AMS 553.430 - Introduction to Statistics

Lectures by Dwijavanti P Athreya
Notes by Kaushik Srinivasan

Johns Hopkins University
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Introduction

Math 553.430 is one of the most important courses that is required/recommended for the engineering-based majors at Johns Hopkins University.

These notes are being live-TeXed, through I edot for Typos and add diagrams requiring the TikZ package separately. I am using Texpad on Mac OS X.

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Please email any corrections or suggestions to ksriniv4@jhu.edu.

Lecture 0 (2018-08-30)

Introduction to Probability (553.420) Review

Part 1 - Counting

1. Multiplication rule (Basic Counting Principle)
2. Combinations/Permutations
   - Sampling with or without replacement. $\Rightarrow$ Inclusion-Exclusion Principle

$$\binom{n}{k} = \frac{n!}{k!(n-k)!} \qquad\qquad {}^nP_k = \frac{n!}{(n-k)!}$$

3. Birthday Problem
4. Matching Problem (inclusion-exclusion principle)
   - $P(A \cup B) = P(A) + P(B) - P(A \cap B)$
   - $P(A \cup B \cup C) = P(A) + P(B) + P(C) - P(A \cap B) - P(A \cap C) - P(B \cap C) + P(A \cap B \cap C)$
   - etc...
5. n balls going into m boxes (all are distinguishable)

   Example. n balls numbered $1, 2, \cdots, n$. n boxes labelled $1, 2, \cdots, n$. Distribute the balls into the boxes, one in each box. M_i = ball i is in box i
6. Multinomial Coefficients e.g. assign A, B, C, D, to different students $\rightarrow$ anagram problem – n distinct objects into r distinct groups

$$\frac{n!}{n_1!n_2!n_3!\ldots n_r!} = \binom{n}{n_1, n_2, n_3, \ldots, n_r}$$

7. Pairing Problem

$$2n \text{ people, paired up} \begin{cases} \text{ordered: } \binom{2n}{2,2,\cdots,2} & \text{e.g. different courts for players} \\ \\ \text{unordered: } \frac{\binom{2n}{2,2,\cdots,2}}{n!} \end{cases}$$

8. Partition of integers $\longrightarrow$ n: sum of integer, $\quad r$: number of partitions

$$\binom{n+r-1}{r-1} = \binom{n+r-1}{n}$$

Basics of Probability

<u>Axioms</u>

1. $0 \leq P(A) \leq 1, \forall A$
2. $P(\Omega) = 1 \rightarrow$ where Ω is the sample space
3. Countable additivity
   - if $A_1, \cdots, A_n$ are mutually exclusive, then

$$P\left(\bigcup_{i=1}^{\infty} A_i\right) = P(A_1) + P(A_2) + \cdots = \sum_{i=1}^{\infty} P(A_i)$$

$\Rightarrow P(A) = 1 - P(A^c)$
$P(A) = \dfrac{|A|}{|\Omega|}$

Conditional Probability

$$P(A|B) = \frac{P(A \cap B)}{P(B)}$$

Law of Total Probability

$$P(A) = \sum_j P(A|B_j)P(B_j) = \sum P(A \cap B_j) \qquad \underbrace{\bigcup_j B_j = \Omega}_{\text{partition of } \Omega}$$

Bayes Rule

$$P(B_i|A) = \frac{P(A|B_i)P(B_i)}{\sum\limits_j P(A|B_j)P(B_j)} \qquad \underbrace{\bigcup_j B_j = \Omega}_{\text{partition of } \Omega}$$

Independent events

If we have events $A_1, A_2, \cdots, A_n$, then

$$P(A_1 \cap A_2 \cap A_3 \cdots A_n) = P(A_1) \cdot P(A_2) \cdot P(A_3) \cdot \cdots P(A_n)$$

Introduction to Discrete and Continuous Random Variables

Random Variable - a real valued function defined on the sample space of an experiment $X : \Omega \rightarrow \mathbb{R}, \forall \omega \in \Omega, X(\omega) \in \mathbb{R}$

Function	Discrete	Continuous
Probability Function	PMF: $P(X=x)$	PDF: $f_x(x)$
Probability Distribution	$\sum\limits_x P(X=x)=1$	$\int_x f_x(x)dx=1$
Expectation	$E[X]=\sum\limits_x xP(X=x)$	E[X] $=\int_x xf(x)dx$
Variance	$Var[X]=E[X^2]-(E[X])^2$	$Var[X]=E[X^2]-(E[X])^2$

Law of the Unconscious Statistician (LOTUS)

1-dim $\quad E[g(x)]=\sum\limits_x g(x)P(X=x) \Big/ E[g(x)]=\int_x g(x)f(x)dx$

2-dim $\quad E[g(X,Y)]=\sum\limits_y\sum\limits_x g(x,y)P(X=x,Y=y) \Big/ E[g(X,Y)]=\int_y\int_x g(x,y)f(x,y)dxdy$

Discrete Distributions

1. Bernoulli(p)
2. Binomial(n,p)
3. Poisson (λ)
4. Geometric(p)
5. Negative Binomial(n,p)
6. Hypergeometric(N,M,n)

Bernoulli Distribution

X is a random variable with Bernoulli(p) distribution

$$X \sim Bernoulli(p)$$
$$P(X=x)=\begin{cases} p & x=1 \\ 1-p & x=0 \end{cases}$$

Binomial Distribution

A sum of i.i.d. (identical, independent distribution) Bernoulli(p) R.V.

$$X \sim Binomial(n,p)$$
$$\text{Support}: x\in\{0,1,\cdots n\}$$
$$n:\text{sample size} \qquad p:\text{probability of success}$$
$$P(X=k)=\binom{n}{k}p^k(1-p)^{(n-k)}$$
$$E[X]=np \qquad\qquad Var(X)=np(1-p)$$

- Approximation methods $\Rightarrow$

- if n is large, p very small and $np < 10$. $\Rightarrow$ use Normal $(np, np(1-p))$
- $p \approx \frac{1}{2} \Rightarrow$ Use Poisson $(\lambda = np)$

- Mode:
  - if $(n+1)p$ integer, mode = (n+1)p or (n+1)p - 1.
  - if $(n+1)p \notin \mathbb{Z}$ mode is $\lfloor (n+1)p \rfloor$
  - **Proof:** consider $\dfrac{P(X=x)}{P(X=x-1)}$ going below 1.

