Statistics 2 - Notes

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Contents

1 Estimation

1.1 Introduction

Definition 1.1 - *Probabiltiy Space,* $(\Omega, \mathcal{F}, \mathbb{P})$
A mathematical construct for modelling the real world. A *Probabilty Space* has three elements

i) Ω - Sample space.

ii) $\mathcal{F}$ - Set of events.

iii) $\mathbb{P}$ - Probability measure.

and most fulfil the following conditions

i) $\Omega \in \mathcal{F}$;

ii) $\forall\ A \in \mathcal{F} \implies A^c \in \mathcal{F}$;

iii) $\forall\ A_0, \dots, A_n \in \mathcal{F} \implies \left(\bigcup_i A_i\right) \in \mathcal{F}$;

iv) $\mathbb{P}(\Omega) = 1$; and,

v) $\mathbb{P}\left(\bigcup_{i=1}^{\infty} A_i\right) = \sum_{i=1}^{\infty} \mathbb{P}(A_i)$ for disjoint $A_1, A_2, \dots$ (Countable Additivity).

Definition 1.2 - *Random Variable*
A function which maps an event in the sample space to a value *e.g.* $X : \Omega \to \mathbb{R}$.

Remark 1.1 - *Probability Density Function for iid Random Variable Vector*
For $\mathbf{X} \sim f_n(\cdot; \theta)$ where each component of $\mathbf{X}$ is independent and identically distribution the probability density function of $\mathbf{X}$ is

$$f_n(\mathbf{x}; \theta) = \prod_{i=1}^{n} f(x_i; \theta)$$

Definition 1.3 - *Expectation*
The mean value for a random variable. For rv X

$$\mathbb{E}(X) := \sum_{x \in \mathcal{X}} x f_X(x) \quad \& \quad \mathbb{E}(X) := \int_{\mathbb{R}} x f_X(x) dx$$

Theorem 1.1 - *Expection of a Function*
For a function $g : \mathbb{R} \to \mathbb{R}$ and rv X with pmf f_X

$$\mathbb{E}(g(X)) := \sum_{g(x) \in \mathcal{X}} x f_X(x) \quad \& \quad \mathbb{E}(g(X)) := \int_{\mathbb{R}} g(x) f_X(x) dx$$

Theorem 1.2 - *Expectation of a Linear Operator*
For rv X with pmf f_X & $a, b \in \mathbb{R}$

$$\mathbb{E}(aX + b) = a\mathbb{E}(X) + b$$

Definition 1.4 - *Variance*
For rv X

$$\text{Var}(X) := \mathbb{E}\big[(X - \mathbb{E}(X))^2\big] = \mathbb{E}(X^2) - \mathbb{E}(X)^2$$

Theorem 1.3 - *Variance of a Linear Operator*
For rv X and $a, b \in \mathbb{R}$
$$\text{Var}(aX+b) = a^2\text{Var}(X)$$

Definition 1.5 - *Moment of a Random Variable*
For rv X the n^{th} moment of X is defined as $\mathbb{E}(X^n)$.
N.B. - $\mathbb{E}(X^n) \neq \mathbb{E}(X)^n$.

Definition 1.6 - *Covariance*
For rv X & Y
$$\text{Cov}(X,Y) := \mathbb{E}\big[(X-\mathbb{E}(X))(Y-\mathbb{E}(Y))\big] = \mathbb{E}(XY) - \mathbb{E}(X)\mathbb{E}(Y)$$

Theorem 1.4 - *Properties of Covaraince*
Let X & Y be independent random varaibles

i) $\text{Cov}(X,X) = \text{Var}(X)$;

ii) $\text{Cov}(X,Y) = 0$

Theorem 1.5 - *Variance of two Random Variables with linear operators*
$$\text{Var}(aX+bY) = a^2\text{Var}(X) + b^2\text{Var}(Y) + 2ab\text{Cov}(X,Y)$$

Theorem 1.6 - *Independent Random Variables*
Random variables $X_1, \dots, X_n$ are independent iff
$$\mathbb{P}(X_1 \leq a_1, \dots, X_n \leq a_n) = \prod_{i=1}^n \mathbb{P}(X_i \leq a_i)\ \forall\ a_1, \dots, a_n \in \mathbb{R}$$

2 The Likelihood Function

Definition 2.1 - *Likelihood Function*
Define $\mathbf{X} \sim f_n(\cdot;\theta^*)$ for some unknown $\theta^* \in \Theta$ and let $\mathbf{x}$ be an observation of $\mathbf{X}$.
A *Likelihood Function* is any function, $L(\cdot;\mathbf{x}) : \Theta \to [0,\infty)$, which is proportional to the PMF/PDF of the obeserved realisation $\mathbf{x}$.
$$L(\theta;\mathbf{x}) := Cf_b(\mathbf{x};\theta)\ \forall\ C > 0$$

N.B. Sometimes this is called the *Observed* Likelihood Function since it is dependent on observed data.

Definition 2.2 - *Log-Likelihood Function*
Let $\mathbf{X} \sim f_n(\cdot;\theta^*)$ for some unknown $\theta^* \in \Theta$ and $\mathbf{x}$ be an observation of $\mathbf{X}$.
The *Log-Likelihood Function* is the natural log of a *Likelihood Function*
$$\ell(\theta;\mathbf{x}) := \ln f_n(\mathbf{x};\theta) + C,\ C \in \mathbb{R}$$

Theorem 2.1 - *Multidiensional Transforms*
Let $\mathbf{X}$ be a continuous random vector in $\mathbb{R}^n$ with PDF $f_\mathbf{X}$; $g : \mathbb{R}^n \to \mathbb{R}^n$ be a continuous diferentiable bijection; and, $h := g^{-1}$.
Then $\mathbf{Y} = g(\mathbf{X})$ is a continuous random vector and its PDF is
$$f_\mathbf{Y}(\mathbf{y}) = f_\mathbf{X}(h(\mathbf{y})H_h(\mathbf{Y})$$

where
$$J_h := \left|\det\left(\frac{\partial h}{\partial \mathbf{y}}\right)\right|$$

Proposition 2.1 - *Invaraince of Likelihood Function by bijective transformation of the observations independent of θ*
Let $g : \mathbb{R}^n \to \mathbb{R}^n$ be a bijetive transformation which is independent of θ; and $\mathbf{Y} := g(\mathbf{X})$.
Then $\mathbf{Y}$ is a random variable with PDF/PMG
$$f_\mathbf{Y}(\mathbf{y};\theta) \propto f_\mathbf{X}(g^{-1}(\mathbf{y});\theta)$$
Hence, if $\mathbf{y} = g(\mathbf{x})$ then $L_\mathbf{Y}(\theta;\mathbf{y}) \propto L_\mathbf{X}(\theta;\mathbf{x})$

Proof 2.1 - *Proposition 2.1*
Let $g : \mathbb{R}^n \to \mathbb{R}^n$ be a bijective transformation which is independent of θ; $h := g^{-1}$; $\mathbf{X}, \mathbf{Y}$ be a rvs st $\mathbf{Y} := g(\mathbf{X})$.

i) *Discrete Case* - Consider the case when $\mathbf{X}$ is a discrete rv. Then
$$\begin{array}{rcl} f_\mathbf{Y}(y;\theta) &=& \mathbb{P}(\mathbf{Y} = \mathbf{y};\theta) \\ &=& \mathbb{P}(g^{-1}(\mathbf{Y}) = g^{-1}(\mathbf{y});\theta) \\ &=& \mathbb{P}(h(\mathbf{Y}) = h(\mathbf{y});\theta) \\ &=& \mathbb{P}(\mathbf{X} = h(\mathbf{y});\theta) \\ &=& f_\mathbf{X}(g^{-1}(\mathbf{y});\theta) \end{array}$$

ii) *Continuous Case* - Consider the case when $\mathbf{X}$ is a continuous rv.
Then, by **Theorem 2.1**
$$f_\mathbf{Y}(\mathbf{y};\theta) = f_\mathbf{X}(g^{-1}(\mathbf{y});\theta)J_{g^{-1}}(\mathbf{y})$$
Since $J_{g^{-1}}$ does not depend on θ this case is solved.

Thus in botoh cases $L_\mathbf{Y}(\theta;y) = f_\mathbf{Y}(y;\theta) \propto f_\mathbf{X}(g^{-1}(\mathbf{y});\theta) = L_\mathbf{X}(\theta;\mathbf{x})$. $\square$

3 Maximum Likelihood Estimates

Definition 3.1 - *Maximum Likelihood Estimate*
Let $\mathbf{X} \sim f_n(\cdot;\theta)$; and $\mathbf{x}$ be a realisation of $\mathbf{X}$.
The *Maximum Likelihood Estimate* is the value $\hat{\theta} \in \Theta$ st
$$\forall\ \theta \in \Theta\ f_n(\mathbf{x};\hat{\theta}) \geq f_n(\mathbf{x},\theta)$$
Equivalently
$$\forall\ \theta \in \Theta\ L(\hat{\theta};\mathbf{x}) \geq L(\theta;\mathbf{x}) \quad \text{or} \quad \ell(\hat{\theta};\mathbf{x}) \geq \ell(\theta;\mathbf{x})$$
i.e. $\hat{\theta}(\mathbf{x}) := \text{argmax}_\theta(L(\theta;\mathbf{x})$.

Remark 3.1 - *The Maximum Likelihood Estimate may <u>not</u> be unique*

Example 3.1 - *MLE for Uniform Distribution*
Consider $\mathbf{X} \overset{\text{iid}}{\sim} U[0,\theta]$ for $\theta > 0$.
Then
$$\begin{array}{rrcl} & L(\theta;\mathbf{x}) &\propto& f_n(\mathbf{x};\theta) \\ & &=& \prod_{i=1}^n \frac{1}{\theta}\mathbb{1}\{x_i \in [0,\theta] \\ & &=& \frac{1}{\theta^n}\prod_{i=1}^n \mathbb{1}\{x_i \in [0,\theta] \\ \implies & \hat{\theta} &=& \max\{x_i : x_i \in \mathbf{x}\} \end{array}$$

Remark 3.2 - *MLE of Reparameterisation*
Define $\tau(\theta):\mathbb{R}\to\mathbb{R}$. Then
$$\hat{\tau}=\tau(\hat{\theta})$$
N.B. We often write $\tilde{f}$ to represent the pmf when τ is taken as a parameter rateher than θ. *i.e.* $f(x;\theta)=\tilde{f}(x;\tau(\theta))$.

