

STA 522, Spring 2021

Introduction to Theoretical Statistics II

Lecture 6

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AGENDA

- ▶ Method of maximum likelihood
- ▶ Bayesian approach to Statistics

Review: Method of Estimation

- ▶ **Method of Moments:** Equate population moments with the sample moments, then solve for parameters.
- ▶ **Method of Maximum Likelihood:** For each sample point \underline{x} , let $\hat{\theta}(\underline{x})$ be a parameter value at which the likelihood function $L(\theta | \underline{x})$ attains its maximum as a function of θ , with \underline{x} held fixed. A **maximum likelihood estimator (MLE)** of the parameter θ based on a sample \underline{X} is $\hat{\theta}(\underline{X})$.
- ▶ **Note:** since the logarithm function is strictly increasing on $(0, \infty)$ (and so one-to-one), the value which maximizes $\log L(\theta | \underline{x})$ is the same value that maximizes $L(\theta | \underline{x})$.
- ▶ **Example:** $X_1, X_2, \dots, X_n \sim \text{iid Bernoulli}(p)$, for $0 \leq p \leq 1$. The MLE of p is $\hat{p} = \frac{1}{n} \sum_{i=1}^n X_i$

Example: Let $X_1, X_2, \dots, X_n \sim \text{iid Poisson}(\theta)$, where θ . Find the MLE of θ .

The likelihood of θ is

$$L(\theta \mid \underline{x}) = \prod_{i=1}^n \exp(-\theta) \frac{\theta^{x_i}}{x_i!} = \exp(-n\theta) \frac{\theta^{\sum_{i=1}^n x_i}}{\prod_{i=1}^n x_i!}$$

The log likelihood is:

$$\log L(\theta \mid \underline{x}) = -n\theta + \left(\sum_{i=1}^n x_i \right) \log \theta + \log \left(\prod_{i=1}^n x_i! \right)$$

Therefore,

$$\frac{d \log L(\theta \mid \underline{x})}{d\theta} = -n + \left(\sum_{i=1}^n x_i \right) \frac{1}{\theta} \begin{matrix} \geqslant \\ \leqslant \end{matrix} 0 \quad \text{according as} \quad \theta \begin{matrix} \leqslant \\ \geqslant \end{matrix} \frac{1}{n} \sum_{i=1}^n x_i = \bar{x}$$

Therefore, $\hat{\theta} = \bar{x}$ is the MLE of θ .

Example: Let $X_1, X_2, \dots, X_n \sim \text{iid } N(\theta, 1)$ for $-\infty < \theta < \infty$. Find the MLE of θ .

The likelihood function for θ is given by

$$L(\theta | \underline{x}) = \prod_{i=1}^n \frac{1}{\sqrt{2\pi}} \exp \left[-\frac{1}{2}(x_i - \theta)^2 \right] = \left(\frac{1}{2\pi} \right)^{n/2} \exp \left[-\frac{1}{2} \sum_{i=1}^n (x_i - \theta)^2 \right]$$

Therefore the log likelihood is:

$$\log L(\theta | \underline{x}) = -\frac{n}{2} \log(2\pi) - \frac{1}{2} \sum_{i=1}^n (x_i - \theta)^2 = -\frac{n}{2} \log(2\pi) - \frac{1}{2} \sum_{i=1}^n (\theta - x_i)^2$$

which implies

$$\frac{d \log L(\theta | \underline{x})}{d\theta} = \frac{1}{2} \sum_{i=1}^n 2 (x_i - \theta) \stackrel{\geq}{\leq} 0 \text{ according as } \theta \stackrel{\leq}{\geq} \frac{1}{n} \sum_{i=1}^n x_i = \bar{x}$$

Thus the MLE of θ is $\hat{\theta} = \bar{x}$.

Example (Restricted Range MLE): Let $X_1, X_2, \dots, X_n \sim \text{iid } N(\theta, 1)$, where $\theta \geq 0$. Find the MLE of θ .

With no restrictions on θ the MLE of θ is \bar{X} .

However, if $\bar{X} < 0$, it will be outside the range of the parameter.

log likelihood:

$$\begin{aligned}\log L(\theta \mid \underline{x}) &= -\frac{n}{2} \log(2\pi) - \frac{1}{2} \sum_{i=1}^n (x_i - \theta)^2 \\ &= -\frac{n}{2} \log(2\pi) - \frac{1}{2} \sum_{i=1}^n (x_i - \bar{x})^2 - \frac{n}{2} (\theta - \bar{x})^2\end{aligned}$$

If $\bar{x} < 0$ then $L(\theta \mid \underline{x}) \leq L(0 \mid \underline{x})$ for all $\theta \in [0, \infty)$.

