STA 250/MTH 342 – Intro to Mathematical Statistics

Lecture 2

Probability modeling and statistical inference

- *Probability models* are assumptions (or hypotheses) that characterize the randomness that arises in the data
- *Statistical inference* goes the other direction: it incorporates the data to make *educated "guesses"* about the underlying random mechanism. Two common goals:
  - Estimating or predicting the value of some interesting quantities.
  - Verifying the assumptions and choosing among different possible hypotheses using data.

The *ideal* inference procedure

Let's consider the following simple situation.

- Suppose we have a *comprehensive* list of *mutually exclusive* events, which can be considered as "causes" or "states of nature"

$$E_1, E_2, \ldots, E_n.$$

  That is, $\Omega = \cup_{i=1}^{n} E_i$ and $E_i \cap E_j = \emptyset$ for all $i \neq j$.
- E.g., Zipcode recognition. A person handwrites a digit in {0,1,2,. . . ,9}.
- Suppose we *know* the *a priori* probabilities of these causes,

$$P(E_1), P(E_2), \ldots, P(E_n).$$

- An expriment is performed, and we observe the outcome or an event, F. (E.g., a handwritten digit is observed.)
- Inference: What are the *a posteriori* probabilities $P(E_i|F)$, that is the probability of the different causes *given* the outcome F?

- This inference is *ideal* in the sense that both our *prior* and *posterior* understanding about the underlying random mechanism is expressed *probabilistically*. Very much like how our brain works.
- So how do we go from our prior knowledge to posterior knowledge?
- How do we incorporate the information/evidence from the data that supports the different scenarios?
- Through weighing the probability of the causes $P(E_1), P(E_2), \ldots, P(E_n)$, with the probability of the observation F under each cause,

$$P(F|E_1), P(F|E_2), \ldots, P(F|E_n).$$

Example: Cancer diagnostic testing

A patient is given a test for detecting cancer cells in blood.

- Two causes:

$$E_1 = \{\text{The patient has cancer}\}$$
$$E_2 = \{\text{The patient doesn't have cancer}\}.$$

- Let $P(E_1) = 1 - P(E_2)$ be the prevalence of cancer in the *corresponding* population.
- The observed event is

$$F = \{\text{result of the test is positive}\}.$$

- From laboratory studies we know that

$$P(F|E_1) = .9, \quad P(F|E_2) = .05.$$

Inference question: In light of F, what is the chance of having cancer, i.e. $P(E_1|F)$?

Bayes' theorem

In this "ideal" situation the following theorem provides a simple recipe for inference.

Theorem (Bayes')

If $E_1, E_2, \ldots, E_n$ are comprehensive and mutually exclusive,

- *Comprehensiveness: The outcome space $\Omega = E_1 \cup E_2 \cup \ldots \cup E_n$.*
- *Mutual exclusiveness: $E_i \cap E_j = \emptyset$ for all $i \neq j$.*

then for each E_i and any event F with $P(F) > 0$,

$$P(E_i|F) = \frac{P(E_i)P(F|E_i)}{\sum_{j=1}^{n} P(E_j)P(F|E_j)}.$$

Proof of Bayes Theorem

This theorem is a direct consequence of the *multiplication rule*. For any two events E and F, we have

$$P(E \cap F) = P(F)P(E|F).$$

Applying this twice we get

$$P(E_i \cap F) = P(F)P(E_i|F) = P(E_i)P(F|E_i).$$

Thus (draw a diagram)

$$P(E_i|F) = \frac{P(E_i \cap F)}{P(F)} = \frac{P(E_i)P(F|E_i)}{P(F)}.$$

Now $F = F \cap (\cup_{j=1}^n E_j) = \cup_{j=1}^n (F \cap E_j)$, where the events $(F \cap E_j)$ are also mutually exclusive. So

$$P(F) = \sum_{j=1}^n P(F \cap E_j) = \sum_{j=1}^n P(E_j)P(F|E_j).$$

Remark: Note that the denominator $P(F)$ plays the role of a normalizing constant to ensure that $\sum_{i=1}^n P(E_i|F) = 1$.