Theorem 3.1 - *Invariance of MLE under bijective Reparameterisation*
Let $g:\Theta\to G$ be a bijective transformation of the statisitcal parameter θ.
Let $\mathbf{X}\sim f(\cdot;\theta)=\tilde{f}(\cdot;g(\theta))$ for some θ, and let $\mathbf{x}$ be a realisation of $\mathbf{X}$.

$$\text{If } \hat{\theta} \text{ s an MLE of } \theta \text{ then } \hat{\tau}=g(\hat{\theta}) \text{ is an MLE of } \tau.$$

Proof 3.1 - *Theorem 3.1*
This is a proof by contradiction.
Suppose $\exists\ \tau^*\in G st \tilde{f}(x;\tau^*)>\tilde{f}(x;\tau^*)$ We know that $\forall\ \theta\in\Theta,\ f(x;\theta)=\tilde{f}(x;g(\theta))$ and $\forall\ \tau\in G,\ f(x;g^{-1}(\tau))=\tilde{f}(x;\tau)$.
We deduce that
$$\begin{array}{rcl} f(x;g^{-1}(\tau^*)) & = & \tilde{f}(x;\tau^*) \\ & > & \tilde{f}(x;\hat{\tau}) \text{ by assumption} \\ & = & f(x;g^{-1}(\hat{\tau})) \\ & = & f(x;\hat{\theta}) \end{array}$$
This contradicts the assumption that $\hat{\theta}$ is an maximum likelihood estimate of θ.
$\square$

Remark 3.3 - *Not all Reparameterisations are Bijective*
When reparameterisations $g:\mathbb{R}\to\mathbb{R}$ is not bijective it is helpful to consider the *induced likelihood*
$$L^*(\tau;\mathbf{x}):=\max_{\theta\in G_\tau}L(\theta;\mathbf{x}) \text{ where } G_\tau:=\{\theta:g(\theta)=\tau\}$$
Since this reduces the domain to only where g is bijective.

3.1 Determinig MLEs - The Tractable Case

Proposition 3.1 - *Differentiable Likelihood in the continuous case - Multivariate*
When $L(\theta;\mathbf{x}$ is differentiable one can find MLEs by considering its extrema. This is done equating & solving the cases when the gradient is zero, *i.e.* $\nabla L(\theta;\mathbf{x})=0$, and then checking whether this is a maximum or minimum point.
A point is a local minimum if the Hessian at the point is *Negative Definite i.e.* $x^TAx<0\ \forall\ x\neq\mathbf{0}$.

Example 3.2 - *MLE of Normal Distribution*

Let $\mathbf{X}\overset{\text{iid}}{\sim}\mathcal{N}(\mu,\sigma^2)$

$$\begin{array}{rrcl} & L(\mu,\sigma^2;\mathbf{x}) & = & \prod_{i=1}^n \frac{1}{\sqrt{2\pi\sigma^2}}e^{-\frac{(x_i-\mu)^2}{2\sigma^2}} \\ \implies & \ell(\mu,\sigma^2;\mathbf{x}) & = & C-\frac{n}{2}\ln(\sigma^2)-\frac{1}{2\sigma^2}\sum_{i=1}^n(x_i-\mu)^2 \\ \implies & \nabla\ell(\mu,\sigma^2;\mathbf{x}) & = & \left(\frac{-1}{\sigma^2}\sum_{i=1}^n(x_i-\mu),\quad -\frac{n}{2\sigma^2}+\frac{1}{2\sigma^4}\sum_{i=1}^n(x_i-\mu)^2\right) \\ \text{Setting} & \frac{-1}{\sigma^2}\sum_{i=1}^n(x_i-\mu) & = & 0 \\ \implies & \hat{\mu} & = & \frac{1}{n}\sum_{i=1}^n x_i=\bar{x} \\ \text{Setting} & -\frac{n}{2\sigma^2}+\frac{1}{2\sigma^4}\sum_{i=1}^n(x_i-\mu)^2 & = & 0 \\ \implies & \hat{\sigma}^2 & = & \frac{1}{n}\sum_{i=1}^n(x_i\hat{\mu})^2 \end{array}$$

We now want to check whether $(\hat{\mu},\hat{\sigma^2})$ is a minimum.

$$\begin{array}{rcl} \nabla^2\ell(\mu,\sigma^2;\mathbf{x}) & = & \begin{pmatrix} \frac{\partial^2\ell(\mu,\sigma^2;\mathbf{x})}{\partial\mu^2} & \frac{\partial^2\ell(\mu,\sigma^2;\mathbf{x})}{\partial\mu\partial\sigma^2} \\ \frac{\partial^2\ell(\mu,\sigma^2;\mathbf{x})}{\partial\mu\sigma^2} & \frac{\partial^2\ell(\mu,\sigma^2;\mathbf{x})}{\partial(\sigma^2)^2} \end{pmatrix} \\ & = & \begin{pmatrix} -\frac{n}{\hat{\sigma}^2} & 0 \\ 0 & -\frac{n}{2\hat{\sigma}^4} \end{pmatrix} \end{array}$$

Since $\begin{pmatrix} z_1 & z_2 \end{pmatrix}\begin{pmatrix} -a & 0 \\ 0 & -b \end{pmatrix}\begin{pmatrix} z_1 \\ z_2 \end{pmatrix}=-az_1^2-bz_2^2<0\ \forall\ a,b>0$ and we have $\frac{n}{\hat{\sigma}^2},\ \frac{n}{2\hat{\sigma}^4}>0$ then we can conclude that $\nabla^2\ell$ is negative definite.
Thus $\hat{\mu}=\bar{x}$ & $\hat{\sigma}^2=\frac{1}{n}\sum_{i=1}^n(x_i\hat{\mu})^2$ is an MLE for the normal distribution.

Example 3.3 - *MLE for Capture-Recapture Model*
Suppose you are wanting to calculate the unknown size of a population, n. The Capture-Recapture Model is one technique that can be used. You tag $t\leq n$ members of the population; wait for a while; then recapture $c\leq n$ members of which $x\leq\min\{t,c\}\leq n$ are tagged.
With t,c,x known produce a MLE for n.
We first work out the associated probability distribution for X, the population size. We have

i) $\binom{t}{x}$ ways of choosing x members among the tagged ones;

ii) $\binom{n-t}{c-x}$ ways of choosing the remaining members among the non-tagged ones;

iii) $\binom{n}{c}$ ways of choosing c members in a population of n individuals.

Thus
$$f_X(x;n)=\frac{\binom{t}{x}\binom{n-t}{c-x}}{\binom{n}{c}}$$

This means that $X\sim\text{Hypergeometric}(t,n,c)$ with t & c known.

Now we calculate the MLE for X

$$\begin{array}{rcl} L(n;x) & = & f_X(x;n) \\ & = & \dfrac{\binom{t}{x}\binom{n-t}{c-x}}{\binom{n}{c}} \\ & = & \dfrac{\dfrac{t!}{x!(t-x)!}\dfrac{(n-t)!}{(c-x)!(n-t-c+x)!}}{\dfrac{n!}{c!(n-c)!}} \end{array}$$

Now we consider $L(n;x)=0$ when $x>\min\{t,c\}$. We want to indetify values of n for which $L(n;x)\geq L(n-1;x)$.
Consider $n-1\geq\min\{t,c\}\implies L(n-1;x)>0$

$$\begin{array}{lrcl} & \text{Let } r(n) & := & \dfrac{L(n;x)}{L(n-1;x)} \\ & & = & \dfrac{n-t}{n-t-c+x}\dfrac{n-c}{n} \\ \Rightarrow & 1 & \leq & r(n) \\ \Leftrightarrow & 1 & \leq & \dfrac{n-t}{n-t-c+x}\dfrac{n-c}{n} \\ \Leftrightarrow & n(n-t-c+x) & \leq & (n-t)(n-c) \\ \Leftrightarrow & n^2-nt-cn+xn & \leq & n^2-nt-cn+ct \\ \Leftrightarrow & xn & \leq & ct \\ \Leftrightarrow & x & \leq & \dfrac{ct}{n} \end{array}$$

So $L(n;x)$ is increasing for $n\leq\left\lfloor\frac{ct}{x}\right\rfloor$ & decreasing for $n>\left\lfloor\frac{ct}{x}\right\rfloor$.
Consequently $\hat{n}_{\text{MLE}}(x)=\left\lfloor\frac{tc}{x}\right\rfloor$

4 Statistics and Estimators

Definition 4.1 - *Statistic*
Given some data $\mathbf{x}$ a statistic is a fucntion of the data $T(\mathbf{x})$.
N.B. A statistic cannot depend on an unknown statistical parameter.

Definition 4.2 - *Estimate*
Let $\mathbf{X}\sim f_n(\cdot;\theta^*)$ with $\theta^*\in\Theta$ and $\mathbf{x}$ be a realisation of $\mathbf{X}$.
An *Estimate* θ^* is a statistic $\hat{\theta}(\mathbf{x})=T(\mathbf{x})$ which is intended to approximate the real value of θ^*.
N.B. An *Estimate* is a real value & thus is hard to evaluate.

Definition 4.3 - *Estimator*
Let $\mathbf{X}\sim f_n(\cdot;\theta^*)$ with $\theta^*\in\Theta$ and $\mathbf{x}$ be a realisation of $\mathbf{X}$.
An *Estimator* of θ^* is $\hat{\theta}$ where $\hat{\theta}(\mathbf{x})$ is an *estimate.*
N.B. We call $T(\mathbf{X})$ an estimator. This is a random variable.

Definition 4.4 - *Distribution of an Estimator*
Let $\mathbf{X}|simf_n(\cdot;\theta^*)$ with $\theta^*\in\Theta\subseteq\mathbb{R}$.
If $\hat{\theta}(\mathbf{X})$ is a real-valued random variable, we can write its CDF as

$$\begin{array}{rcl} F_{\hat{\theta}(\mathbf{X})}(t;\theta^*) & = & \mathbb{P}(\hat{\theta}(\mathbf{X})\leq t;\theta^*) \\ & = & \displaystyle\int_{\chi^n}\mathbb{1}\{\hat{\theta}(\mathbf{x})\leq t\}f_n(\mathbf{x};\theta^*)d\mathbf{x} \end{array}$$

Remark 4.1 - *Estimator dependends upon true value*
The distribution of $\hat{theta}(\mathbf{X})$ depends on the distribution of $\mathbf{X}$ which in turn depends upon the distribution of θ^*.
Thus the distribution of an estimator depends on the true parameter of the variable it is estimating.

Remark 4.2 - *Estimator Distribution & Sample Size*
As sample size increasesthe distribution of an estimator may converge to a more standard distribution (*e.g.* Normal, Poisson).
Definition 4.5 - *Bias*
Bias is a measure of how much an estimator deviates from the true value, on average.

$$\begin{array}{rcl}\text{Bias}(\hat{\theta};\theta^*) & := & \mathbb{E}(\hat{\theta}(\mathbf{X})-\theta^*;\theta^*) \\ & = & \mathbb{E}(\hat{\theta};\theta^*)-\mathbb{E}(\theta^*;\theta^*) \\ & = & \mathbb{E}(\hat{\theta};\theta^*)-\theta^*\end{array}$$

Definition 4.6 - *Unbiased Estimator*
An *Estimator*, $\hat{\theta}$, is said to be *Unbiased* if $\forall\ \theta\in\Theta,\ \text{Bias}(\hat{\theta};\theta)=0$.
Equivalently $\mathbb{E}(\hat{\theta};\theta)=\theta$.