Therefore, the MLE of θ is

$$\hat{\theta} = \begin{cases} \bar{x} & \text{if } \bar{x} \geq 0 \\ 0 & \text{if } \bar{x} < 0 \end{cases}$$

Example (MLE where the likelihood function is non-differentiable):

Consider $X_1, X_2, \dots, X_n \sim \text{iid Uniform}(0, \theta)$. Find the MLE of θ .

The likelihood function is given by:

$$L(\theta \mid \underline{x}) = \prod_{i=1}^n \frac{1}{\theta} I(0 \leq x_i \leq \theta) = \frac{1}{\theta^n} I(\theta \geq x_{(n)}) I(0 \leq x_{(1)})$$

Clearly, $L(\theta \mid \underline{x})$ is not continuous (and hence non-differentiable) because of the indicator function.

Note that $L(\theta \mid \underline{x})$ is zero at $\theta < x_{(n)}$, jumps to $\frac{1}{\theta^n}$ at $\theta = x_{(n)}$ and then steadily declines.

Hence the MLE for θ is $\hat{\theta} = X_{(n)}$.

Example (Problem 7.6): Let $X_1, X_2, \dots, X_n \sim \text{iid Pareto}(\theta, 1)$ with pdf

$$f(x | \theta) = \theta x^{-2}; \quad 0 < \theta \leq x < \infty$$

Find (a) a sufficient statistic for θ , (b) the MLE of θ and (c) the method of moments estimator of θ .

(a) The joint pdf is $f(\underline{x} | \theta) = \underbrace{\theta^n I(x_{(1)} \geq \theta)}_{=g(T(\underline{x}|\theta))} \prod_{i=1}^n x_i^{-2}$. Hence by

Factorization theorem, $T(\underline{X}) = X_{(1)}$ is sufficient for θ .

(b) The likelihood function for θ is

$$L(\theta | \underline{x}) = \theta^n I(\theta \leq x_{(1)}) \prod_{i=1}^n x_i^{-2}$$

This is maximum when $\theta = x_{(1)}$. Hence the MLE for θ is $\hat{\theta} = X_{(1)}$.

(c) Note that here $\mu'_1 = E_\theta(X_1) = \int_\theta^\infty \theta \frac{dx}{x} = \infty$. Hence method of moment estimator for θ does not exist.

Example (Binomial with unknown number of trials): Let $X_1, X_2, \dots, X_n \sim \text{iid Binomial}(k, p)$, where p is known and k is unknown. The likelihood function is:

$$L(k \mid \underline{x}, p) = \prod_{i=1}^n \binom{k}{x_i} p^{x_i} (1-p)^{k-x_i} I(x_i \in \{0, 1, \dots, k\})$$

Maximizing with differentiation is difficult because of factorials and because k is integer.

Note on the outset that $L(k \mid \underline{x}, p) = 0$ if $k < \max_i x_i$. So the MLE must be an integer $\hat{k} \geq \max_i x_i$ such that

$$\frac{L(\hat{k} \mid \underline{x}, p)}{L(\hat{k} - 1 \mid \underline{x}, p)} \geq 1 \quad \text{and} \quad \frac{L(\hat{k} \mid \underline{x}, p)}{L(\hat{k} + 1 \mid \underline{x}, p)} > 1$$

Note that

$$\frac{L(k \mid \underline{x}, p)}{L(k-1 \mid \underline{x}, p)} = \frac{(k(1-p))^n}{\prod_{i=1}^n (k-x_i)}$$

Condition for maximum is

$$(k(1-p))^n \geq \prod_{i=1}^n (k - x_i) \quad \text{and} \quad ((k+1)(1-p))^n < \prod_{i=1}^n (k+1 - x_i)$$

Divide by k^n and set $z = 1/k$. We want to solve

$$(1-p)^n = \prod_{i=1}^n (1 - x_i z)$$

The RHS is strictly decreasing in z and $\text{RHS} = 1$ if $z = 0$ and $\text{RHS} = 0$ if $z = 1/\max_i x_i$.

Thus there is a unique z , say \hat{z} that solves the equation. The unique solution is not analytically tractable. Must be approximated using numeric methods in practice.

The quantity $1/\hat{z}$ may not be an integer. The MLE \hat{k} of k , is the largest integer $\leq 1/\hat{z}$.

Invariance Property of Maximum Likelihood

Consider a distribution indexed by a parameter θ . Interest is in finding an estimator for some function of θ , say $\tau(\theta)$.

Invariance property of MLEs says that if $\hat{\theta}$ is the MLE of θ , then $\tau(\hat{\theta})$ is the MLE of $\tau(\theta)$.

For example, if θ is the mean of a normal distribution then the MLE of $\sin(\theta)$ is $\sin(\bar{X})$.

Need to be careful when τ is not one-to-one.

