a known positive definite matrix D . If σ^2 is known, then an extended James-Stein estimator is $\tilde{\delta}_{c,r} = X - \frac{(p-2)r\sigma^2}{\|D^{-1}(X-c)\|^2}D^{-1}(X-c)$. Under the squared error loss, the risk of $\tilde{\delta}_{c,r}$ is $\sigma^2[\text{tr}(D) - (2r - r^2)(p-2)^2\mathbb{E}(\|D^{-1}(X-c)\|^{-2})]$. When σ^2 is unknown, we assume that there exists a statistic S_0^2 such that S_0^2 is independent of X and S_0^2/σ^2 has the chi-square distribution χ_m^2 . Replacing $r\sigma^2$ in $\tilde{\delta}_{c,r}$ by $\hat{\sigma}^2 = tS_0^2$ with a constant $t > 0$ leads to the following extended James-Stein estimator: $\tilde{\delta}_c = X - \frac{(p-2)\hat{\sigma}^2}{\|D^{-1}(X-c)\|^2}D^{-1}(X-c)$. From the risk formula for $\tilde{\delta}_{c,r}$ and the independence of $\hat{\sigma}^2$ and X , the risk of $\tilde{\delta}_c$ is $R_{\tilde{\delta}_c}(\theta) = \sigma^2\{\text{tr}(D) - [2tm - t^2m(m+2)](p-2)^2\sigma^2\kappa(\theta)\}$, where $\theta = (\theta, \sigma^2)$ and $\kappa(\theta) = \mathbb{E}(\|D^{-1}(X-c)\|^{-2})$. Replacing t by $1/(m+2)$ leads to $R_{\tilde{\delta}_c}(\theta) = \sigma^2[\text{tr}(D) - m(m+2)^{-1}(p-2)^2\sigma^2\mathbb{E}(\|D^{-1}(X-c)\|^{-2})]$, which is smaller than $\sigma^2\text{tr}(D)$ (the risk of X) for any fixed $\theta, p \geq 3$.

Example 1: Consider the general linear model $X = Z\beta + \epsilon$ with $\epsilon \sim \mathcal{N}_p(0, \sigma^2)$, $p \geq 3$, and a full rank Z . Consider the estimation of $\theta = \beta$ under the squared error loss. The LSE $\hat{\beta}$ is from $\mathcal{N}(\beta, \sigma^2 D)$ with a known matrix $D = (Z^T Z)^{-1}$, $S_0^2 = \text{SSR}$ is independent of $\hat{\beta}$, S_0^2/σ^2 has the chi-square distribution χ_{n-p}^2 . Hence, from the previous discussion, the risk of the shrinkage estimator $\hat{\beta} - \frac{(p-2)\hat{\sigma}^2}{\|Z^T Z(\hat{\beta}-c)\|^2}Z^T Z(\hat{\beta}-c)$ is smaller than that of $\hat{\beta}$ for any β and σ^2 , where $c \in \mathbb{R}^p$ is fixed and $\hat{\sigma}^2 = \text{SSR}/(n-p+2)$.

Definition 6 (Other shrinkage estimators): From the previous discussion, the James-Stein estimators improve X substantially when we shrink the observations toward a vector c that is near $\theta = \mathbb{E}X$. One may consider shrinking the observations toward the mean of the observations rather than a given point; that is, one may obtain a shrinkage estimator by replacing c in $\delta_{c,r}$ by $\bar{X}J_p$, where $\bar{X} = p^{-1}\sum_{i=1}^p X_i$ and J_p is the p -vectors of ones. However, we have to replace the factor $p-2$ in $\delta_{c,r}$ by $p-3$. This leads to shrinkage estimators $X - \frac{p-3}{\|X-\bar{X}J_p\|^2}(X-\bar{X}J_p)$ and $X - \frac{(p-3)\hat{\sigma}^2}{\|D^{-1}(X-\bar{X}J_p)\|^2}D^{-1}(X-\bar{X}J_p)$. These estimators are better than X (and, hence, are minimax) when $p \geq 4$, under the squared error loss.

Remark 5: The idea of shrinkage has been used in problems with high dimensions, e.g. LASSO.