

Markov Chain Monte Carlo and Bayesian Inference

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Abstract

This second homework covers the main concepts behind Monte Carlo Markov Chain simulation (MCMC).

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Glossary

1. p for "probability", the cumulative distribution function (c. d. f.)
2. q for "quantile", the inverse c. d. f.
3. d for "density", the density function (p. f. or p. d. f.)
4. r for "random", a random variable having the specified distribution

Markov Chains Essentials

Markov Chain Definition

Markov Process are stochastics process which are usually defined as a collection of random variables. Markov Chains are useful to model random process which has a short memory dependence.

We can have four types of Markov Chains:

Types of Markov Chains		
Time/State-Space	Countable State Space	General State Space
Discrete-Time	MC on a finite state space	MC on a general state space
Continuous-Time	Markov Process	Stochastic Process w/ Markov Property

In this case we are interested in defining the probability law of Markov Chains on a general state space. Let $t \in \{0, 1, 2, \dots\}$ be the index of the process and $S \subset \mathbb{R}^k$ the general state space of states:

1. $\mu \rightarrow$ initial distribution at time $t = 0$
2. Transition Kernel $K_t(x, A) = Pr\{X_{t+1} \in A | X_t = x\}$ for each $t = \{1, 2, \dots\}$

Where the transition kernel is a function $K(\cdot, \cdot) : S \times \mathcal{B}(S) \rightarrow [0, 1]$

- $\forall x \in S : K(x, \cdot)$ is a probability measure
- $\forall A \in \mathcal{B}(S) : K(\cdot, A)$ is measurable

Markov Chain as an approximation tool

Markov Chains have several properties among which **Invariant Measure** and **Stationarity** at steady-state. More formally given a finite Markov Chain $X_t, t \in \mathcal{T}$ which is irreducible and positive recurrent then after t steps I get a random value: $\theta_t \sim P_y^t(\cdot) = K^t(y, \cdot)$. This is true thanks to the ergodic theorem, which holds in under the previous properties.

In the end we obtain $P_y^t(\cdot) \rightarrow P_y^\infty = \pi(\cdot)$ or more specifically,

$$\hat{I} = \frac{1}{t} \sum_{i=T_0}^{T_0+t} h(\theta_i) \rightarrow E_\pi[h(\theta)] = I \quad \text{for } t \rightarrow \infty \quad (1)$$

Given a suitable Markov Chain defined by a Markov Kernel $K(x, \cdot)$ depends on the possibility of finding a suitable π such that $X_n \sim \pi \Rightarrow X_{n+1} \sim \pi$

Thus the subsequent issue that we have to analyze how is possible to generate a stationary distribution from a Markov Chain. This requires a useful property defined as **Detailed Balance Condition** which then implies that the Markov Chain is reversible $Pr_\pi\{X_t \in A, X_{t+1} \in B\} = Pr\{X_{t+1} \in A, X_t \in B\}$ which is equivalent to $\pi(x)q(x, y) = \pi(y)q(y, x)$ given this backward transition.

At this point we should be clear the working principle of Markov Chain Monte Carlo is pretty much the same as the Vanilla Monte Carlo, with the only difference that in this case we are not generating our samples from a distribution from a closed form but from a markov chain.

Essentially given a target density f , we build a markov kernel K with a stationary distribution f and then generate a Markov Chain $X^{(t)}$ using this kernel so that the limiting distribution is f and the integrals can be approximated according to the Ergodic Theorem.

The issue with this approach that is we need to be able to build a kernel K that is associated with an arbitrary density f . To cope with this problem there are several approaches, among which the most notable are:

- Metropolis-Hasting
- Gibbs Algorithm

Those two algorithms are crucial in order to build a kernel that is able to approximate a target function. The two algorithms are summarized in the following tables, where pros and cons are compared.

Markov Chain Generation Algorithms		
Feature/Algorithm	Metropolis-Hastings	Gibbs Sampling
Description	MC on a finite state space	MC on a general state space
Pros	Markov Process	Stochastic Process w/ Markov Property
Cons	Markov Process	Stochastic Process w/ Markov Property
Notes	Markov Process	Stochastic Process w/ Markov Property

Monte Carlo Markov Chain Essentials

Expectation Estimation via MCMC

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