Definition 4.7 - *Mean Square Error*
The *Mean Square Error* of an estimator is the mean of the squared error associated with rv $\hat{\theta}$.

$$MSE(\hat{\theta};\theta^*):=\mathbb{E}\left[(\hat{\theta}(\mathbf{X})-\theta^*)^2;\theta^2\right]$$

Proposition 4.1 - *Simplifcation of MSE Formula*
The MSE is a combination of variance & bias.

$$\begin{array}{rcl}MSE(\hat{\theta};\theta^*) & = & \mathbb{E}\left[(\hat{\theta}(\mathbf{X})-\theta^*)^2;\theta^2\right] \\ & = & \mathbb{E}\left[\left\{\hat{\theta}-\mathbb{E}(\hat{\theta};\theta^*)\right\}^2;\theta^*\right]+\left(\mathbb{E}(\hat{\theta}-\theta^*;\theta^*\right)^2 \\ & = & \text{Var}(\hat{\theta};\theta^*)+\text{Bias}(\hat{\theta};\theta^*)^2\end{array}$$

Example 4.1 - *Sample mean as an Estimator*
Let $\mathbf{X}\overset{\text{iid}}{\sim}\text{Poisson}(\lambda^*)$.
Suppose we are using the sample mean, $\hat{\lambda}(\mathbf{x}):=\frac{1}{n}\sum_{i=1}^n x_i$, as an estimate of λ^*. We first want to show this estimator is *Unbiased*

$$\begin{array}{rcl}\mathbb{E}(\hat{\lambda};\lambda) & = & \mathbb{E}\left(\dfrac{1}{n}\sum\limits_{i=1}^n X_i;\lambda\right) \\ & = & d\frac{1}{n}\sum\limits_{i=1}^n\mathbb{E}(X_i;\lambda) \\ & = & \frac{1}{n}n\lambda \\ & = & \lambda\end{array}$$

Thus $\hat{\lambda}$ is unbiased.
Now we consider the MSE of $\hat{\lambda}$

$$\begin{array}{rcl}MSE(\hat{\lambda};\lambda) & = & \text{Var}(\hat{\lambda};\lambda) \\ & = & \text{Var}\left(\dfrac{1}{n}\sum\limits_{i=1}^n X_i;\lambda\right) \\ & = & \dfrac{1}{n^2}\sum\limits_{i=1}^n\text{Var}(X_i;\lambda) \\ & = & \frac{1}{n^2}n\lambda \\ & = & \frac{\lambda}{n}\end{array}$$

This shows that as the sample size increases the MSE of $\hat{\lambda}$ converges to 0.

5 Probabilistic Convergence

Remark 5.1 - *Motivation*
Here we consider the properties of a maximum likelihood estimators as the sample size increases.

Theorem 5.1 - *Markov's Inequality*
For a *non-negative* random variable X and a constant $a > 0$

$$\mathbb{P}(X \geq a) \leq \frac{\mathbb{E}(X)}{a}$$

Proof 5.1 - *Markov's Inequality*
Consider continuous X. We have

$$\begin{array}{rrcl} & a\mathbb{P}(X \geq a) & = & a\int_a^\infty f_X(x)dx \\ & & \leq & \int_a^\infty xf_X(x)dx \\ & & \leq & \int_0^\infty xf_X(x)dx \\ & & = & \mathbb{E}(X) \\ \implies & a\mathbb{P}(X \geq a) & = & \mathbb{E}(X) \\ \implies & \mathbb{P}(X \geq a) & \leq & \frac{\mathbb{E}(X)}{a} \end{array}$$

$\square$

Theorem 5.2 - *Chebyshev's Inequality*
Let $\mu = \mathbb{E}(X)$ and $\sigma^2 = \text{Var}(X)$. Then

$$\forall\ a > 0,\ \mathbb{P}(|X - \mu| \geq a) \leq \frac{\sigma^2}{a^2}$$

Proof 5.2 - *Chebyshev's Inequality*
We have

$$\begin{array}{rcl} \mathbb{P}(|X-\mu| \geq a) & = & \mathbb{P}(|X-\mu|^2 \geq a^2) \\ & \leq & \frac{\mathbb{E}\left((X-\mu)^2\right)}{a^2} \text{ By Markov's Inequality} \\ & = & \frac{\sigma^2}{a^2} \end{array}$$

$\square$

Definition 5.1 - *Convergence in Probability*
We say the sequence of random variables $\{Z_n\}_{n\in\mathbb{N}}$ converges in probability to the random variable Z if

$$\forall\ \varepsilon > 0,\ \lim_{n\to\infty} \mathbb{P}(|Z_n - Z| > \varepsilon) = 0$$

N.B. This is denoted $Z_n \to_{\mathbb{P}} Z$.
N.B. The random variables $\{Z_n\}_{n\in\mathbb{N}}$ & Z must be in the same probability space.

Theorem 5.3 - *Weak Law of Large Numbers*
If $\{X_n\}_{n\in\mathbb{N}}$ are idependent & identically distributed and $\mathbb{E}(X_1) = \mu < \infty$ then

$$Z_n = \frac{1}{n}\sum_{i=1}^n X_i \to_{\mathbb{P}} \mu$$

N.B. This is an example of Convergence in Probability.

Definition 5.2 - *Convergence in Distribution*
We say the sequence of random variables $\{Z_n\}_{n\in\mathbb{N}}$ converges in distribution to random variable Z if

$$\forall\ z \in \text{Z where } \mathbb{P}(Z \leq z) \text{ is continuous, } \lim_{n\to\infty} \mathbb{P}(Z_n \leq z) = \mathbb{P}(Z \leq z)$$

N.B. This is denoted $Z_n \to_{\mathcal{D}} Z$.
N.B. The random variables $\{Z_n\}_{n\in\mathbb{N}}$ & Z need not be in the same probability space.

Remark 5.2 - *Equivalent Statements to Convergence in Distribution*
Saying that $Z_n \to_{\mathcal{D}} Z$ is equivalent to saying that

$$\forall\ z \in \text{Z where } F_Z(z) \text{ is continuous, } \lim_{n\to\infty} F_{Z_n}(z) = F_Z(z)$$

Theorem 5.4 - *Central Limit Theorem*
If $\{X_n\}_{n\in\mathbb{N}}$ are idependent & identically distributed, $\mathbb{E}(X_1) = \mu < \infty$ and $\text{Var}(X_1) = \sigma^2 < \infty$ then

$$\frac{\sqrt{n}}{\sigma}(Z_n - \mu) \to_{\mathcal{D}} Z \sim \text{Normal}(0, 1)$$

Theorem 5.5 - *Convergence in Probability & Distribution*
Convergence in probabilitiy $\implies$ Convergence in distribution, **but** the opposite is not necessarily true.

Theorem 5.6 - *Convergence in Probability & Distribution to a Constant*
Convergence in distribution to a constant **and** convergence in probability to a constant are equivalent.

Example 5.1 -
Let $X \sim \text{Bernoulli}\left(\frac{1}{2}\right)$ and $\{X_n\}_{n\in\mathbb{N}}$ be a sequence of random variables where $X_i := (1-X)+\frac{1}{n}$.
We have

$$F_X(x) = \begin{cases} 0 & ,\ x < 0 \\ \frac{1}{2} & ,\ x \in [0,1) \\ 1 & , x \geq 1 \end{cases} \quad F_{X_n}(x) = \begin{cases} 0 & ,\ x < \frac{1}{n} \\ \frac{1}{2} & ,\ x \in \left[\frac{1}{n}, 1 + \frac{1}{n}\right) \\ 1 & , x \geq 1 + \frac{1}{n} \end{cases}$$

Clearly $F_{X_n}(x) \to F_X(x)$ at all points at which F_X is continuous ($i.e.$ $x \in \mathbb{R}\backslash\{0, 1\}$).
Thus $X_n \to_{\mathcal{D}} X$.

Theorem 5.7 - *Continuous Mapping Theorem*
Let $g : Z \to G$ be a *continuous* function. Then

i) If $Z_n \to_{\mathbb{P}} Z$, then $g(Z_n) \to_{\mathbb{P}} g(Z)$;

ii) If $Z_n \to_{\mathcal{D}} Z$, then $g(Z_n) \to_{\mathcal{D}} g(Z)$

Theorem 5.8 - *Slutsky's Theorem*
Let $\{Y_n\}_{n\in\mathbb{N}}$ & $\{Z_n\}_{n\in\mathbb{N}}$ be sequences of random variables, Y be a random variable & $c \in \mathbb{R}\backslash 0$ be a constant.
If $Y_n \to_{\mathcal{D}} Y$ and $Z_n \to_{\mathcal{D}} c$, then

i) $Y_n + Z_n \to_{\mathcal{D}} Y + c$;

ii) $Y_n Z_n \to_{\mathcal{D}} Yc$; and,

iii) $\frac{Y_n}{Z_n} \to_{\mathcal{D}} \frac{Y}{c}$.

Definition 5.3 - *Convergence in Quadratic Mean*
Let $\{Z_n\}_{n\in\mathbb{N}}$ be a sequence of random variables & Z be a random variable.
We say that $\{Z_n\}_{n\in\mathbb{N}}$ *Converges in Quadratic Mean* to the random variable Z if

$$\lim_{n\to\infty}\mathbb{E}\left[(Z_n-Z)^2\right]=0$$

N.B. This is denoted $Z_n\to_{qm}Z$.

Theorem 5.9 - *If $Z_n\to_{qm}Z$ then $Z_n\to_{\mathbb{P}}Z$*

Proof 5.3 - *Theorem 5.9*
Fix any $\varepsilon>0$. We have

$$\begin{array}{rcl}\mathbb{P}(|Z_n-Z|>\varepsilon) & = & \mathbb{P}(|Z_n-Z|^2>\varepsilon^2)\\ & \leq & \frac{1}{\varepsilon^2}\mathbb{E}\left[(Z_n-Z)^2\right] \text{ by Markov's Inequality}\\ & \to & 0 \text{ since } Z_n\to_{qm}Z.\end{array}$$

Hence $Z_n\to_{\mathbb{P}}Z$. □

5.1 Probabilistic Convergence & Estimators

Definition 5.4 - *Consistency of a Sequence of Estimators*
A sequence of estimators, $\{\hat{\theta}_n(\cdots):\chi^n\to\Theta\}$, are said to be *Consistent* if

$$\forall\ \theta\in\Theta \text{ with } \mathbf{X}_n\sim f_n(\cdot;\theta),\ \hat{\theta}_n(\mathbf{X}_n)\to_{\mathbb{P}(\cdot;\theta)}\theta$$

Remark 5.3 - *Consistency of a Sequence of Estimators*

i) In numerous situations one will talk about the consistency of *the* estimator, *e.g.* for the MLE, but also for the mean, etc. This implicitly refers to the corresponding sequence of MLEs, sequence of means, etc.

ii) Note the $\mathbb{P}(\cdot;\theta)$ in the limit above, and in particular the dependence on θ. This is often omitted in practice, you should however not forget what the symbols actually mean.

iii) Quadratic mean / Mean Square convergence $\implies$ consistency.
That is, if the MSE of the estimator converges to 0, the estimator is consistent.