Definition: Let $\eta = \tau(\theta)$ be any function of θ . The **induced likelihood function** L^* is given by

$$L^*(\eta \mid \underline{x}) = \sup_{\{\theta : \tau(\theta) = \eta\}} L(\theta \mid \underline{x}).$$

The value $\hat{\eta}$ that maximizes $L^*(\eta \mid \underline{x})$ will be called the MLE of $\eta = \tau(\theta)$. Note that the maxima of L^* and L coincide.

Theorem (7.2.10)

If $\hat{\theta}$ is the MLE of θ , then for any function $\tau(\theta)$, the MLE of $\tau(\theta)$ is $\tau(\hat{\theta})$.

Proof: Define the induced likelihood L^* as before. Let $\hat{\eta}$ denote the value that maximizes $L^*(\eta \mid \underline{x})$.

Need to show that $L^*(\hat{\eta} \mid \underline{x}) = L^*(\tau(\hat{\theta}) \mid \underline{x})$.

Since the maxima of L and L^* coincide, therefore,

$$\begin{aligned} L^*(\hat{\eta} \mid \underline{x}) &= \sup_{\{\theta : \tau(\theta) = \eta\}} L(\theta \mid \underline{x}) \\ &= \sup_{\theta} L(\theta \mid \underline{x}) \\ &= L(\hat{\theta} \mid \underline{x}) \\ &= \sup_{\{\theta : \tau(\theta) = \tau(\hat{\theta})\}} L(\theta \mid \underline{x}) \\ &= L^*(\tau(\hat{\theta}) \mid \underline{x}) \end{aligned}$$

Hence, $\tau(\hat{\theta})$ is the MLE of $\tau(\theta)$

Examples of the invariance property of MLE:

- ▶ If X_1, X_2, \dots, X_n iid $N(\theta, 1)$ then the MLE of θ^2 is \bar{X}^2 .
- ▶ If X_1, X_2, \dots, X_n iid Bernoulli(p) then the MLE of $\sqrt{p(1-p)}$ is $\sqrt{\hat{p}(1-\hat{p})}$ where $\hat{p} = \frac{1}{n} \sum_{i=1}^n X_i$.

MLE of multiple parameters

Using calculus is tedious. In two parameter case, finding Local Maxima of a function $H(\theta_1, \theta_2)$ involves:

- (a) Compute the first-order partial derivatives of $H(\theta_1, \theta_2)$, set them equal to 0, and solve for θ_1 and θ_2 . Denote the solution by $(\hat{\theta}_1, \hat{\theta}_2)$.
- (b) Show that the Jacobian of the second-order partial derivatives, evaluated at $(\hat{\theta}_1, \hat{\theta}_2)$, is positive (recall the Jacobian is $H_{11}H_{22} - H_{12}H_{21}$, where H_1 means $\frac{\partial H}{\partial \theta_1}$, and so on).
- (c) Show that at least one of H_{11} or H_{22} , evaluated at $(\hat{\theta}_1, \hat{\theta}_2)$, is negative.

Instead, successive maximizations, if possible, usually makes the problem easier.

Example: Suppose $X_1, X_2, \dots, X_n \sim \text{iid } N(\mu, \sigma^2)$. Find the MLEs for μ and σ^2 .

The likelihood function is

$$\begin{aligned} L(\mu, \sigma^2 \mid \underline{x}) &= \prod_{i=1}^n \frac{1}{\sqrt{2\pi}\sigma} \exp \left[-\frac{1}{2\sigma^2} (x_i - \mu)^2 \right] \\ &= \left(\frac{1}{\sqrt{2\pi}\sigma} \right)^n \exp \left[-\frac{1}{2\sigma^2} \sum_{i=1}^n (x_i - \mu)^2 \right] \end{aligned}$$

First fix σ . The log likelihood is

$$\log L(\mu, \sigma^2 \mid \underline{x}) = -\frac{n}{2} \log(2\pi) - \frac{n}{2} \log(\sigma^2) - \frac{1}{2\sigma^2} \sum_{i=1}^n (x_i - \mu)^2$$

$$\frac{\partial \log L(\mu, \sigma^2 \mid \underline{x})}{\partial \mu} = \frac{1}{2} \sum_{i=1}^n 2(x_i - \mu) \gtrless 0 \quad \text{according as} \quad \mu \gtrless \frac{1}{n} \sum_{i=1}^n x_i = \bar{x}$$

So, for each σ , $\hat{\mu} = \bar{x}$ is the MLE of μ .