Example: Cancer diagnostic testing

We have

$$P(F|E_1) = .9 \quad P(F|E_2) = .05.$$

By Bayes' Theorem

$$P(E_1|F) = \frac{P(E_1)(.9)}{P(E_1)(.9) + (1 - P(E_1))(.05)}$$

and

$$P(E_2|F) = 1 - P(E_1|F) = \frac{(1 - P(E_1))(.05)}{P(E_1)(.9) + (1 - P(E_1))(.05)}.$$

- For a person of age 20, $P(E_1) = 0.02$, so $P(E_1|F) = 0.02 \times 0.9/(0.02 \times 0.9 + 0.98 \times 0.05) \approx 0.27$.
- For a person of age 70, $P(E_1) = 0.6$, so $P(E_1|F) = 0.6 \times 0.9/(0.6 \times 0.9 + 0.4 \times 0.05) \approx 0.96$.

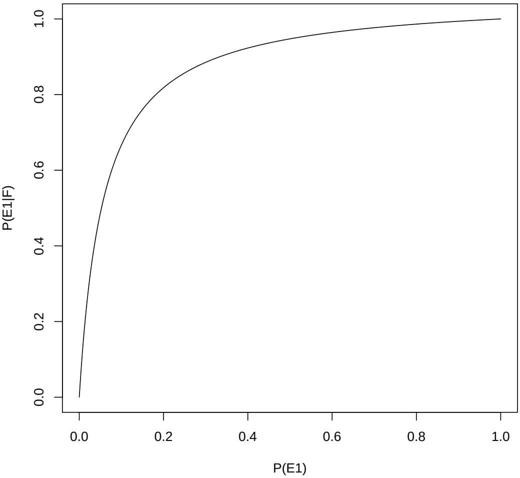
Remark: Again, note that the denominator $P(F)$ is there to ensure that

$$P(E_1|F) + P(E_2|F) = 1.$$

Bayes factor

- The ratio of the probabilities of the outcome under the two scenarios
$$\frac{P(F|E_1)}{P(F|E_2)}$$
is called the *Bayes factor* (BF) between E_1 and E_2.
- Another way to express Bayes theorem is in terms of *odds* and BF:
$$\frac{P(E_1|F)}{P(E_2|F)} = \frac{P(E_1)}{P(E_2)} \cdot \frac{P(F|E_1)}{P(F|E_2)}.$$
That is
$$\text{Posterior odds} = \text{Prior odds} \times \text{BF}.$$
- In the above example, the BF = 18, which is typically deemed very large, but …

Relationship between $P(E_1|F)$ and $P(E_1)$.



- The prior can impact the inference substantially!

Example: The Monty Hall game

You are on a TV show in which you are presented with three doors.

- Behind one of them there is a Porsche.
- Behind each of the other two there is a goat (or a problem set)!

You get to choose a door to open and whatever is behind the door is yours to take home.

- You feel lucky and pick Door 1.
- Just before you open Door 1, the host opens Door 2 and you see a goat behind it.
- The host then asks "Are you sure you want to open Door 1?"

What should you do? You can try the game online at *http://math.ucsd.edu/∼crypto/Monty/monty.html*.

What would Bayes do?

- Three possible causes E_1, E_2 and E_3.

$$E_i = \{\text{The car is behind Door } i\}.$$

- The effect

$$F = \{\text{The host opens Door 2}\}.$$

- $P(E_1) = P(E_2) = P(E_3) = 1/3$.
- $P(F|E_1) = 1/2$, $P(F|E_2) = 0$ and $P(F|E_3) = 1$.

By Bayes' Theorem

$$P(E_1|F) = \frac{(1/3)(1/2)}{(1/3)(1/2)+(1/3)(0)+(1/3)(1)} = 1/3$$
$$P(E_2|F) = \frac{(1/3)(0)}{(1/3)(1/2)+(1/3)(0)+(1/3)(1)} = 0$$
$$P(E_3|F) = \frac{(1/3)(1)}{(1/3)(1/2)+(1/3)(0)+(1/3)(1)} = 2/3.$$

Yes. You should switch!

- We can in fact know this answer without doing all the calculation. How?

- In proving Bayes' theorem, we have used nothing but multiplication rule.
- There is no disagreement in the truth of this theorem.
- The inference feels very "natural".
- Why isn't every statistical inference problem solved in this manner?

More general versions of Bayes' Theorem

A similar argument as our proof can be used to extend Bayes' Theorem to more general cases.