Example 5.2 - *Consistency of Flipping Coins*
Let $\mathbf{X}\overset{\text{iid}}{\sim}\text{Bernoulli}(\theta^*)$ for some $\theta^*\in[0,1]$.
The maximum likelihood estimate and method of moments for $\hat{\theta}_n$ are the sample mean.

$$\hat{\theta}_n(X_1,\dots,X_n)=\frac{1}{n}\sum_{i=1}^n X_i$$

By the *Weak Law of Large Numbers* we have that *consistency* of $\{\hat{\theta}n\}$, since $\mathbb{E}(X_1)=\theta^*$.

Example 5.3 - *Crude Confidence Interval when Flipping Coins*
Let $\mathbf{X}\overset{\text{iid}}{\sim}\text{Bernoulli}(\theta^*)$ for some $\theta^*\in[0,1]$ and define $\hat{\theta}_n:=\hat{\theta}_n(X_1,\dots,X_n)$.
We shall produce a *confidence interval* for θ^*.

$$\mathbb{E}(\hat{\theta}_n;\theta^*)=\theta^*\quad\text{and}\quad\text{Var}(\hat{\theta}_n;\theta^*)=\frac{\theta^*(1-\theta^*)}{n}$$

$$\begin{array}{rcll}
\mathbb{P}\left(|\hat{\theta}_n-\theta^*|\geq\varepsilon;\theta^*\right) & \leq & \frac{\theta^*(1-\theta^*)}{n\varepsilon^2} & \text{by Chebyshev's Inequality}\\
\text{We don't know }\theta^*\text{, but can deduce that }\theta^*(1-\theta^*) & \leq & \frac{1}{4} & \\
\implies\mathbb{P}\left(|\hat{\theta}_n-\theta^*|\geq\varepsilon;\theta^*\right) & \leq & \frac{1}{4n\varepsilon^2} & \\
\text{Define }\alpha & := & \frac{1}{4n\varepsilon^2} & \\
\implies\mathbb{P}\left(|\hat{\theta}_n-\theta^*|\geq\frac{1}{2\sqrt{n\alpha}};\theta^*\right) & \leq & \alpha & \\
\implies\mathbb{P}\left(\hat{\theta}_n-\frac{1}{2\sqrt{n\alpha}}<\theta^*<\hat{\theta}_n+\frac{1}{2\sqrt{n\alpha}};\theta^*\right) & \geq & 1-\alpha &
\end{array}$$

This means the random interval $(\hat{\theta}_n-\frac{1}{2\sqrt{n\alpha}},\ \hat{\theta}_n+\frac{1}{2\sqrt{n\alpha}};\theta^*)$ contains θ^* with probability $1-\alpha$. We can note that the interval decreases as n increases, and increases as α decreases. *N.B.* $\hat{\theta}_n$ is a random variable, while θ^* is not.

Example 5.4 - *Assymptotically Exact Confidence Interval when Flipping Coins*
This is an improvement on the bound produced in **Example 5.3**.
Let $\mathbf{X}\overset{\text{iid}}{\sim}\text{Bernoulli}(\theta^*)$ for some $\theta^*\in[0,1]$, $W\sim\text{Normal}(0,1)$ and define $\hat{\theta}_n:=\hat{\theta}_n(X_1,\dots,X_n)$.
We shall show that

$$\frac{\sqrt{n}(\hat{\theta}_n-\theta^*)}{\sqrt{\hat{\theta}_n(1-\hat{\theta}_n)}}\to_{\mathcal{D}}W$$

We know that $\text{Var}(X_1)=\theta^*(1-\theta^*)$.
By the *Weak Law of Large Numbers* $\hat{\theta}_n\to_{\mathbb{P}}\theta^*$.
By the *Central Limit Theorem*

$$\frac{\sqrt{n}(\hat{\theta}_n-\theta^*)}{\sqrt{\hat{\theta}_n(1-\hat{\theta}_n)}}\to_{\mathcal{D}}W$$

Define $Y_n=\dfrac{\sqrt{n}(\hat{\theta}_n-\theta^*)}{\sqrt{\theta^*(1-\theta^*)}}$ and $Z_n=\dfrac{\sqrt{\theta^*(1-\theta^*)}}{\sqrt{\hat{\theta}_n(1-\hat{\theta}_n)}}$.
By the *Continuous Mapping Theorem* tells us that $Z_n\to_{\mathcal{D}}1$ and $Z_n\to_{\mathbb{P}}1$.
Hence, by *Slutsky's Theorem*

$$\frac{\sqrt{n}(\hat{\theta}_n-\theta^*)}{\sqrt{\hat{\theta}_n(1-\hat{\theta}_n)}}=Y_nZ_n\to_{\mathcal{D}}W$$

This gives us random interval

$$\left(\hat{\theta}_n-z_{\alpha/2}\sqrt{\frac{\hat{\theta}_n(1-\hat{\theta}_n)}{n}},\hat{\theta}_n+z_{\alpha/2}\sqrt{\frac{\hat{\theta}_n(1-\hat{\theta}_n)}{n}}\right)$$

This interval captures θ^* asymptotically (in n) with probability $1-\alpha$.
N.B. $z_\alpha=\Phi^{-1}(1-\alpha)$ where Φ is the cumulative denisty function of a Normal$(0,1)$.

6 The Fisher Information

Remark 6.1 - *Motivation*
In the next part of the content we shall show that given $\mathbf{X}_n\overset{\text{iid}}{\sim}f(\cdot;\theta^*)$ then for sufficiently regular models

i) There exists a lower bound on the achievable performance of any estimate of θ^*.

ii) A scaled & centered sequence of maximum likelihood estimators $\{\hat{\theta}_n(\mathbf{X}_n)\}$ become asymptotically normal as $n\to\infty$.

Remark 6.2 - *Measuring Performance of Estimator*
We measure the performance of an estimator $\hat{\theta}$ in terms of variance, since its mean should be θ^*. Lower variance indicates better performance.

Definition 6.1 - *The Score Function*
Let $\ell(\theta; x) := \ln f(x;\theta)$.
The *Score Function* is a measure of the sensitivity of the likelihood function wrt θ

$$\ell'(\theta;x) := \frac{d}{d\theta}\ell(\theta,;x) = \frac{\frac{d}{d\theta}\ln f(x;\theta)}{\ln f(x;\theta)} = \frac{\ln L'(\theta;x)}{\ln L(\theta;x)}$$

Remark 6.3 - θ^* *is a turning point of* $\ell(\theta;x)$
Note that under the *Fisher Information Regularity Conitions* we have that $\forall\ \theta \in \Theta$

$$\begin{aligned}
\mathbb{E}(\ell'(\theta;X);\theta) &= \int_S \frac{\frac{d}{d\theta}f(x;\theta)}{f(x;\theta)} f(x;\theta)dx \\
&= \int_S \frac{d}{d\theta} f(x;\theta)dx \\
&= \frac{d}{d\theta}\int_S f(x;\theta)dx \\
&= \tfrac{d}{d\theta}(1) \\
&= 0
\end{aligned}$$

This shows that we expect the derivative to equal 0 at θ^*. Further, this means θ^* is a turning point of the log-likelihood function (hopefully a maximum).

Example 6.1 - *Application of* ***Remark 6.3***
Let $X \sim \text{Poisson}(\theta)$. Then $f_X(x;\theta) = \frac{\theta^x}{x!}e^{-\theta}\mathbb{1}\{x \in \mathbb{N}\}$.

$$\begin{aligned}
\implies \quad \ell(\theta;x) &= -\theta + x\ln\theta - \ln x! \\
\implies \quad \ell'(\theta;x) &= -1 + \tfrac{x}{\theta} \\
\implies \quad \mathbb{E}(\ell'(\theta;X);\theta) &= -1 + \tfrac{\theta}{\theta} \\
&= 0
\end{aligned}$$

Definition 6.2 - *Fisher Information Regularity Conditions*
Let Θ be an open interval in $\mathbb{R}$ and $f(x;\theta)$ be a pmf/pdf.
Below are conditions which a model is required to meet in order to be considered sufficiently regular such that *Fisher Information* can be drawn from it.

i) Both $L'(\theta;x) = \frac{d}{d\theta}f(x;\theta)$ and $L''(\theta;x) = \frac{d^2}{d\theta^2}f(x;\theta)$ exist for any $x \in \mathcal{X}$.

ii) $\forall\ \theta \in \Theta$ the set $S := \{x \in \mathcal{X} :\ f(x;\theta) > 0\}$ does not depend on $\theta \in \Theta$.

iii) The idenity below exists

$$\int_S \frac{d}{d\theta}f(x;\theta)dx = \frac{d}{d\theta}\int_S f(x;\theta)dx = 0$$

Definition 6.3 - *Fisher Information*
Fisher Information is a technique for measuring the amount of information that an observable random variable X carries about an unknown parameter θ upon which the probability of X depends.
Let $X \sim f(\cdots;\theta)$. Then the *Fisher Information* for any $\theta \in \Theta$ is

$$I(\theta) := \mathbb{E}(\ell'(\theta;X)^2;\theta) \geq 0$$

N.B. This is the *Expectation of the score, squared* $\equiv$ *Second moment of the score.*

Remark 6.4 - *Fisher Information*

i) *Fisher Information* is a function of the parameter, θ, not the data, X.

ii) $I(\theta)$ can be thought of as being the average *information* brought by a single observation X about θ, assuming $X \sim f(\cdot;\theta)$.

iii) Since $\forall\ \theta \in \Theta,\ \mathbb{E}(\ell'(\theta;X);\theta) = 0$ then

$$I(\theta) = \text{Var}(\ell'(\theta;X);\theta)$$

The variance of the score.