Poisson Distribution

$$X \sim Poisson(\lambda)$$
$$x \in \{0, 1, \cdots\}$$
$$\lambda : \text{parameter}$$
$$P(X=x) = \frac{e^{-\lambda}\lambda^x}{x!}$$
$$E[X] = \lambda \qquad\qquad Var(X) = \lambda$$

- Approximations
  - if n is large $\Longrightarrow$ Normal(λ, λ)
- Sums of Poisson
  Let $X \sim Po(\lambda) \quad Y \sim Po(\mu) \quad \Longrightarrow \quad X + Y \sim Po(\mu + \lambda)$

Negative Binomial

$$X \backsim NB(r, p)$$
$$\text{Support} : x = \{r, r+1, \ldots\}$$
$$r = \text{the rth success}$$
$$p = \text{probability of success}$$
$$P(X=k) = \binom{k+r-1}{k} \cdot (1-p)^r \cdot p^k$$

A sum of i.i.d Geometric(p) R.V.
■ a^{th} head before b^{th} tail

Example. A coin has probability p to land on a head, $q = 1 - p$ to land on a tail.

$P[5^{th}$tail occurs before the 10^{th} head]?

$$\begin{cases} = P[\text{5th tail occurs before or on the 14th flip}] \\ = P[\text{Neg Binomial}(5,q) = 5,6,7,\cdots,14] \\ = \sum_{x=5}^{14} \binom{x-1}{4} q^5 p^{x-5} \end{cases} \quad \text{(or)} \quad \begin{cases} = P[\text{at least 5 tails in 14 flips}] \\ = P[binom(14,q) = 5,6,7,\cdots,14] \\ = \sum_{x=5}^{14} \binom{14}{x} q^x p^{14-x} \end{cases}$$

Geometric Distribution

$$X \sim Geometric(p)$$

$$\text{Support} : x \in \{1, 2, \cdots\}$$

$$p : \text{probability of success}$$

$$P(X = r) = (1-p)^{(r-1)} \cdot p$$

$$\text{prob for 1st success on } r\text{th trial}$$

$$E[X] = \frac{1}{p} \qquad Var(X) = \frac{1-p}{p^2}$$

Example. ■ Coupon Question

Variation A: N different types of coupons $\rightarrow P($ get a specific type$) = \frac{1}{N}$

Question: E[draws to get 10 different coupons]?

Answer:

$$X = X_1 + X_2 + \cdots + X_{10} \qquad X_i = \#\text{ draws to get the ith distinct coupon type}$$

$\boxed{X_i \backsim Geo(p_i)}$ $\quad p_i$: prob to get a new coupon $\leftarrow$ success, given that we have $i-1$ types of coupons

$$\text{Hence, } E[X_1] = 1$$

$$E[X_2] = \frac{1}{p_2} = \frac{1}{\frac{N-1}{N}} = \frac{N}{N-1}$$

$$E[X_3] = \frac{1}{p_3} = \frac{1}{\frac{N-2}{N}} = \frac{N}{N-2}$$

$$\vdots$$

$$E[X_{10}] = \frac{1}{p_{10}} = \frac{1}{\frac{N-9}{N}} = \frac{N}{N-9}$$

$$\text{So,} \quad E[X] = E[X_1] + E[X_2] + \cdots + E[X_{10}] = E[\sum_{i=1}^{10} X_i] = 1 + \frac{N}{N-1} + \frac{N}{N-2} + \cdots + \frac{N}{N-9}$$

Variation B: Same setting, now you draw 10 times.

Question: E[# different types of coupons]?

Answer:

$$X = I_1 + I_2 + \cdots + I_N$$

$$I_i \begin{cases} 1 & \text{if we have this type of coupon} \\ 0 & \text{o/w} \end{cases}$$

$$
\begin{aligned}
E[I_i] &= P(\text{we draw coupon i in 10 draws}) \\
&= 1 - P(\text{we don't have coupon i}) \qquad \text{we use binomial distribution where } 1 - P(N = 0) \\
&= 1 - \left(\frac{N-1}{N}\right)^{10}
\end{aligned}
$$

$$E[X] = E[\sum_{i=1}^{N} I_i] = NE[I_i] = \boxed{N\left[1 - \left(\frac{N-1}{N}\right)^{10}\right]}$$

Hypergeometric Distribution

$$X \sim Hyp(N, M, n)$$

$$N \in \{0, 1, 2, \ldots\} \quad M \in \{0, 1, \ldots, N\} \quad n \in \{0, 1, \ldots, N\}$$

$$\text{Support} : k \in \{\max(0, n + M - N), min(n, M)\}$$

N is the population size $\quad$ K is the no. of success states in the population

n is the no. of draws (i.e. quantity drawn in each trial)

k is the no. of observed successes

$$P(X = k) = \frac{\binom{M}{k}\binom{N-M}{M-k-1}}{\binom{N}{n}}$$

Continuous Distributions

Uniform Distribution

$$X \sim Unif(a, b)$$

$$f_X(x) = \begin{cases} \frac{1}{b-a} & a \leq x \leq b \\ 0 & o/w \end{cases}$$

$$E[X] = \frac{a+b}{2} \qquad Var(X) = \frac{(b-a)^2}{12}$$

Normal Distribution

$$X \backsim N(\mu, \sigma^2) \Rightarrow Z = \frac{X-\mu}{\sigma} \backsim N(0,1) \text{ with CDF } P(Z \leq z) = \Phi(z)$$
$$\Phi(-x) = 1 - \Phi(x)$$
$$\text{Support:} \quad x \in (-\infty, \infty)$$
$$f_X(x) = \frac{1}{\sqrt{2\pi}\sigma} e^{\frac{-(x-\mu)^2}{2\sigma^2}}$$
$$E[X] = \mu \qquad Var(X) = \sigma^2$$

