Assignment3

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Question 1

Let us consider the $n \times 1$ **dependent vector X** and the $n \times k$ **observed matrix of independent variables** Z as defined in Slide 10. We construct two **regression models** between **X** and Z as follows:

$$\begin{cases} (i) & \mathbf{X} = Z\beta_1 + \boldsymbol{\mathcal{W}}_1 \\ (ii) & \mathbf{X} = Z\beta_2 + \boldsymbol{\mathcal{W}}_2 \end{cases}$$

where $\boldsymbol{\mathcal{W}}_1 = (\mathcal{W}_{11}, \cdots, \mathcal{W}_{n1})'$ and $\boldsymbol{\mathcal{W}}_2 = (\mathcal{W}_{12}, \cdots, \mathcal{W}_{n2})'$, $\mathcal{W}_{11}, \cdots, \mathcal{W}_{n1} \overset{iid}{\sim} N[0, \sigma_1^2]$ and $\mathcal{W}_{12}, \cdots, \mathcal{W}_{n2} \overset{iid}{\sim} N[0, \sigma_2^2]$ are two **independent** series. If we define $\boldsymbol{\theta}_1 := (\beta_1', \sigma_1^2)'$ and $\boldsymbol{\theta}_2 := (\beta_2', \sigma_2^2)'$, show that the **Kullback-Leibler Divergence** between the joint pdf of **X** based on models *(i)* and *(ii)* is given as:

$$I(\boldsymbol{\theta}_1; \boldsymbol{\theta}_2) = \frac{1}{2}\left(\frac{\sigma_1^2}{\sigma_2^2} - log\left(\frac{\sigma_1^2}{\sigma_2^2}\right) - 1\right) + \frac{(\beta_1 - \beta_2)'Z'Z(\beta_1 - \beta_2)}{2n\sigma_2^2}$$

Answer:

Bonus Question

If the **true** value of the parameter vector is $\boldsymbol{\theta} = (\beta', \sigma^2)'$ and the **estimated** value based on the **sample** $\widehat{\boldsymbol{\theta}} = (\widehat{\beta}', \widehat{\sigma^2})'$, one may argue that the **best** model would be one that **minimizes** the **Kullback-Leibler distance** between the joint-pdfs of **theoretical** value and the **sample** estimation, say $I(\boldsymbol{\theta}; \widehat{\boldsymbol{\theta}})$. Because $\boldsymbol{\theta}$ will not be known, Hurvich and Tsai (1989) considered finding an **unbiased estimator** for $E_1[I(\beta_1, \sigma_1^2; \widehat{\beta}, \widehat{\sigma}^2)]$, where

$$I(\beta, \sigma^2; \widehat{\beta}, \widehat{\sigma}^2) = \frac{1}{2}\left(\frac{\sigma^2}{\widehat{\sigma}^2} - log\left(\frac{\sigma^2}{\widehat{\sigma}^2}\right) - 1\right) + \frac{(\beta - \widehat{\beta})'Z'Z(\beta - \widehat{\beta})}{2n\widehat{\sigma}^2}$$

and β is a $k \times 1$ regression parameter vector. Show that

$$E_{\boldsymbol{\theta}}[I(\beta_1, \sigma_1^2; \widehat{\beta}, \widehat{\sigma}^2)] = \frac{1}{2}\left(-log(\sigma_1^2) + E_1[log(\widehat{\sigma}^2)] + \frac{n+k}{n-k-2} - 1\right).$$

Answer: Expectation is a linear function, so we can rewrite the above as

$$E_{\boldsymbol{\theta}} I(\beta, \sigma^2; \widehat{\beta}, \widehat{\sigma}^2) = \frac{1}{2}E\left[\frac{\sigma^2}{\widehat{\sigma}^2} - log\left(\frac{\sigma^2}{\widehat{\sigma}^2}\right) - 1 + \frac{(\beta - \widehat{\beta})'Z'Z(\beta - \widehat{\beta})}{n\widehat{\sigma}^2}\right]$$

From the reference text, we are given that:

$$\frac{n\widehat{\sigma}^2}{\sigma_1^2} \sim \chi^2_{n-k}$$
$$\frac{(\widehat{\beta} - \beta)'Z'Z(\widehat{\beta} - \beta)}{n\widehat{\sigma}^2} \sim \chi^2_k$$

We are also given that if $x \sim \chi_n^2 \implies E[(\frac{1}{x})] = \frac{1}{n-2}$. So:

$$\begin{aligned}
\frac{n\widehat{\sigma}^2}{\sigma_1^2} &= n\left(\frac{\widehat{\sigma}^2}{\sigma_1^2}\right) \\
&= n\left(\frac{\widehat{\sigma}^2}{\sigma_1^2}\right)^{-1}
\end{aligned}$$

so

Taking the expectation of a scalar returns the scalar. So we can simplify the above as:

$$E_{\boldsymbol{\theta}} I(\beta, \sigma^2; \widehat{\beta}, \widehat{\sigma}^2) = \frac{1}{2} E\left[\frac{\sigma^2}{\widehat{\sigma}^2} - log\left(\frac{\sigma^2}{\widehat{\sigma}^2}\right) - 1 + \frac{(\beta - \widehat{\beta})' Z' Z (\beta - \widehat{\beta})}{n\widehat{\sigma}^2}\right]$$