Example 6.2 - *Fisher Information of Poisson*
Let $X \sim \text{Poisson}(\theta)$.
From **Example 6.1** we kown that $\ell'(\theta;x) = -1 + \frac{x}{\theta}$. Then

$$\begin{array}{rcl} I(\theta) & = & \text{Var}(\ell'(\theta;X);\theta) \\ & = & \text{Var}\left(-1+\frac{X}{\theta};\theta\right) \\ & = & \text{Var}\left(\frac{X}{\theta};\theta\right) \\ & = & \frac{1}{\theta^2}\text{Var}(X;\theta) \\ & = & \frac{1}{\theta^2}.\theta \text{ since } X \sim \text{Poisson}(\theta) \\ & = & \frac{1}{\theta} \end{array}$$

Theorem 6.1 - *Alternative Expression of Fisher Information*
Let $f(x;\theta)$ be a pmf/pdf which statisfies the conditions of **Definition 6.2**. If

$$\forall\ \theta \in \Theta \quad \int_{\mathcal{X}} \frac{d^2}{d\theta^2} f(x;\theta)dx = \frac{d}{d\theta}\int_{\mathcal{X}} \frac{d}{d\theta} f(x;\theta)dx$$

Then

$$I(\theta) = -\mathbb{E}\left(\frac{d^2}{d\theta^2}\ell(\theta;X);\theta\right)$$

N.B. $\dfrac{d}{d\theta}\displaystyle\int_{\mathcal{X}} \frac{d}{d\theta} f(x;\theta)dx = 0$ by the regularity conditions.

Proof 6.1 - *Theorem 6.1*
By the *Quotient Rule*

$$\begin{array}{rcl} \frac{d^2}{d\theta^2}\ell(\theta;x) & = & \dfrac{d}{d\theta}\dfrac{\frac{d}{d\theta}f(x;\theta}{f(x;\theta)} \\ & = & \dfrac{\frac{d^2}{d\theta^2}f(x;\theta)}{f(x;\theta)} - \left(\dfrac{\frac{d}{d\theta}f(x;\theta)}{f(x;\theta)}\right)^2 \end{array}$$

Consequently

$$\begin{array}{rrcl} & \mathbb{E}\left(\frac{d^2}{d\theta^2}\ell(\theta;X);\theta\right) & = & \displaystyle\int_S \frac{\frac{d^2}{d\theta^2}f(x;\theta)}{f(x;\theta}f(x;\theta)dx - \int_S \left(\frac{\frac{d}{d\theta}f(x;\theta)}{f(x;\theta)}\right)^2 f(x;\theta)dx \\ & & = & \displaystyle\int_S \frac{d^2}{d\theta^2}f(x;\theta)dx - \int_S \ell'(\theta;x)^2 f(x;\theta)dx \\ & & = & 0 - \mathbb{E}(\ell'(\theta;X)^2;\theta) \\ & & = & -I(\theta) \\ \implies & I(\theta) & = & -\mathbb{E}\left(\frac{d^2}{d\theta^2}\ell(\theta;X);\theta\right) \end{array}$$

$\square$

7 Efficiency and The Cramer-Rao Bound

Definition 7.1 - *IID Score Function*
Let $\mathbf{X}\overset{\text{iid}}{\sim}f(\cdot;\theta)$ for some $\theta\in\Theta$. Then the *Score Function* is

$$\ell_n'(\theta;\mathbf{x}):=\frac{d}{d\theta}\ell_n(\theta;\mathbf{x})\text{ where }l_n(\theta;\mathbf{x}):=\ln f_n(\mathbf{x};\theta)=\sum_{i=1}^n\ell(\theta;x_i)$$

N.B. $\frac{d}{d\theta}l_n(\theta;\mathbf{x})=\frac{d}{d\theta}\sum\ell(\theta;x_i)=\sum\ell'(\theta;x_i)$.

Definition 7.2 - *IID Fisher Information*
Let $\mathbf{X}\overset{\text{iid}}{\sim}f(\cdot;\theta)$ for some $\theta\in\Theta$. Then the *Fisher Information* is

$$I_n(\theta):=\mathbb{E}(l_n'(\theta;\mathbf{X})^2;\theta)=\text{Var}(l_n'(\theta;\mathbf{X});\theta)$$

Theorem 7.1 - *Relationship between IID Fisher Information & Fisher Information*
Consider the sitatution where $\forall\ \theta\in\Theta,\ f_n(\mathbf{x};\theta)=\prod_{i=1}^n f(x_i;\theta)$. Then

$$\forall\ \theta\in\Theta,\ I_n(\theta)=nI(\theta)$$

Proof 7.1 - *Theorem 7.1*
Let $\mathbf{X}\overset{iid}{\sim}f(\cdot;\theta)$. Then

$$\begin{array}{rrcl} & I_n(\theta) & = & \text{Var}(\ell_n'(\theta;\mathbf{X});\theta)\\ & & = & \text{Var}\left(\sum\limits_{i=1}^n\ell'(\theta;X_i);\theta\right)\\ & & = & n\text{Var}\left(\sum\limits_{i=1}^n\ell'(\theta;X_1);\theta\right)\\ \implies & I_n(\theta) & = & nI(\theta)\end{array}$$

$\square$

Theorem 7.2 - *Cauchy-Schwarz Inequality for Expectation*
Let X & Y be real-valued random variables in the same probability space. Then

$$\mathbb{E}(XY)^2\leq\mathbb{E}(X^2)\mathbb{E}(Y^2)$$

Proof 7.2 - *Theorem 7.2*
If $\mathbb{E}(Y^2)=0$ then $\mathbb{P}(Y=0)=1$ so $\mathbb{E}(XY)=0$ and the statement holds.
Thus, assume $\mathbb{E}(Y^2)>0$ and define $\lambda:=\dfrac{\mathbb{E}(XY)}{\mathbb{E}(Y^2)}$. Then

$$\begin{array}{rrcl} & 0 & \leq & \mathbb{E}(X-\lambda Y)^2)\\ & & = & \mathbb{E}(X^2)-2\lambda\mathbb{E}(XY)+\lambda^2\mathbb{E}(Y^2)\\ & & = & \mathbb{E}(X^2)-2\dfrac{\mathbb{E}(XY)^2}{\mathbb{E}(Y^2)}+\dfrac{\mathbb{E}(XY)^2}{\mathbb{E}(Y^2)}\\ & & = & \mathbb{E}(X^2)-\dfrac{\mathbb{E}(XY)^2}{\mathbb{E}(Y^2)}\\ \implies & \mathbb{E}(XY)^2 & \leq & \mathbb{E}(X^2)\mathbb{E}(Y^2)\end{array}$$

$\square$

Theorem 7.3 - *Covaraince Inequality*
Let X and Y be real-valued random variables in the same probability space. Then

$$\text{Cov}(X,Y)^2\leq\text{Var}(X)\text{Var}(Y)$$

Proof 7.3 - *Theorem 7.3*
Let $W = X - \mathbb{E}(X)$ and $Z = Y - \mathbb{E}(Y)$ giving $\mathbb{E}(WZ) = \text{Cov}(X, Y)$, $\mathbb{E}(W^2) = \text{Var}(X)$ and $\mathbb{E}(Z^2) = \text{Var}(Y)$.
By applying the *Cauchy-Schwarz inequality* we get

$$\text{Cov}(X,Y)^2 = \mathbb{E}(WZ)^2 \leq \mathbb{E}(W^2)\mathbb{E}(Z^2) = \text{Var}(X)\text{Var}(Y) \iff \text{Cov}(X,Y)^2 \leq \text{Var}(X)\text{Var}(Y)$$

Remark 7.1 - *Correlation value*
The result in **Theorem 7.3** is the reason why correlation is valued in $[-1, 1]$.

$$\text{Corr}(X,Y) = \frac{\text{Cov}(X,Y)}{\sqrt{\text{Var}(X)\text{Var}(Y)}}$$

Theorem 7.4 - *Cramer-Rao Inequality - Scalar Parameter*
Let $\mathbf{X}_n \overset{\text{iid}}{\sim} f(\cdot;\theta)$ and assume the *Fisher Information Regularity Conditions* hold.
Let $\hat{\theta}_n(\cdot)$ be an estimator of θ with expectation $m(\theta) := \mathbb{E}(\hat{\theta}_n(\mathbf{X}_n);\theta)$ which statisfies

$$\forall\ \theta \in \Theta,\ \underbrace{\frac{d}{d\theta}\int \hat{\theta}_n(\mathbf{x}) f_n(\mathbf{x};\theta)d\mathbf{x}}_{\mathbb{E}(\hat{\theta}_n)} = \int \hat{\theta}_n(\mathbf{x})\frac{d}{d\theta}f_n(\mathbf{x};\theta)d\mathbf{x}$$

Then

$$\forall\ \theta \in \Theta, \quad \text{Var}(\hat{\theta}_n(\mathbf{X});\theta) \geq \frac{m'(\theta)^2}{nI(\theta)}$$

Proof 7.4 - *Theorem 7.4*
We notice that

$$\begin{array}{rcl} m'(\theta) & = & \frac{d}{d\theta}\mathbb{E}(\hat{\theta}_n(\mathbf{X}_n);\theta) \\ & = & \frac{d}{d\theta}\int_{S^n}\hat{\theta}_n(\mathbf{x}_n)f_n(\mathbf{x}_n;\theta)d\mathbf{x}_n \end{array}$$

The clever part of this proof is to observe that

$$\begin{array}{rcl} \text{Var}(\hat{\theta}_n(\mathbf{X}_n);\theta)nI(\theta) & = & \text{Var}(\hat{\theta}_n(\mathbf{X}_n);\theta)\text{Var}(\ell_n(\theta;\mathbf{X}_n);\theta) \\ & \geq & \text{Cov}(\hat{\theta}_n(X_n), \ell_n'(\theta;\mathbf{X}_n);\theta)^2 \text{ by Covariance Inequality} \end{array}$$

Thus

$$\begin{array}{rcl} \text{Cov}(\hat{\theta}_n(X_n), \ell_n'(\theta;\mathbf{X}_n);\theta)^2 & = & \mathbb{E}(\hat{\theta}_n(X_n)\ell_n'(\theta;\mathbf{X}_n);\theta) - \mathbb{E}(\hat{\theta}_n(\mathbf{X}_n);\theta)\mathbb{E}(\ell_n'(\theta;\mathbf{X}_n);\theta) \\ & = & \mathbb{E}(\hat{\theta}_n(X_n)\ell_n'(\theta;\mathbf{X}_n);\theta) - \mathbb{E}(\hat{\theta}_n(\mathbf{X}_n);\theta)\times 0 \\ & = & \mathbb{E}(\hat{\theta}_n(X_n)\ell_n'(\theta;\mathbf{X}_n);\theta) \\ & = & \displaystyle\int_{S^n}\hat{\theta}_n(\mathbf{x}_n)\ell_n'(\theta;\mathbf{x}_n)f_n(\mathbf{x}_n;\theta)d\mathbf{x}_n \\ & = & \displaystyle\int_{S^n}\hat{\theta}_n(\mathbf{x}_n)\frac{\frac{d}{d\theta}f_n(\mathbf{x}_n;\theta)}{f_n(\mathbf{x}_n;\theta)}f_n(\mathbf{x}_n;\theta)d\mathbf{x}_n \\ & = & \displaystyle\int_{S^n}\hat{\theta}_n(\mathbf{x}_n)\tfrac{d}{d\theta}f_n(\mathbf{x}_n;\theta) \\ & = & \displaystyle\frac{d}{d\theta}\int_{S^n}\hat{\theta}_n(\mathbf{x}_n)f_n(\mathbf{x}_n;\theta)d\mathbf{x}_n \text{ by regularity assumption} \\ & = & m'(\theta) \\ \implies \quad \text{Var}(\hat{\theta}_n(X_n);\theta)nI(\theta) & \geq & m'(\theta)^2 \end{array}$$

Proposition 7.1 - *Useful result from Cramer-Rao Inequality*
If $\hat{\theta}_n(\mathbf{X}_n)$ is an unbiased estimator (*i.e.* $m(\theta) = \theta$) then

$$\text{Var}(\hat{\theta}_n(\mathbf{X}_n);\theta) = MSE(\hat{\theta}_n(\mathbf{X}_n);\theta) \geq \frac{1}{nI(\theta)}$$

This shows there is a lower bound on the possible performance of an estimator.