- Sums and differences of Normal R.V.

$$X_1 \sim \mathcal{N}(\mu, \sigma^2) \qquad X_2 \sim \mathcal{N}(\mu, \sigma^2)$$
$$Y_1 = X_1 + X_2 \qquad Y_2 = X_1 - X_2$$
$$\underbrace{Y_1 \sim \mathcal{N}(2\mu, 2\sigma^2)}_{\text{has } \mu} \qquad \underbrace{Y_2 \sim \mathcal{N}(0, 2\sigma^2)}_{\text{doesn't have } \mu}$$

  - The sum and difference of Normal R.V. are Normal R.V.
  - Any Linear Combination of Independent Normal R.V. is a Normal R.V.

- Dependence
  - $Y_2 = X_1 - X_2$ density does not depend on μ. But density of $X_1 + X_2$ does.
  - Key idea is used in Data Reduction

Exponential distribution

$$X \sim Exp(\lambda)$$
$$\text{Support:} \quad x \in [0, \infty)$$
$$f_X(x) = \lambda e^{-\lambda x}$$
$$E[X] = \frac{1}{\lambda} \qquad Var(X) = \frac{1}{\lambda^2}$$

Lack of memory property: $P(X \geq s + t | X \geq t) = P(X \geq s)$

- M = min of $exp(\lambda)$ and $exp(\mu) \Rightarrow M \backsim exp(\lambda + \mu)$
- M = min of $X_1, X_2, \cdots, X_n$, where $X_i \backsim_{\text{i.i.d.}} exp(\lambda) \Rightarrow exp(n\lambda)$

Gamma Distribution

$$X \sim Gamma(\alpha, \beta)$$
$$\text{Support:} \quad x \in [0, \infty)$$
$$F_X(x) = \frac{\beta^\alpha}{\Gamma(\alpha)} x^{\alpha-1} e^{-\beta x}$$
$$E[X] = \frac{\alpha}{\beta} \qquad Var(X) = \frac{\alpha}{\beta^2}$$
$$\textbf{Gamma Function:} \quad \Gamma(z) = (z-1)! = \int_0^\infty x^{z-1} e^{-x} dx$$
$$\Gamma(n) = (n-1)!$$
$$\Gamma\left(\frac{1}{2}\right) = \sqrt{\pi}$$

- Sums of Gamma
  - $Gamma(s, \lambda) \underset{\text{ind}}{+} Gamma(s, \lambda) = Gamma(s + t, \lambda)$

Beta Distribution

$$X \sim Beta(\alpha, \beta)$$
$$\text{Support:} \quad x \in [0, 1]$$
$$f_X(x) = \frac{\Gamma(\alpha+\beta)}{\Gamma(\alpha)\Gamma(\beta)} x^{\alpha-1} (1-x)^{\beta-1}$$
$$E[X] = \frac{\alpha}{\alpha+\beta} \qquad Var(X) = \frac{\alpha\beta}{(\alpha+\beta)^2(\alpha+\beta+1)}$$

- **Gamma to Beta**

$$X \sim Gamma(\alpha_1, \beta) \qquad Y \sim Gamma(\alpha_2, \beta)$$
$$\text{Then transformation} \quad U = \frac{X}{X+Y} \sim Beta(\alpha_1, \alpha_2) \qquad (\text{Use } X = UV,\ Y = V - UV)$$

Chi-Square

$$\textbf{Chi-Square:}\ \chi_n^2 \text{is Chi-square with degrees of Freedom } n$$
$$\chi_n^2 = Z_1^2 + Z_2^2 + \cdots + Z_n^2 \qquad \text{where } Z_i \backsim \text{standard normal.} Z_i \backsim Gamma\left(\frac{1}{2}, \frac{1}{2}\right)$$
$$\Rightarrow \chi_n^2 = n \text{ i.i.d. } Z_i \backsim Gamma\left(\frac{1}{2}, \frac{1}{2}\right)$$

$$= Gamma\left(\frac{n}{2}, \frac{1}{2}\right)$$

CDF in General

- $F_x(t) = P(X \leq t)$

$$= \sum_{x \leq t} P(X = x) \qquad \text{discrete}$$

$$= \int_{-\infty}^{t} f(x)dx \qquad \text{continuous}$$

- **Discrete:** "Left open, right closed" $\Rightarrow$ if you flip the sign (from $<$ to $\leq$) in the left, you flip the sign of a (from a to a^-)
  - $P(a < x \leq b) = F(b) - F(a)$
  - $P(a \leq x \leq b) = F(b) - F(a^-)$
  - $P(a < x < b) = F(b^-) - F(a)$
  - $P(a \leq x < b) = F(b^-) - F(a^-)$
- **Continuous:** (because a point doesn't have a mass)

$$P(a \leq x \leq B) = \int_{a}^{b} f(x)dx = F(b) - F(a)$$

Integration by Recognition

$$1 = \int_{-\infty}^{\infty} \frac{e^{-\frac{x^2}{2\sigma^2}}}{\sigma\sqrt{2\pi}}dx \qquad \sigma\sqrt{2\pi} = \int_{-\infty}^{\infty} e^{-\frac{x^2}{2\sigma^2}} \qquad \text{(normal dist.)}$$