Plug in $\hat{\mu}$ into $\log L(\mu, \sigma^2 \mid \underline{x})$ to obtain the profile log-likelihood of σ :

$$\log \tilde{L}(\sigma^2 \mid \underline{x}) = \log L(\hat{\mu}, \sigma^2 \mid \underline{x}) = -\frac{n}{2} \log(2\pi) - \frac{n}{2} \log(\sigma^2) - \frac{1}{2\sigma^2} \sum_{i=1}^n (x_i - \bar{x})^2$$

$$\frac{\partial \log \tilde{L}(\sigma^2 \mid \underline{x})}{\partial (\sigma^2)} = -\frac{n}{2\sigma^2} + \frac{1}{2(\sigma^2)^2} \sum_{i=1}^n (x_i - \bar{x})^2 \stackrel{\geq}{\leq} 0$$

according as

$$\sigma^2 \stackrel{\leq}{\geq} \frac{1}{n} \sum_{i=1}^n (x_i - \bar{x})^2$$

which means the MLE for σ^2 is $\hat{\sigma}^2 = \frac{1}{n} \sum_{i=1}^n (x_i - \bar{x})^2$.

Therefore, the MLE for the (μ, σ^2) is $(\hat{\mu}, \hat{\sigma}^2) = (\bar{x}, \frac{1}{n} \sum_{i=1}^n (x_i - \bar{x})^2)$.

Bayesian Approach to Statistics

- (a) In the classical approach, the parameter θ is thought to be an unknown, but fixed, quantity.
- (b) In the Bayesian approach, θ is considered to be a quantity whose variation can be described by a probability distribution (called the **prior distribution**).
- (c) The prior distribution is subjective and is based on the experimenter's belief. It is formulated before the data are seen.
- (d) A sample is then taken from a population indexed by θ , and the prior distribution is updated (using Bayes' Rule) with the sample information. The updated prior is called the **posterior distribution**.

- (e) Denote the prior distribution by $\pi(\theta)$ and the sampling distribution by $f(\underline{x} \mid \theta)$.
- (f) The posterior distribution is the conditional distribution of θ , given the sample \underline{x} :

$$\begin{aligned}\pi(\theta \mid \underline{x}) &= \frac{f(\underline{x} \mid \theta)\pi(\theta)}{m(\underline{x})} \\ &= \frac{f(\underline{x}, \theta)}{m(\underline{x})},\end{aligned}$$

where $m(\underline{x})$ is the marginal distribution of \underline{X} :

$$m(\underline{x}) = \int f(\underline{x} \mid \theta)\pi(\theta) d\theta.$$

Example (Binomial Bayes estimation): Let

$X_1, X_2, \dots, X_n \sim \text{iid Bernoulli}(p)$, and let $= \sum_{i=1}^n X_i$. Then

$Y \sim \text{binomial}(n, p)$.

Assume the prior distribution on p to be $\text{beta}(\alpha, \beta)$. Determine the Bayes estimator of p .

The joint distribution of Y and p is

$$\begin{aligned} f_{Y,p}(y, p) &= \left[\binom{n}{y} p^y (1-p)^{n-y} \right] \left[\frac{\Gamma(\alpha + \beta)}{\Gamma(\alpha)\Gamma(\beta)} p^{\alpha-1} (1-p)^{\beta-1} \right] \\ &= \binom{n}{y} \frac{\Gamma(\alpha + \beta)}{\Gamma(\alpha)\Gamma(\beta)} p^{y+\alpha-1} (1-p)^{n-y+\beta-1}; \quad y = 0, 1, \dots, n; \quad 0 \leq p \leq 1 \end{aligned}$$

The marginal pmf of Y is:

$$f_Y(y) = \int_0^1 f(y, p) \, dp = \binom{n}{y} \frac{\Gamma(\alpha + \beta)}{\Gamma(\alpha)\Gamma(\beta)} \frac{\Gamma(y + \alpha)\Gamma(n - y + \beta)}{\Gamma(n + \alpha + \beta)}$$

The posterior pdf of p is

$$f_{p|Y}(p | y) = \frac{f_{Y,p}(y, p)}{f_Y(y)} = \frac{\Gamma(n + \alpha + \beta)}{\Gamma(y + \alpha)\Gamma(n - y + \beta)} p^{y+\alpha-1}(1-p)^{n-y+\beta-1}$$

which is $\text{Beta}(y + \alpha, n - y + \beta)$.

A natural Bayesian (point) estimator is the mean of the posterior distribution, given by

$$\hat{p}_B = E(p | Y) = \frac{y + \alpha}{n + \alpha + \beta}$$

Note that

$$\hat{p}_B = \left(\frac{n}{n + \alpha + \beta} \right) \underbrace{\left(\frac{y}{n} \right)}_{=\text{sample mean}} + \left(\frac{\alpha + \beta}{n + \alpha + \beta} \right) \underbrace{\left(\frac{\alpha}{\alpha + \beta} \right)}_{=\text{prior mean}}$$

Homework

- ▶ Read p. 316 – 326.
- ▶ Exercises: TBA.