Definition 7.3 - *Efficient Estimator*
An *Estimator* is said to be *Efficient* when its variance is equal to the *Cramer-Rao lower bound* $\forall\ \theta^*$.

Example 7.1 - *Efficient Coin Flipping*
Let $\mathbf{X} \overset{\text{iid}}{\sim} \text{Bernoulli}(\theta)$ with $\theta \in [0,1]$, this corresponds to flipping a coin n times and considering each flip the random variable $X : \{H, T\} \to \{0, 1\}$ such that $X(H) = 1$ and $X(T) = 0$ with probability distribution such that $\mathbb{P}(X = 1; \theta) = \theta$ and $\mathbb{P}(X = 0; \theta) = 1 - \theta$. We consider the intuitive estimator of θ

$$\hat{\theta}_n := \hat{\theta}_n(\mathbf{X}_n) := \frac{1}{n}\sum_{i=1}^n X_i$$

The estimator is unbiased $\forall\ n \in \mathbb{N}$ and its variance is

$$\text{Var}(\hat{\theta}_n; \theta) = \frac{\text{Var}(X_1; \theta)}{n} = \frac{\mathbb{E}(X_1^2; \theta) - \mathbb{E}(X_1; \theta)^2}{n} = \frac{\theta - \theta}{n} = \frac{\theta(1-\theta)}{n}$$

Now we consider the *Cramer-Rao bound*

$$\begin{array}{rrcl}
\text{We find} & L(\theta; x) & = & \theta^x(1-\theta)^{1-x} \\
\implies & \ell(\theta; x) & = & x\ln\theta + (1-x)\ln(1-\theta) \\
\implies & \ell'(\theta; x) & = & \frac{x}{\theta} - \frac{1-x}{1-\theta} \\
\implies & \ell''(\theta; x) & = & -\frac{x}{\theta^2} - \frac{1-x}{(1-\theta)^2}
\end{array}$$

Thus we can use $I(\theta) = -\mathbb{E}(\ell''(\theta; X); \theta)$

$$\begin{array}{rrcl}
\implies & I(\theta) & = & -\mathbb{E}\left(-\frac{X}{\theta^2} - \frac{1-X}{(1-\theta)^2}; \theta\right) \\
& & = & \mathbb{E}\left(\frac{X}{\theta^2} + \frac{1-X}{(1-\theta)^2}; \theta\right) \\
& & = & \frac{\theta}{\theta^2} + \frac{1-\theta}{(1-\theta)^2} \\
& & = & \frac{1}{\theta} + \frac{1}{1-\theta} \\
& & = & \frac{1}{\theta(1-\theta)} \\
& I_n(\theta) & = & nI(\theta) \text{ Since } X_1, X_2, \dots \text{ are iid}
\end{array}$$

The *Cramer-Rao bound* for the variance is

$$\frac{1}{nI(\theta} = \frac{\theta(1-\theta)}{n}$$

Thus our estimator is efficient.

8 Asymptotic Distribution of the Maximum Likelihood Estimator

Theorem 8.1 -
Suppose that $\mathbf{X}_n \overset{\text{iid}}{\sim} f(\cdot; \theta^*)$ for some $\theta^* \in \Theta$ and assume that

i) The sequence of maximum likelihood estiamtors $\{\hat{\theta}_n(\mathbf{X}_n)\}$ is consistent;

ii) The *Fisher Information Regularity Conditions* (**Definition 6.2**) hold and $I(\theta^*) = -\mathbb{E}[\ell''(\theta; X); \theta] > 0$.

iii) $\exists\ C(\cdot):\mathcal{X}\to[0,\infty)$ such that $\mathbb{E}(C(X_1);\theta^*)<\infty$, $\Xi\subset\Theta$ an open set containing θ^* and $\Delta(\cdot):\Xi\to[0,\infty)$ continuous at 0 st $\Delta(0)==0$, st $\forall\ \theta,\theta',x\in\Xi^2\times\mathcal{X}$.

$$|\ell''(\theta;x)-\ell(\theta';x)|\leq C(x)\Delta(\theta-\theta')$$

Then $\forall\ \theta^*\in\Theta$

$$\sqrt{nI(\theta^*)}(\hat{\theta}n(\mathbf{X}_n)-\theta^*)\to_{\mathcal{D}(;\theta^*)} Z\sim\text{Normal}(0,1)$$

Theorem 8.2 -
Under the conditions of **Theorem 8.1**, with $\hat{\theta}_n:=\hat{\theta}_n(\mathbf{X})$ the maximum likelihood etimator

$$\ell_n'(\hat{\theta}_n;\mathbf{X})=\ell_n'(\theta^*;\mathbf{X})+(\hat{\theta}_n-\theta^8)\{\ell_n''(\theta^*;\mathbf{X})+R_n\}$$

where $\frac{1}{n}R_n\to_{\mathbb{P}(\cdot;\theta^*)}0$.

Proof 8.1 - *Theorem 8.1*
By **Theorem 8.2** $\ell_n'(\hat{\theta}_n;\mathbf{X})=\ell_n'(\theta^*;\mathbf{X})+(\hat{\theta}_n-\theta^8)\{\ell_n''(\theta^*;\mathbf{X})+R_n\}$ where $\frac{1}{n}R_n\to_{\mathbb{P}(\cdot;\theta^*)}0$.
Since $\hat{\theta}_n$ is the maximum likelihood estimator & the *Fisher Information Regularity Conditions* hold, the score at $\ell'(\hat{\theta}_n;X)=0$.
Hence, $0=\ell''(\hat{\theta}_n;X)=\ell_n'(\theta;X)+(\hat{\theta}_n-\theta^*)\{\ell''(\theta;X)+R_n\}$.
Rearranging & rescalling by $\sqrt{n}$ gives

$$\sqrt{n}(\hat{\theta}_n-\theta^*)=\frac{\frac{1}{\sqrt{n}}\ell'(\theta^*;X)}{-\frac{1}{\sqrt{n}}\{\ell''(\theta^*;X)+R_n}=:\frac{U_n}{V_n-\frac{R_n}{n}}$$

Recall that $\ell_n'(\theta^*;X)=\sum_{i=1}^n\ell'(\theta;X_i)$ and $\ell_n''(\theta^*;X)=\sum_{i=1}^n\ell''(\theta^*;X_i)$.
Since $\mathbb{E}(\ell'(\theta^*;X_i);\theta^*)=0$ and $\text{Var}(\ell'(\theta^*;X_i);\theta^*)=I(\theta^*)$
$\implies U_n\to_{\mathcal{D}(\cdot;\theta^*)}U\sim\text{Normal}(0,I(\theta^*))$ by the *Central Limit Theorem.*
We observed that $V_n\to_{\mathbb{P}(\cdot;\theta^*)}I(\theta^*)$ by the *Weak Law of Large Numbers* since $\mathbb{E}(-\ell''(\theta^*;X_i);\theta^*)=I(\theta^*)$.
It follows that $V_n-\frac{1}{n}R_n\to_{\mathbb{P}(\cdot;\theta^*)}I(\theta^*)$ by *Slutsky's Theorem.*
Using *Slutsky's Theorem* again

$$\sqrt{n}(\hat{\theta}_n-\theta^*)=\frac{U_n}{V_n-\frac{1}{n}R_n}\to_{\mathcal{D}(\cdot;\theta^*)}\frac{\sqrt{I(\theta^*)}}{I(\theta^*)}Z\text{ where }Z\sim\text{Normal}(0,1)$$

We can rewrite this as

$$\sqrt{nI(\theta^*)}(\hat{\theta}_n-\theta^*)\to_{\mathcal{D}(\cdot;\theta^*)}Z\sim\text{Normal}(0,1)$$

Proof 8.2 - *Theorem 8.2*
This is an non-examinable, sketch proof of ***Theorem 8.2****.*
By the regularity conditions and the mean alue theorem

$$\frac{\ell_n'(\theta;\mathbf{x})-\ell_n'(\theta^*;\mathbf{x})}{\theta-\theta^*}=\ell_n''(\tilde{\theta};\mathbf{x})$$

for some $\tilde{\theta}\in(\theta,\theta^*)$. Hence, we deduce that

$$\begin{array}{rcl}\ell_n'(\theta;\mathbf{x})-\ell_n'(\theta^*;\mathbf{x}) & = & (\theta-\theta^*)\ell_n''(\tilde{\theta};\mathbf{x})\\ & = & (\theta-\theta^*)\{\ell_n''(\theta^*;\mathbf{x})+[\ell_n''(\tilde{\theta};\mathbf{x})-\ell_n(\theta^*;\mathbf{x})]\}\\ & = & (\theta-\theta^*)\{\ell_n''(\theta;\mathbf{x})+R_n(\theta,\theta^*,\mathbf{x})\}\end{array}$$