Joint Distribution

Discrete

$$P_{X,Y}(x,y) = P(X = x, Y = y)$$
$$\text{Indep} \Rightarrow P_X(x)P_Y(y)$$

Continuous

$$F_{X,Y}(x,y) = f_X(x)f_Y(y)$$
$$= \frac{\partial^2}{\partial x \partial y} F_{X,Y}(x,y)$$

- **Marginal Density/PMF**:

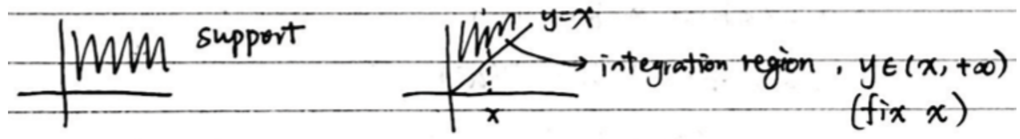
Continuous: $f_X(x) = \int_x f_{X,Y}(x,y)dy \quad and \quad f_Y(y) = \int_y f_{X,Y}(x,y)dx$

** the bounds for y in the integration can depend on x, and vice versa*

Discrete: $P_X(x) = \sum_y P(X = x, Y = y) \quad and \quad P_Y(y) = \sum_x P(X = x, Y = y)$

- Use joint pdf to compute probability

$$\text{e.g. } P(X<Y) = \int_0^\infty \int_x^\infty f(x,y)\,dy\,dx \qquad \text{assume } x>0, y>0$$



- **Independence:** If X, Y are independent, then

$$\textbf{Continuous:} \qquad f(x,y) = f_X(x) f_Y(y)$$
$$\textbf{Discrete:} \qquad P(X=x, Y=y) = P(X=x)P(Y=y)$$

- **Convolution:** assume X, Y are independent

$$\textbf{Discrete:} \qquad P_{X+Y}(a) = \sum_y P_X(a-y)P_Y(y) = \sum_x P_X(x)P_Y(a-x)$$
$$\textbf{Continuous:} \qquad f_{X+Y}(a) = \int_y f_X(a-y) f_Y(y)\,dy = \int_y f_X(x) f_Y(a-x)\,dx$$

MGF: we can use this $\quad M_{X+Y}(t) = M_X(t)M_Y(t) \longrightarrow$ then identify dist of X+Y from mgf

- **Density Transformation:**

$$\begin{tikzcd}
F_{X,Y} \arrow[r, "\text{diff}"] & f_{X,Y} \arrow[d, "\text{substitute}"] \arrow[dr, dotted, "\text{algebra}"] & \\
 & F_{g(X,Y)} \arrow[d, "\frac{d}{dt}"] & f_{g(X,Y)} \arrow[dl, dotted, bend left, "\text{integrate}"] \\
 & f_{g(X,Y)} &
\end{tikzcd}$$

X_1 & X_2 are indep r.v. $\Rightarrow$ want to find density of $\frac{X_1}{X_2}$

$Y_1 = \frac{X_1}{X_2} \qquad$ choose Y_2 to make work easier

$$\begin{tikzcd}
f_{X_1} \arrow[dr] & & f_{X_2} \arrow[dl] \\
 & f_{X_1,X_2} \arrow[d, "\text{dens. transf.}"] & \\
 & f_{\frac{X_1}{X_2},???} \arrow[d] & \\
 & f_{\frac{X_1}{X_2}} &
\end{tikzcd}$$

Density Transformation

For density transformation **e.g.** finding pdf of $U = X + Y$

- Convolution
- MGF
- Jacobian
- CDF Transformation

- Use CDF: Computer $P(Y \le y) = P(g(x) = y)$
- **1-dim:** If Y is monotonically increasing or decreasing: $Y = g(x)$ $\boxed{f_Y(y) = f_X(x(y)) \cdot |(x^{-1})'(y)|}$
- **2-dim:** Joint Density:

$$(X, Y) \to (U, V) \qquad U = h_1(X, Y) \qquad V = h_2(X, Y)$$
$$f_{U,V}(u, v) = f_{X,Y}(x(u, v), y(u, v)) \cdot |J|$$
$$\text{where} \quad J = \begin{vmatrix} \dfrac{\partial x}{\partial u} & \dfrac{\partial x}{\partial v} \\ \\ \dfrac{\partial y}{\partial u} & \dfrac{\partial y}{\partial v} \end{vmatrix} \quad \text{determinant}$$

- if $Z = X + Y$ (2-dim $\to$ 1-dim) use CDF. Compute $P(Z \le z) = P(X + Y \le z)$. Integrate $f(x, y)$ over this region.

Sterling's Formula

$$n! \approx \sqrt{2\pi n} \cdot \left(\frac{n}{e}\right)^n$$

This is only really useful when n is large, when factorials are represented as ratios.