For example, suppose

- X and Θ are two continuous random variables.
  - Θ corresponds to the unobserved effects E_i's.
  - X corresponds to the observed outcome F (or data).
- We have available two pieces of information:
  1. The *marginal p.d.f.* of Θ, $\xi(\theta)$, corresponding to $P(E_i)$.
  2. The *conditional p.d.f.* of X given $\Theta, f(x|\theta)$, corresponding to $P(F|E_i)$.
- What is the conditional distribution of Θ given X, $\xi(\theta|x)$?

The joint p.d.f. of X and Θ

$$f(x,\theta) = f(x|\theta)\xi(\theta) = \xi(\theta|x)f_X(x).$$

From this we get that for x such that $f_X(x) > 0$,

$$\xi(\theta|x) = \frac{f(x|\theta)\xi(\theta)}{f_X(x)}.$$

Since this is a p.d.f., it must integrate to 1. That is,

$$\int_{-\infty}^{\infty} \frac{f(x|u)\xi(u)du}{f_X(x)} = 1.$$

Therefore we must have

$$f_X(x) = \int_{-\infty}^{\infty} f(x|u)\xi(u)du.$$

Note that this is consistent with the definition of marginal p.d.f.

There we have

$$\xi(\theta|x) = \frac{f(x|\theta)\xi(\theta)}{\int_{-\infty}^{\infty} f(x|u)\xi(u)du}$$

for all x such that $f_X(x) > 0$.

- For each fixed x, this gives a p.d.f. of Θ.
- The denominator depends only on the fixed x, not on Θ.
- The denominator is only a normalizing constant so that the density in θ integrates to 1.
- To emphasize this, we will often write

  $$\xi(\theta|x) \propto f(x|\theta)\xi(\theta),$$

  meaning $\xi(\theta|x)$ is proportional to $f(x|\theta)\xi(\theta)$ *as a function in θ*.
- Proof by "delta" method, that is, a "physics" proof.

Proof by Delta method

$$
\begin{aligned}
\xi(\theta|x)\Delta\theta &\approx P(\theta \le \Theta < \theta + \Delta\theta \,|\, x \le X < x + \Delta x) \\
&= \frac{P(\theta \le \Theta < \theta + \Delta\theta, x \le X < x + \Delta x)}{P(x \le X < x + \Delta x)} \\
&\approx \frac{f(\theta, x)\Delta\theta\Delta x}{f_X(x)\Delta x} = \frac{f(\theta, x)\Delta\theta}{f_X(x)}.
\end{aligned}
$$

Hence

$$
\xi(\theta|x) = \frac{f(\theta, x)}{f_X(x)}
$$

Similarly, flipping the places of θ and x, we have

$$
f(x|\theta) = \frac{f(\theta, x)}{\xi(\theta)}.
$$

Hence,

$$
\xi(\theta|x) = \frac{f(x|\theta)\xi(\theta)}{f_X(x)}.
$$

More generally

The marginal distribution of Θ and the conditional distribution of X given Θ can each be discrete or continuous. For example if X given Θ is discrete and Θ is continuous, then

$$\xi(\theta|x) = \frac{p(x|\theta)\xi(\theta)}{\int_{-\infty}^{\infty} p(x|u)\xi(u)du}$$

or simply

$$\xi(\theta|x) \propto p(x|\theta)\xi(\theta)$$

where $p(x|\theta)$ is the probability mass function (p.m.f) of X given Θ.

Example: A political poll

A polling organization wishes to determine the fraction of Democrats in favor of the incumbent governer of North Carolina.

- They *randomly* select $n = 100$ names from the list of all registered Democrats to be interviewed.
- Assuming that all n are interviewed and expressed an opinion.
- The poll results in a count X for the governer and a count $n - X$ against.

Let θ be the actual fraction of Democrats for the governer. (People often don't differentiate the notation of the random variable Θ and its value θ.)

- After observing the data, what can we learn about θ?

If the sample is truly random, it is reasonable to model this poll as a Binomial experiment.