Now we replace θ with the maximum likelihood estimator $\hat{\theta}_n:=\hat{\theta}_n(\mathbf{X})$. We find

$$\ell'(\hat{\theta}_n;\mathbf{X})=\ell_n'(\theta^*;\mathbf{X})+(\hat{\theta}_n-\theta^*)\{\ell_n''(\theta^*;\mathbf{X})+R_n(\hat{\theta}_n,\theta^*,\mathbf{x}\}$$

and we need to analyse R_n.
Since $\hat{\theta}_n \to_{\mathbb{P}(\cdot;\theta^*)} \theta^*$ we can take n large enough that $\mathbb{P}(\hat{\theta}_n \in \Xi; \theta^*)$ with arbitrarily high probability.
On the event $\{\hat{\theta} \in \Xi\}$ and we have $\{\tilde{\theta}_n \in \Xi\}$ since $\tilde{\theta}_n \in (\hat{\theta}_n, \theta^*)$ and

$$\begin{array}{rcl}|\frac{1}{n}R_n| & = & \frac{1}{n}|\ell''_n(\tilde{\theta}_n;\mathbf{X}) - \ell''_n(\theta^*;\mathbf{X})| \\ & = & \dfrac{1}{n}\left|\sum_{i=1}^n \ell''(\tilde{\theta}_n;X_i) - \ell''(\theta^*;X_i)\right| \\ & \leq & \dfrac{1}{n}\sum_{i=1}^n \left|\ell''(\tilde{\theta}_n;X_i) - \ell''(\theta^*;X_i)\right| \\ & \leq & \Delta(\tilde{\theta}_n - \theta^*)\left\{\dfrac{1}{n}\sum_{i=1}^n C(X_i)\right\}\end{array}$$

from the smoothness condition on ℓ''.
From the *Weak Law of Large Numbers*

$$\frac{1}{n}\sum_{i=1}^n C(X_i) \to_{\mathbb{P}(\cdot;\theta^*)} \mathbb{E}(C(X_1);\theta^*) < \infty$$

and from the consistency of $\{\hat{\theta}_n\}$ and $\{\tilde{\theta}_n\}$ and continuity of $\Delta(\cdot)$ we have by the *Continuous Mapping Theorem*

$$\Delta(\tilde{\theta}_n - \theta^*) \to_{\mathbb{P}(\cdot;\theta^*)} 0$$

Hence, $\frac{1}{n}R_n \to_{\mathbb{P}(\cdot;\theta^*)} 0$ $\square$

Definition 8.1 - *Asyptically Efficient*
A sequence of estimators $\{\hat{\theta}_n(\mathbf{X})\}$ is *Asymptotically Efficient* if either its mean-squared error converges to the *Cramer-Rao Lower Bound*

$$\forall \theta \in \Theta,\ n\text{MSE}(\hat{\theta}_n(\mathbf{X}_n);\theta) \underset{n\to\infty}{\longrightarrow} \frac{1}{I)\theta)}$$

or $\hat{\theta}_n$ is *Asumptotically Normally Distributed* in the sense of **Theorem 8.1**

$$\forall\ \theta \in \Theta,\ \sqrt{nI(\theta)}(\hat{\theta} - \theta) \to_{\mathcal{D}(\cdot;\theta)} Z$$

N.B. The variance of $\frac{Z}{\sqrt{(nI(theta^*)}}$ is exactly $\frac{1}{nI(\theta)}$.

Theorem 8.3 -
Under the conditions of **Theorem 8.1** the maximum likelihood estimator is *asymptotically efficient.*

Definition 8.2 - *Regular Statistical Model*
Any *Statistical Model* which satisfies the condition of **Theorem 8.1** is a *Regular Statistical Model.*

Remark 8.1 - *Why use MLE over others*
Due to the *Asymptotic Efficieny* of maximum likelihood estimators it is beter to use them in *Regular Statistical Models.*

9 Confidence Sets Around the Maximum Likelihood Estimator

Definition 9.1 - *Coverage of an Interval*
Let $\mathbf{X} \sim f_n(\cdot;\theta),\ \theta \in \Theta = \mathbb{R},\ L(\cdot) : \mathcal{X}^n \to \Theta$ and $U(\cdot) : \mathcal{X}^n \to \Theta$ where $\forall\ \mathbf{x} \in \mathcal{X}^n,\ L(\mathbf{x}) < U(\mathbf{x})$. Then, $\forall \theta \in \Theta$ the coverage $C_{\mathcal{I}}(\theta)$ of the random interval $\mathcal{I}(\mathbf{X}) := [L(\mathbf{X}), U(\mathbf{X})]$ at θ is

$$C_{\mathcal{I}}(\theta) := \mathbb{P}(\theta \in [L(\mathbf{X}), U(\mathbf{X})];\theta) = \mathbb{P}(L(\mathbf{X}) \leq \theta \leq U(\mathbf{X});\theta)$$

Remark 9.1 - *Coverage of an Interval in Words*
$C_{\mathcal{I}}(\theta)$ is the probabiltiy that the deterministic quantity θ falls into the random interval $\mathcal{I}(\mathbf{X})$ under the probability distribution $\mathbb{P}(\cdot;\theta)$ wher $\mathbf{X} \sim f_n(\cdot;\theta)$.

Remark 9.2 - *Multi-Dimensional Coverage*
We can extend *Coverage of an Interval* to the multi-dimensional case by considering confidence sets and then considering the probability $\mathbb{P}(\theta \in \mathcal{I}(\mathbf{X});\theta)$.

Definition 9.2 - *Confidence Interval*
$\forall\ \alpha \in [0,1]$ we say that an inerval $\mathcal{I}(\mathbf{X}) := [L(\mathbf{X}), U(\mathbf{X})]$ is a $1-\alpha$ confidence interval if $\forall\ \theta \in \Theta$ its coverage is at least $1-\alpha$ or more formally $\inf_{\theta\in\Theta} C_{\mathcal{I}}(\theta) \geq 1-\alpha$.

Remark 9.3 - *Exact Confidence Interval*
If $C_{\mathcal{I}}(\theta) = 1-\alpha\ \forall\ \theta \in \Theta$ then $\mathcal{I}$ is an exact $1-\alpha$ confidence interval.

Definition 9.3 - *Observed Confidence Interval*
For an interval $\mathcal{I}(\cdot) = [L(\cdot), U(\cdot)]$ with $L : \mathcal{X}^n \to \Theta$ and $U : \mathcal{X}^n \to \Theta$, and a realisation $\mathbf{x}$, the corresponding *Observed Confidence Interval* is $\mathcal{I}(\mathbf{x})$.
N.B. Nothing interesting can be said about the probability that $\theta \in \mathcal{I}(\mathbf{x})$ since θ and $\mathcal{I}(\mathbf{x})$ are deterministic.

Notation 9.1 - *Quantile of Normal*$(0,1)$
For any $\beta \in (0,1)$ let $z_\beta \in \mathbb{R}$ be such that for $Z \sim \text{Normal}(0,1)$, $1-\Phi(z_\beta) = \mathbb{P}(Z > z_\beta) = \beta$.

Example 9.1 - *Confidence interval for the mean of a Normal Distribution*
Let $\mathbf{X} \overset{\text{iid}}{\sim} \text{Normal}(\mu,\sigma^2)$ for $\theta = (\mu,\sigma^2) \in \mathbb{R}\times\mathbb{R}^{\geq 0}$ and wher σ^2 is known.
Consider the estimator $\hat{\mu}_n = \hat{\mu}_n(\mathbf{X}) = \frac{1}{n}\sum_{i=1}^n X_i$ of μ. Then we know that the following non-asymptotic result holds.
We have $\frac{1}{n}\sum_{i=1}^n X_i \sim \text{Normal}(\mu, \frac{\sigma^2}{n}$. Thus

$$\frac{\frac{1}{n}\sum_{i=1}^n X_i - \mu}{\sqrt{\sigma^2/n}} \sim \text{Normal}(0,1)$$

Then

$$\begin{aligned}
\forall\ \alpha \in (0,1) \quad , \quad & \mathbb{P}\left(z_{1-\alpha/2} \leq \frac{\hat{\mu}_n(\mathbf{X})-\mu}{\sqrt{\sigma^2/n}} \leq z_{\alpha/2};\mu\right) \\
= \quad & \mathbb{P}\left(\frac{\hat{\mu}_n(\mathbf{X})-\mu}{\sqrt{\sigma^2/n}} \leq z_{\alpha/2}\right) - \mathbb{P}\left(\frac{\hat{\mu}_n(\mathbf{X})-\mu}{\sqrt{\sigma^2/n}} \leq z_{1-\alpha/2}\right) \\
= \quad & \left(1-\tfrac{\alpha}{2}\right) - \left(1-\left(1-\tfrac{\alpha}{2}\right)\right) \\
= \quad & 1-\alpha
\end{aligned}$$

By symmetry we notice that $z_{1-\frac{\alpha}{2}} = -z_\alpha 2$.
By rearranging we have the equivalence of events

$$\left\{-z_{\alpha/2} \leq \frac{\hat{\mu}_n(\mathbf{X})-\mu}{\sqrt{\sigma^2/n}} \leq z_{\alpha/2}\right\} = \left\{\hat{\mu}_n(\mathbf{X}) - z_{\alpha/2}\frac{\sigma}{\sqrt{n}} \leq \mu \leq \hat{\mu}_n(\mathbf{X}) + z_{\alpha/2}\frac{\sigma}{\sqrt{n}}\right\}$$

To rearrange we separate into two events & treat then seperately

$$\begin{aligned}\left\{\frac{\hat{\mu}_n(\mathbf{X})-\mu}{\sigma/\sqrt{n}}\leq z_{\alpha/2}\right\} &= \left\{\frac{\hat{\mu}_n(\mathbf{X})}{\sigma/\sqrt{n}}-z_{\alpha/2}\leq\frac{\mu}{\sigma/sqrtn}\right\}\\ &= \left\{\mu\geq\hat{\mu}_n(\mathbf{X})-\frac{\sigma}{\sqrt{n}}z_{\alpha/2}\right\}\end{aligned}$$

Similarly

$$\begin{aligned}\left\{-z_{\alpha/2}\leq\frac{\hat{\mu}_n(X)-\mu}{\sqrt{\sigma^2/n}}\right\} &= \left\{\frac{\mu}{\sigma/\sqrt{n}}\leq\frac{\hat{\mu}_n(X)}{\sigma/\sqrt{n}}+z_{\alpha/2}\right\}\\ &= \left\{\mu\leq\hat{\mu}_n(X)+z_{\alpha/2}\frac{\sigma}{\sqrt{n}}\right\}\end{aligned}$$

So the interval $\mathcal{I}(X)=[L(X),U(X)]$ where $L(\mathbf{x})=\bar{x}-z_{\alpha/2}\frac{\sigma}{\sqrt{n}}$ and $U(\mathbf{x})=\bar{x}+z_{\alpha/2}\frac{\sigma}{\sqrt{n}}$ is an $1-\alpha$ exact confidence interval.

Remark 9.4 - *Confidence Intervals with unknown* σ^2
When σ^2 is unknown we can defined $\{\hat{\sigma}_n^2\}_{n\in\mathbb{N}}$ to be a consistent sequence of estimators of σ^2 (*e.g.* the sample variance)

$$\hat{\sigma}_n^2:=\frac{1}{n-1}\sum_{i=1}^n(X_i-\hat{\mu}_n(\mathbf{X}))^2$$

10 Asymptotic Approximation of Confidence Intervals

Theorem 10.1 -
Assume $\mathbf{X}\sim f(\cdot;\theta^*)$. Let $\{\hat{\theta}_n\}_{n\in\mathbb{N}}$ be a consistent sequence of estimators of θ^* and assume that $\{\hat{\theta}_n\}$ is asymptotically normal in the sense that

$$\exists\ \sigma^2>0\text{ st }\frac{\hat{\theta}_n(\mathbf{X})-\theta^*}{\sqrt{\sigma^2/n}}\to_{\mathcal{D}(\cdot;\theta^*)}Z\sim\text{Normal}(0,1)$$

Then $\forall\ \alpha\in(0,1),\ \mathcal{I}_n(\mathbf{X})-[L_n(\mathbf{X}),U_n(\mathbf{X})]$ is an asymptotically exact $1-\alpha$ condifence interval, where $L_n(\mathbf{x}):=\hat{\theta}_n(\mathbf{x})-z_{\alpha/2}\frac{\sigma}{\sqrt{n}}$ and $U_n(\mathbf{x}):=\hat{\theta}(\mathbf{x})+z_{\alpha/2}\frac{\sigma}{\sqrt{n}}$.