Conditional distribution

Discrete
$$P_{X|Y=y}(x|y) = \frac{P_{X,Y}(x, y)}{P_Y(y)} = \frac{P(X = x, Y = y)}{P(Y = y)}$$
$$\Rightarrow \sum_y P_{X,Y}(x, y) = \sum_y P_{X|Y=y}(x|y) \cdot P_Y(y)$$

Continuous
$$f_{X|Y=y}(x|y) = \frac{f_{X,Y}(x, y)}{f_Y(y)}$$
$$\Rightarrow f_X(x) = \int_y f(x, y)dy = \int_y f_{X|Y=y}(x|y) \cdot f_Y(y)dy$$
$$F_{X|Y}(x|y) = \int_{-\infty}^{x} f_{X|Y}(x|y)dx$$

$$\begin{tikzcd}
f_{X|Y} \arrow[d] & f_Y \arrow[dl, bend left] \\
f_{X,Y} \arrow[d, "\text{integrate}"] \arrow[dr] \arrow[r, phantom, "x"] & {} \\
f_X \arrow[r, "\text{divide}"] & f_{Y|X}
\end{tikzcd}
\qquad
\begin{tikzcd}
f_{X,Y} \arrow[d, "\text{integrate}"] \arrow[dr, bend left, "\text{divide}"] & \\
f_X \arrow[r, "\text{divide}"] & f_{X|Y} \arrow[d, "\text{integrate } dx"] \\
& F_{X|Y}
\end{tikzcd}$$

Conditional Expectation

$$E[X|Y=y] = \sum_x xP(X=x|Y=y)$$
$$E[X|Y=y] = \int_x xf(x|y)dx$$
$$E[X|Y] : \text{compute } E[X|Y=y] \text{ first, replace } y \text{ with } Y$$

- **Properties:**
  - $E[aU+bV|Y=y] = aE[U|Y=y] + bE[V|Y=y]$ $\boxed{LOTUS}$
  - If $g(Y)=X$ then $E[X|Y=y]=X$
  - If $\underline{X \text{ and } Y}$ are independent, then $E[X|Y=y]=E[X]$

Conditional Variance

$$\boxed{Var(X|Y) = E[(X-E[X|Y])^2]} \qquad \text{(conditional variance)}$$
$$\boxed{Var(X|Y) = E[X^2|Y] - (E[X|Y])^2} \qquad \text{(unconditional variance)}$$

Ordered Statistics

Consider $X_1, X_2, \cdots, X_n$ $\quad X_{(j)}$ = j-th smallest

$$\begin{aligned} F_{\max(X_i)}(t) &= P(\max X_i \le t) = P(X_1 \le t) \cdot P(X_2 \le t) \cdots P(X_n \le t) \\ &= [F_X(t)]^n \qquad \boxed{f_{\max X_i}(t) = nF(t)^{n-1} f_X(t)} \\ F_{\min(X_i)}(t) &= 1 - P(\min x_i \ge t) = 1 - P(X_1 \ge t) \cdot P(X_2 \ge t) \cdots P(X_n \ge t) \\ &= 1 - [1-F_X(t)]^n \qquad \boxed{f_{\min X_i}(t) = n[1-F(t)]^{n-1} f_X(t)} \end{aligned}$$

General: j-th order statistic

$$f_{x(j)}(t) = \binom{n}{j-1, 1, n-j} F_X(t)^{j-1} \cdot f_X(t) \cdot [1-F_X(t)]^{n-j}$$

As Beta distribution: Let $U_1, U_2, \ldots, U_N \sim i.i.d.$ Uniform$(0,1)$ and let $1 \le j \le N$
$U_{(j)}$ = jth smallest in $U_{(1)}, U_{(2)}, \ldots, U_{(N)}$ (ordered statistics). Then,

$$U_{(j)} \sim Beta(j, N-j+1)$$
$$E[U_{(j)}] = \frac{j}{N+1}$$

Expectation and Variance

Law of Total Expectation:

$$E[X] = E[E[X|Y]]$$

Law of Total Variance:

$$Var(X) = E[Var(X|Y)] + Var[E(X|Y)]$$

Expectation

1. linearity of expectation
2. How to compute
   (a) LOTUS or definition (use density to integrate)
   (b) MGF: $M^{(n)}(0) = E[X^n]$ or by recognition
   (c) $E[X^2] = Var[X] + E[X]^2$
   (d) Tail probability X is non-neg R.V. ($x > 0$) then $E[X] = \sum_{t=0}^{\infty} P(X \geq t)\ or = \int_{0}^{\infty} P(X \geq t)dt$

Variance

1. $Var(X_1 + X_2 + \cdots + X_n) = \sum_{i=1}^{n} Var(X_i) + \sum_{i \neq j} Cov(X_i, X_j)$

   if X_i, X_j identical (not independent) $= nVar(X_i) + n(n-1)Cov(X_i, X_j) \qquad i \neq j$

$$\boxed{\text{Var(X+Y) = Var(X) + Var(Y) + 2Cov(X,Y)}}$$

2. **Covariance:**

$$Cov(X,Y) = E[XY] - E[X]E[Y]$$
$$Cov(X,c) = 0 \qquad c\ is\ a\ constant$$
$$Cov(X+Y,Z) = Cov(X,Z) + Cov(Y,Z)$$
$$Cov(cX,dZ) = cd \cdot Cov(X,Z)$$
$$Cov(aX+b,cY+d) = ac \cdot Cov(X,Y) \qquad a,b,c,d \text{ are constants}$$
$$Cov(X,Y) = 0 \qquad \text{If } X \perp Y \text{ (independent)}$$

3. **Correlation Coefficient:**

$$\rho(X,Y) = \frac{Cov(X,Y)}{\sqrt{Var(X)Var(Y)}} = \frac{Cov(X,Y)}{\sigma_x \sigma_y}$$

MGFs

Let X be a random variable. Then

$$M_X(t) = E[e^{tX}]$$

it can also be written as:

$$= E\Big[\sum_{j=0}^{\infty} \frac{(tX)^j}{j!}\Big]$$

$$= E\Big[\sum_{j=0}^{\infty} \Big(\frac{X^j}{j!} \cdot t^j\Big)\Big]$$

$$\boxed{M_X^{(n)}(0) = E[X^n]}$$

If X and Y are independent, then

$$\begin{aligned} M_{X+Y}(t) &= E[E^{(X+Y)t}] \\ &= E[e^{tX}]E[e^{tY}] \\ &= M_X(t)M_Y(t) \end{aligned}$$

