Discretionary Note

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IF YOU USE THIS FILE TO CHEAT, YOU ARE NOT ONLY STUPID BUT YOU ARE CHEATING YOURSELF OUT OF THE ABILITY TO FALL IN LOVE WITH MATH. Furthermore, I am not smarter than you and my solutions did not always get a perfect score.

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S&DS 242/542: Homework 4

Due Wednesday, February 12, at 1PM

1. **Signed rank test.** Suppose $X_1, \ldots, X_n$ are IID continuous random variables with an unknown PDF f. Consider testing the null hypothesis

$$H_0 : f \text{ is symmetric around } 0$$

(This means that $f(x) = f(-x)$ for every $x \in \mathbb{R}$.) The **Wilcoxon signed-rank statistic** is

$$W = \sum_{i=1}^{n} S_i R_i$$

where

$$S_i = \begin{cases} 1 & \text{if } X_i > 0 \\ 0 & \text{if } X_i \leq 0 \end{cases}$$

and R_i is the rank of $|X_i|$ among the values $\{|X_1|, \ldots, |X_n|\}$ sorted in increasing order (so $R_i = 1$ for the smallest $|X_i|$, $R_i = 2$ for the second smallest $|X_i|$, etc.). Thus, W sums these ranks corresponding to only the positive values of X_i.

(a) Explain briefly why W is pivotal under H_0. To test against a one-sided alternative H_1 that the X_i's tend to take positive values, would you reject H_0 for large or small values of W?

(b) Under H_0, show that

$$\mathbb{E}[W] = \frac{n(n+1)}{4}$$
$$\mathrm{Var}[W] = \frac{n(n+1)(2n+1)}{24}$$

Assuming that W has an approximate normal distribution under H_0 for large n, explain how you would use this approximation to perform your test in part (a) at significance level α.

(Hint: To compute the mean and variance of W, write $W = \sum_{k=1}^{n} k I_k$, where $I_k = 1$ if the observation i with rank $R_i = k$ has $S_i = 1$, and $I_k = 0$ if this observation has $S_i = 0$.)

2. **Permutation tests for paired samples.** Suppose $X_1, \ldots, X_n$ are IID continuous random variables with an unknown PDF f. Consider testing the same null hypothesis as in Problem 1,

$$H_0 : f \text{ is symmetric around } 0$$

Let $T(X_1, \ldots, X_n)$ be any test statistic.

(a) Describe the distribution of T conditional on $|X_1|, \ldots, |X_n|$, under H_0. (What values can T take conditional on $|X_1|, \ldots, |X_n|$, and with what probabilities? You may assume that no X_i is exactly equal to 0.)

(b) Using part (a), explain how computer simulation can be used to perform a level-α test that rejects H_0 for large values of T.

If each X_i is the difference $X_i = Y_i - Z_i$ where $(Y_1, Z_1), \ldots, (Y_n, Z_n)$ are n IID data pairs (e.g. $X_1, \ldots, X_n$ are the differences between two test scores for n students), explain why your procedure may be interpreted as a permutation test for testing the null hypothesis

$$H_0 : (Y_i, Z_i) \text{ has the same bivariate distribution as } (Z_i, Y_i)$$

3. **Testing a uniform null (Rice 9.20).** Consider two PDFs over $x \in [0, 1]$: $f_0(x) = 1$ and $f_1(x) = 2x$. Consider a single observation $X \in [0, 1]$ generated from one of these two distributions. Among all tests of the null hypothesis $H_0 : X \sim f_0(x)$ versus the alternative $H_1 : X \sim f_1(x)$ with significance level $\alpha = 0.10$, how large can the power possibly be?

4. **Most-powerful test for the normal variance.**
(a) For data $X_1, \ldots, X_n$ and two known and pre-specified values $\sigma_0^2 < \sigma_1^2$, consider testing

$$H_0 : X_1, \ldots, X_n \overset{IID}{\sim} \mathcal{N}(0, \sigma_0^2)$$
$$H_1 : X_1, \ldots, X_n \overset{IID}{\sim} \mathcal{N}(0, \sigma_1^2)$$

What is the most powerful test for testing H_0 versus H_1 at significance level α? Letting $\chi_n^2(\alpha)$ denote the upper-α point of the χ_n^2 distribution, describe explicitly both a test statistic T for your test and its associated rejection region.

(b) What is the distribution of your test statistic T under the alternative hypothesis H_1? Letting F denote the CDF of the χ_n^2 distribution, provide a formula for the power of this test against H_1, in terms of $\chi_n^2(\alpha)$, σ_0^2, σ_1^2, and F. Keeping σ_0^2 and α fixed, what happens to the power of the test as σ_1^2 increases to ∞?