Proof 10.1 - *Theorem 10.1*
Let $\{W_n\}_{n\in\mathbb{N}}$ be defined by $W_n:=\frac{\hat{\theta}_n(X)-\theta^*}{\sqrt{\sigma^2/n}}$.
Since $W_n\to_{\mathcal{D}(\cdot;\theta^*)}Z\sim\text{Normal}(0,1)$ we have

$$\begin{aligned}\mathbb{P}(-z_{\alpha/2}\leq W_n\leq z_{\alpha/2}) &= F_{W_n}(z_{\alpha/2})-F_{W_n}(-z_{\alpha/2})\\ &\underset{n\to\infty}{\longrightarrow} \Phi(z_{\alpha/2})-\Phi(-z_{\alpha/2})\\ &= 1-\alpha\end{aligned}$$

Similary to before we have the equivalence of events

$$\{-z_{\alpha/2}\leq W_n\leq z_{\alpha/2}\}=\left\{\hat{\theta}_n-z_{\alpha/2}\frac{\sigma}{\sqrt{n}}\leq\theta^*\leq\hat{\theta}_n+z_{\alpha/2}\frac{\sigma}{\sqrt{n}}\right\}$$

So $\lim_{n\to\infty}\mathbb{P}\left(\hat{\theta}_n(X)-z_{\alpha/2}\frac{\sigma}{\sqrt{n}}\leq\theta^*\leq\hat{\theta}_n(X)+z_{\alpha/2}\frac{\sigma}{\sqrt{n}};\theta^*\right)=1-\alpha$
Remark 10.1 - *Theorem 10.1*
The confidence interval is only asymptotically exact. For finite n, the overage of the confidence interval will be different from $1-\alpha$ but the difference will converge to 0 as n increases. In practice σ^2 may be unknown, in these cases substitute for a consistent sequence of estimators of σ^2.

Theorem 10.2 -
Assum $\mathbf{X} \sim f(\cdot;\theta^*)$ let $\{\hat{\theta}_n\}_{n\in\mathbb{N}}$ be a consistent sequence of estimators of θ^* and assume that $\{\hat{\theta}_n\}$ is asymptotically normal in the sense that

$$\exists\ \sigma^2 > 0 \text{ st } \frac{\hat{\theta}_n(\mathbf{X}) - \theta^*}{\sqrt{\sigma^2/n}} \to_{mathcalD(\cdot;\theta^*)} Z \sim \text{Normal}(0,1)$$

Assume also that $\{\hat{\sigma}_n^2\}_{n\in\mathbb{N}}$ is a consistent sequence of estimators of σ^2. Then $\forall\ \alpha \in (0,1)$, $\mathcal{I}_n(\mathbf{X}) = [L_n(\mathbf{X}), U_n(\mathbf{X})]$ is an asymptotically exact $1-\alpha$ confidence interval, where $L_n(\mathbf{x}) := \hat{\theta}_n(\mathbf{x}) - z_{\alpha/2}\sqrt{\hat{\sigma}_n^2(\mathbf{x})/n}$ and $U_n(\mathbf{x}) := \hat{\theta}_n(\mathbf{x}) + z_{\alpha/2}\sqrt{\hat{\sigma}_n^2(\mathbf{x})/n}$.

Proof 10.2 - *Theorem 10.2*
Define $W_n := \frac{\hat{\theta}_n - \theta^*}{\sqrt{\hat{\sigma}_n^2(X)/n}} = \frac{\hat{\theta}_n(X)-\theta^*}{\sqrt{\sigma^2/n}} - \sqrt{\frac{\sigma^2}{\hat{\sigma}_n^2(X)}}$.
By consistency of $\{\hat{\sigma}_n^2\}_{n\in\mathbb{N}}$ and the *Continuous Mapping Theorem*

$$\sqrt{\frac{\sigma^2}{\hat{\sigma}_n^2(X)}} \to_{\mathbb{P}(\cdot;\theta^*)} 1$$

By *Slutsky's Theorem*

$$W_n \to_{\mathcal{D}(\cdot;\theta^*)} Z \sim \text{Normal}(0,1)$$

The rest of the proof is the same as for **Theorem 10.1**.

Remark 10.2 - *Theorem 10.2*
For a given n the quality of the normal approximatioin will be affected by this additional approximation. One may find that for less accurate estimators of σ^2, the n required for the confidence interval to have almost the right coverage will be higher.

0 Appendix

Definition 0.1 - *Gradient*

$$\nabla f(\boldsymbol{\theta};\mathbf{x}) := \left(\frac{\partial f(\boldsymbol{\theta};\mathbf{x})}{\partial\theta_1},\dots,\frac{\partial f(\boldsymbol{\theta};\mathbf{x})}{\partial\theta_n}\right)$$

Definition 0.2 - *Hessian*

$$\nabla f(\boldsymbol{\theta};\mathbf{x}) := \begin{pmatrix} \frac{\partial^2 f(\boldsymbol{\theta};\mathbf{x})}{\partial\theta_1^2} & \frac{\partial^2 f(\boldsymbol{\theta};\mathbf{x})}{\partial\theta_1\partial\theta_2} & \dots & \frac{\partial^2 f(\boldsymbol{\theta};\mathbf{x})}{\partial\theta_n\theta_1} \\ \frac{\partial^2 f(\boldsymbol{\theta};\mathbf{x})}{\partial\theta_1^2} & \frac{\partial^2 f(\boldsymbol{\theta};\mathbf{x})}{\partial\theta_1\theta_2} & \dots & \frac{\partial^2 f(\boldsymbol{\theta};\mathbf{x})}{\partial\theta_n\theta_2} \\ \vdots & \vdots & \ddots & \vdots \\ \frac{\partial^2 f(\boldsymbol{\theta};\mathbf{x})}{\partial\theta_1\partial\theta_n} & \frac{\partial^2 f(\boldsymbol{\theta};\mathbf{x})}{\partial\theta_2\theta_n} & \dots & \frac{\partial^2 f(\boldsymbol{\theta};\mathbf{x})}{\partial\theta_n^2} \end{pmatrix}$$

0.1 Notation

Notation	Denotes
$Z_n \to_{\mathbb{P}} Z$	$\{Z_n\}_{n\in\mathbb{N}}$ converges in *Probabilitiy* to random variable Z.
$Z_n \to_{\mathcal{D}} Z$	$\{Z_n\}_{n\in\mathbb{N}}$ converges in *Distribution* to random variable Z.
$Z_n \to_{qm} Z$	$\{Z_n\}_{n\in\mathbb{N}}$ converges in *Quadratic Mean* to random variable Z.
$\theta \in \Theta \subseteq \mathbb{R}^{d_\theta}$	Scalar or vector parameter characterising a probability distribution
$\hat{\theta}$	Estimation for the value of the parameter θ
θ^*	True value of the paramter θ
$\mathbb{P}$	Probability measure $\mathbb{P}:\mathcal{F}\to[0,1]$
Ω	Sample space
X	Scalar random variable
$\mathcal{F}$	Sigma field (Set of events)
χ	Support of rv XX. A set set X is definitely in it *i.e.* $\mathbb{P}(X\in\chi;\theta)=1$
$\mathbf{X}$	Vector consiting of scalar random variables

0.2 R

Command	Result
hist(a)	Plots a histogram of the values in array a
mean(a)	Returns the mean value of array a
rbinom(s,n,p)	Samples n of $Bi(n,p)$ random variables
rep(v,n)	Produces an array of size n where each entry has value v
$x \leftarrow v$	Maps value v to variable x

0.3 Probability Distributions

Definition 0.3 - *Binomial Distribution*
Let X be a discrete random variable modelled by a *Binomial Distribution* with n events and rate of success p.

$$\begin{array}{rcl} p_X(k) & = & \binom{n}{k}p^k(1-p)^{n-k} \\ \mathbb{E}(X)np = & \& & Var(X)=np(1-p) \end{array}$$

Definition 0.4 - *Gamma Distribution*
Let T be a continuous randmo variable modelled by a *Gamma Distribution* with shape parameter

α & scale parameter λ. Then

$$f_T(x) = \frac{\lambda^\alpha x^{\alpha-1}e^{-\lambda x}}{\Gamma(\alpha)} \quad \text{for } x > 0$$
$$\mathbb{E}(T) = \frac{\alpha}{\lambda} \quad \& \quad Var(T) = \frac{\alpha}{\lambda^2}$$

N.B. $\alpha, \lambda > 0$.

Definition 0.5 - *Exponential Distribution*
Let T be a continuous random variable modelled by a *Exponential Distribution* with parameter λ. Then

$$f_T(t) = \mathbb{1}\{t \geq 0\}.\lambda e^{-\lambda t}$$
$$F_T(t) = \mathbb{1}\{t \geq 0\}.\left(1 - e^{-\lambda t}\right)$$
$$\mathbb{E}(X) = \tfrac{1}{\lambda} \quad \& \quad Var(X) = \tfrac{1}{\lambda^2}$$

N.B. Exponential Distribution is used to model the wait time between decays of a radioactive source.

Definition 0.6 - *Normal Distribution*
Let X be a continuous random variable modelled by a *Normal Distribution* with mean μ & variance σ^2.
Then

$$f_X(x) = \frac{1}{\sqrt{2\pi\sigma^2}}e^{-\frac{(x-\mu)^2}{2\sigma^2}}$$
$$F_X(x) = \frac{1}{\sqrt{2\pi\sigma^2}}\int_{-\infty}^{x} e^{-\frac{(y-\mu)^2}{2\sigma^2}}dy$$
$$M_X(\theta) = e^{\mu\theta+\sigma^2\theta^2(1/2)}$$
$$\mathbb{E}(X) = \mu \quad \& \quad Var(X) = \sigma^2$$

Definition 0.7 - *Poisson Distribution*
Let X be a discrete random variable modelled by a *Poisson Distribution* with parameter λ. Then

$$p_X(k) = \frac{e^{-\lambda}\lambda^k}{k!} \quad \text{For } k \in \mathbb{N}_0$$
$$\mathbb{E}(X) = \lambda \quad \& \quad Var(X) = \lambda$$

N.B. Poisson Distribution is used to model the number of radioactive decays in a time period.