Limit Theorems

Markov's Inequality

For any non-negative random variable X

$$P(X \geq a) \leq \frac{E(X)}{a} \qquad \text{(for } \underline{\text{any}}\ a > 0)$$

Proof. Let $X \geq 0$ a random variable and let $a > 0$. Define new random variable from X as Y_a

$$Y_a = \begin{cases} 0 & \text{if } X < a \\ a & \text{if } X \geq a \end{cases}$$

$$0 \leq Y_a \leq X \implies \underbrace{E[Y_a]}_{a \cdot P(X \geq a)} \leq E[X]$$

$$E[Y_a] = 0 \cdot P(Y_a < a) + a \cdot P(X \geq a)$$

$$E[Y_a] = a \cdot P(X \geq a) \leq E[X] \implies \boxed{P(X \geq a) \leq \frac{E(X)}{a}}$$

■

Chebyshev's Inequality

For any random variable Y with mean μ_y and variance σ_y^2

$$P(|Y - \mu)y| \geq c) \leq \frac{\sigma_y^2}{c^2} \qquad \text{(for } \underline{\text{any}}\ c > 0)$$

Proof.

$$P(|Y-\mu_y)| \geq c) = P(\underbrace{|Y-\mu_y)|^2}_{=X} \geq c^2)$$

$$P(|Y-\mu_y)|^2 \geq c^2) \leq \frac{E[|Y-\mu_y|^2]}{c^2} = \frac{\sigma_y^2}{c^2}$$

∎

This is the same as

- $P(|Y-\mu_y| \geq k\sigma_y) \leq \frac{1}{k^2}$
- $P(|Y-\mu_y| \leq k\sigma_y) \geq \underbrace{1-\frac{1}{k^2}}_{\text{very conservative}}$

Central Limit Theorem

$$\sum_{i=1}^{n} X_i \sim \mathcal{N}(n\mu_n, n\sigma_x^2)$$

$$\frac{1}{n}\sum_{i=1}^{n} X_i \sim \mathcal{N}\left(\mu_n, \frac{\sigma_x^2}{n}\right)$$

Weak Law of Large Numbers

If $X_1, X_2, \cdots$ are *i.i.d.* with a mean μ

$$\text{then} \qquad \lim_{n\to\infty} P\left(\left|\bar{X_n}-\mu\right| \geq \epsilon\right) = 0$$

Strong Law of Large Numbers

$$X \xrightarrow{p} \mu_X \qquad \text{as } n \to \infty$$

$$Pr\left(\lim_{n\to\infty} \bar{X_n} = \mu\right) = 1$$

Jensen's Inequality

If $p_1, \ldots, p_n$ are positive numbers and $\sum_{i=1}^{n} p_i = 1$, and f is a real continuous function that is convex, then

$$f\left(\sum_{i=1}^{n} p_i x_i\right) \leq \sum_{i=1}^{n} p_i f(x_i)$$

Conversely, if f is a concave function

$$f\left(\sum_{i=1}^{n} p_i x_i\right) \geq \sum_{i=1}^{n} p_i f(x_i)$$

Lecture 1 (2018-08-30)

Survey Sampling

We have a population of objects under study (people, animals, places, etc.). We will consider a single numerical measurement associated to object $i : x_i$

Example. $N = 5000, x_i =$ height of person i, Population size = N. We denote population measurements $\{x_1, x_2, \cdots, x_N\}$
Compute population quantities:

- population total $\tau = \sum_{i=1}^{N} x_i$
- population mean $\mu = \frac{\tau}{N} = \frac{\sum_{i=1}^{N} x_i}{N}$

Note: τ and μ are population parameters, their computation depends on all the population data.

Question. How to estimate τ and μ based on a sample of observation from this population?

Classical Answer: Choose a "random" sample of objects and associated measurements denoted $\{x_1, x_2, \cdots, x_n\}$. *Note:* capital X_i denote random variables.
Whiter "Random"? Two types of ways to sample:

- without replacement
- with replacement

Claim 1. If X_i are drawn without replacement, then the distribution of X_1 and X_2 are identical. Is this true? **In fact, it is** $\Rightarrow$ They are **NOT** independent but they are identically distributed.

$$\text{P(Ace in Pos 1)} = \text{P(Ace in Pos 2)} = \tfrac{4}{52}$$

Combinatorial Approach

"well-shuffled deck" $\leftrightarrow$ all 52! rearrangements of the card are equally likely. How many rearrangements have ace at pos 1? $4 \cdot 51!$

$$P(A_1) = \frac{4 \cdot 51!}{52!} = \frac{4}{52} = P(A_2) = P(A_{19}) = P(A_{36})$$

Question. If X_1 and X_2 are identically distributed, then how do they differ between corresponding draws with replacement?

Answer. Independence. We can have Random Variables that are identically distributed and not independent. Note if independent, $P(A_2|A_1) = P(A_2)$.

with replacement

$$P(A_1) = \frac{4}{52}, \quad P(A_2) = \frac{4}{52}$$
$$P(A_2|A_1) = \frac{4}{52}$$

without replacement

$$P(A_1) = \frac{4}{52}, \quad P(A_2) = \frac{4}{52}$$
$$P(A_2|A_1) = \frac{3}{51}$$

We can see from this that depending on sampling method, we gain or lose independence. In the finite population sampling method, we have $1, \ldots, N$ objects we care about.
Loss of Independence when choosing sampling method is important.

Lecture 2 (2018-09-05)

Finite Population sampling – without i without replacement. Mean/expected value and variance of $\bar{X}$
Suppose our population is given by $\{x_1, \dots, x_N\} = \{1, 2, 2, 7, 8, 9\}$ where

$$N = 6, \quad x_1 = 1 \quad x_2 = 2 \quad x_3 = 2 \quad x_4 = 7 \quad x_5 = 8 \quad x_6 = 9$$

Could also describe it by counting.