- Given θ, we know the distribution of X is Binomial(n, θ):

$$p(x|\theta) = \binom{n}{x} \theta^x (1-\theta)^{n-x} \quad \text{for } x = 0, 1, 2, \ldots, n.$$

- We are uncertain about the true value of θ, so may treat it as a random variable as well.
  - We express our uncertainty using a probability distribution $\xi(\theta)$.
  - Suppose we "have no idea" about θ, and choose $\xi(\theta)$ to be Uniform$(0, 1)$.
  - This represents our *prior* (i.e. before observing data) knowledge about the value of θ.

Now we have the two pieces needed in Bayes' Theorem. Inference becomes a simple application of the theorem.

- Suppose we observe $X = 40$. The theorem says

$$\begin{aligned}\xi(\theta|40) &\propto p(40|\theta)\xi(\theta)\\ &= \binom{100}{40}\theta^{40}(1-\theta)^{60}\cdot 1 \quad \text{for } 0<\theta<1, \quad = 0 \quad \text{otherwise.}\end{aligned}$$

The corresponding normalizing constant is

$$\int_0^1 \binom{100}{40} u^{40}(1-u)^{60}du.$$

We recognize that the portion of the density that involves θ, namely $\theta^{40}(1-\theta)^{60}$, is exactly the variable part of a Beta(41,61) distribution, so the two distributions *must agree* as both integrate to 1.

$$\begin{aligned}\xi(\theta|40) &= \frac{\Gamma(102)}{\Gamma(41)\Gamma(61)}\theta^{40}(1-\theta)^{60} \quad \text{for } 0<\theta<1,\\ &= 0 \quad \text{otherwise.}\end{aligned}$$

Summary

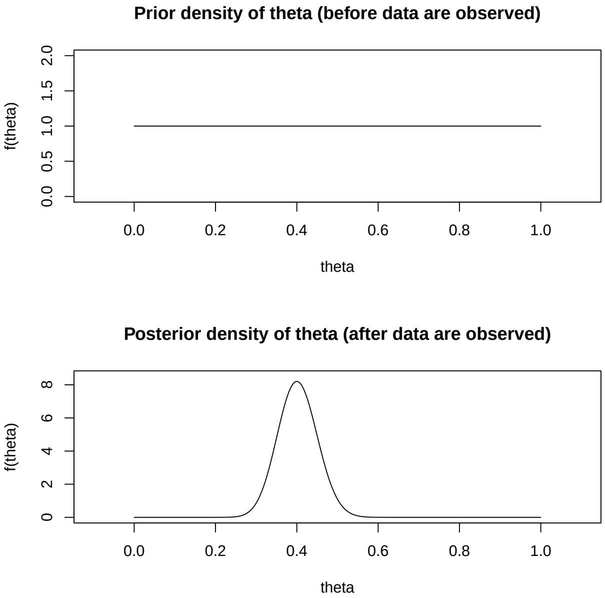
Our model (or assumptions/hypotheses) are

(1) θ is Uniform (0,1) *a priori*—representing our knowledge before data is observed. *(The prior.)*

(2) Given θ, X is Binomial(100,θ). *(The sampling model.)*

By combining the model with data, Bayes' Theorem allows us to reach the conclusion

(3) θ is Beta(41,61) *a posteriori*—representing our updated knowledge after data is observed. *(The posterior.)*


Prior density of theta (before data are observed)
f(theta)
0.0
0.5
1.0
1.5
2.0
0.0
0.2
0.4
0.6
0.8
1.0
theta
Posterior density of theta (after data are observed)
f(theta)
0
2
4
6
8
0.0
0.2
0.4
0.6
0.8
1.0
theta

Summary

If we treat the state of nature (or the parameter θ) as a *random* quantity, and specify its *prior* probability distribution as a representation of our *a priori* knowledge, then Bayes' Theorem provides a simple recipe to incorporate information from data and produce the *posterior* distribution of the state of nature.

Based on this posterior distribution, we can make probabilistic statement about the state of nature or the parameters. For example,

- What is the chance that the support rate of the governer is over 45% given the data?
  - $P(\theta > 0.45|x) = \int_{0.45}^{\infty} \xi(\theta|x)d\theta \approx 0.16$.
  - What is the posterior mean/median/mode of θ?
- This is *Bayesian* inference.

Next

- More examples of inference using Bayes' Theorem.
- Why doesn't everyone use this simple scheme to solve all statistical problems?
- Sampling theory to follow ...