Distinct Value	frequency
$\varphi_1 = 1$	$n_1 = 1$
$\varphi_2 = 2$	$n_2 = 2$
$\varphi_3 = 7$	$n_3 = 1$
$\varphi_4 = 8$	$n_4 = 1$
$\varphi_5 = 9$	$n_5 = 1$

Possible sample of size $n = 6$, where we sample without replacement

$$X_1 = 7 \quad X_2 = 2 \quad X_3 = 8 \quad X_4 = 9 \quad X_5 = 1 \quad X_6 = 2$$

Sample here is the same as population as n=N

Same thing with replacement

$$X_1 = 9 \quad X_2 = 9 \quad X_3 = 9 \quad X_4 = 9 \quad X_5 = 9 \quad X_6 = 9$$

Typically N is large and $n << N$
Recall population parameters

$$\mu = \frac{\sum_{i=1}^{N} X_i}{N} \qquad \tau = N\mu = \sum_{i=1}^{N} X_i$$

Next, σ^2 (population variance)

$$\sigma^2 = \frac{1}{N}\sum_{i=1}^{N}(x_i - \mu)^2 \qquad (\sigma^2 \text{ is pop. variance})$$

Alternatively, we can also express σ^2 as

$$\begin{aligned}
\sigma^2 = \frac{\sum_{i=1}^{N}(x_i - \mu)^2}{N} &= \frac{\sum_{i=1}^{N}(x_i^2 - 2\mu x_i + \mu^2)}{N} \\
&= \frac{\sum_{i=1}^{N} x_i^2}{N} - \frac{2\mu}{N}\underbrace{\sum_{i=1}^{N} x_i}_{\mu} + \frac{\cancel{N}\mu^2}{\cancel{N}} \\
&= \frac{\sum_{i=1}^{N} x_i^2}{N} - 2\mu^2 + \mu^2
\end{aligned}$$

$$= \underbrace{\left(\frac{1}{N}\sum_{i=1}^{N} x_i^2\right)}_{\text{2nd moment}} - \mu^2 = \mu^{(2)} - \mu^2$$

Define: $\mu^{(k)} = \frac{1}{N}\sum_{i=1}^{N} x_i^k$

Sample Mean $\bar{X}$ as an estimator

A function of the sample data for the population μ.
Note: If the sample is random ($X_1, \ldots, X_n$ are R.Vs), then $\bar{X}$ is **random!**
Questions:

1. How is $\bar{X}$ distributed? - in theory, if we know 1, then we know the answers 2 & 3 too.
2. What is $E[\bar{X}]$?
3. What is $Var(\bar{X})$?

Let's address 2

Consider $E[\underbrace{X_1}_{\text{first draw}}]$ possible values for $X_1 = \{x_1, \ldots, x_N\}$

$$P(X_1 = x_k) = \frac{1}{\binom{N}{1}} = \frac{1}{N}$$

e.x. $\{\underbrace{1}_{x_1}, \underbrace{2}_{x_2}, \underbrace{2}_{x_3}, \underbrace{7}_{x_4}, \underbrace{7}_{x_5}, \underbrace{9}_{x_6}\}$ gives every separate entry a unique ticket even if they are the same

$$E[X_1] = \frac{1}{N}\sum_{k=1}^{N} x_k = \mu = E[X_2] \qquad \text{(b/c } X_1 \text{ \& } X_2 \text{ are identically dist.)}$$

In sampling $\boxed{\text{without replacement}}$ X_i & X_j are still identically distributed, but they are not independent.
In sampling $\boxed{\text{with replacement}}$, X_i & X_j are *i.i.d.*
Note that whether or not $X_1, \cdots, X_n$ are independent,

$$E\left[\sum_{i=1}^{N} X_i\right] = \sum_{i=1}^{N} E[X_i]$$

Note: The sample mean is equal to expected population mean regardless of sampling with or without replacement.

$$E[\bar{X}] = E\left[\frac{1}{n}\sum_{i=1}^{n} X_i\right] = \frac{1}{n}\sum_{i=1}^{N} E[X_i]$$
$$= \frac{n\mu}{n} = \mu$$

Since $E[\bar{X}] = \mu$, we say $\bar{X}$ is an unbiased estimator for μ. **BUT** $\underbrace{\bar{X}}_{\text{R.V.}} \neq \overbrace{\mu}^{\text{constant}}$

Let's address 3

Sampling with replacement.

Theorem. *Sampling from finite population with replacement*

$$Var(\bar{X}) = \frac{\sigma^2}{n}$$

Proof. Here $X_1, \cdots, X_n$ are *i.i.d.*. In general, X_i's are R.V. and a_i's are constants

$$Var\big(\sum_i a_i X_i\big) = \sum_i \sum_j a_i a_j cov(X_i, X_j)$$

If $X_1, \cdots, X_N$ are independent, $\underset{i \neq j}{Cov(X_i, X_j)} = 0$! Hence

$$Var(\bar{X}) = Var\left(\frac{1}{n}\sum_{i=1}^{n} X_i\right) = \frac{1}{n^2} Var\left(\sum_{i=1}^{n} X_i\right) = \frac{1}{n^2}\sum_{i=1}^{n}\underbrace{Var(X_i)}_{\text{a constant}}$$

$$\boxed{Var(\bar{X}) = \frac{Var(X_i)}{n} = \frac{\sigma^2}{n}}$$

■

We need to compute $Var(X_i)$. Observe that $Var(X_i)$ are same for all: *Why?* because they are identical.
Also notice $\frac{Var(X_i)}{n}$ decreases with n.
Observe that for all finite n, $Var(\bar{X})$ is not 0 unless $Var(X_i) = 0$!
Note: $Var(X_i) = E[(X_i - E(X_i))^2] = E[(X_i - \mu^2)] = \frac{1}{N}\sum(x_i - \mu)^2 = \sigma^2$
<u>So</u> $Var(X_i) = 0$ **iff** all $X_i \equiv \mu$

Lemma. *bX is <u>consistent</u> for* μ*, i.e.* $\forall \delta > 0$*, the* $P(|\bar{X} - \mu| > \delta) \longrightarrow 0$ *as* $n \to \infty$

For this Lemma, we need to Prove Chebyshev's Inequality, which is

$$P(|Z - E(Z)| > \delta) \leq \frac{Var(Z)}{\delta^2}$$

Use this identity!

$$E[\bar{X}] = \mu, \qquad Var(\bar{X}) = \frac{\sigma^2}{n}$$

$$P(|\bar{X} - E(\bar{X})| > \delta) \leq \frac{Var(\bar{X})}{\delta^2} = \frac{\sigma^2}{n\delta^2} \to 0 \qquad \text{as } n \to \infty$$

Lecture 3 (2018-09-10)

Sampling without replacement

$Var(\bar{X}) =$ when sampling without replacement

Theorem. *Sampling from finite population without replacement*

$$Var(\bar{X}) = \frac{\sigma^2}{n}\left[\underbrace{\frac{N-n}{n-1}}_{FPN}\right] \qquad \text{(finite population correction)}$$

Points to Note - In sample without replacement,

- If $n = N$, $Var(\bar{X}) = 0$
- If $n = 1$, $Var(\bar{X}) = \frac{\sigma^2}{n} = \sigma^2$, same as with replacement
- Check: for $n > 1$, how does $\frac{N-n}{N-1}$ relate to 1? The $Var(\bar{X})$ is always less without replacement

Proof. Start

1

$$Var(\bar{X}) = Var\left(\frac{1}{n}\sum_{i=1}^{n} X_i\right) = \frac{1}{n^2}\sum_i \sum_j Cov(X_i, X_j)$$

$$\left(\text{When sampling with replacement, } Cov(X_i, X_j) = 0 \text{ if } i \neq j\right)$$

In sampling without replacement, we cannot assert that $Cov(X_i, X_j) = 0$ and we'll compute it explicitly.

$$\text{Recall} \qquad Cov(X_i, X_j) = E[X_iX_j] - \underbrace{E[X_i]E[X_j]}_{\mu^2}$$

$$\mu^2 \leftarrow \text{as identical but not independent} \qquad = E[X_iX_j] - \mu^2$$

2 To calculate $E[X_iX_j]$, let us list distinct values in population

Example. $\{\underbrace{5}_{x_1}, \underbrace{5}_{x_2}, \underbrace{8}_{x_3}, \underbrace{11}_{x_4}, \underbrace{8}_{x_5}, \underbrace{17}_{x_6}, \underbrace{9}_{x_7}\}$ Let $n_l = \#$ of times ζ_l appears in population.

Distinct Value	frequency
$\zeta_1 = 5$	$n_1 = 2$
$\zeta_2 = 8$	$n_2 = 2$
$\zeta_3 = 11$	$n_3 = 1$
$\zeta_4 = 17$	$n_4 = 1$
$\zeta_5 = 9$	$n_5 = 1$

$$P[X_i = 5] = \frac{2}{7} = \frac{n_1}{N} \qquad \text{(i draws identical)}$$

$$\Rightarrow P[X_i = \zeta_l] = \frac{n_l}{N}$$

$$n_1 + n_2 + \ldots + n_m = \sum_{j=1}^{m} n_j = N$$

$$E[X_iX_j] = \sum_{k=1}^{m}\sum_{l=1}^{m} \zeta_k\zeta_l \underbrace{P[X_i = \zeta_k, X_j = \zeta_l]}_{?}$$

$$P[X_i = \zeta_k, X_j = \zeta_l] = \underbrace{P[X_j = \zeta_l | X_i = \zeta_k]}_{3} \cdot \underbrace{P[X_i = \zeta_k]}_{=\frac{n_k}{N}}$$

3 Cases for Conditional probability

$$P[X_j = \zeta_l | X_i = \zeta_k] \overset{cases}{=} \begin{cases} \frac{n_l}{N_1} & l \neq k \to \text{numbers are diff.} \\ \frac{n_l - 1}{N-1} & l = k \to \text{numbers are same} \end{cases}$$

4 So we have

$$E[X_iX_j] = \sum_{k=1}^{m}\sum_{l=1}^{m} \zeta_k\zeta_l P[X_i = \zeta_k, X_j = \zeta_l]$$

$$E[X_iX_j] = \sum_{k=1}^{m}\sum_{l=1}^{m} \zeta_k \zeta_l P[X_j = \zeta_l | X_i = \zeta_k] \cdot P[X_i = \zeta_k]$$

$$= \sum_k \zeta_k P[X_i = \zeta_k]\zeta_k \left(\sum_l \zeta_l P[X_j = \zeta_l | X_i = \zeta_k] \right)$$

$$= \sum_k \zeta_k P[X_i = \zeta_k]\zeta_k \left(\sum_{l \neq k} \zeta_l P[X_j = \zeta_l | X_i = \zeta_k] + \zeta_k P[X_j = \zeta_k | X_i = \zeta_k] \right)$$

$$= \sum_k \zeta_k P[X_i = \zeta_k]\zeta_k \left(\underbrace{\sum_{l \neq k} \zeta_l \frac{n_l}{N-1}}_{5} + \zeta_k \frac{n_k - 1}{N-1} \right)$$

5 When $l \neq k$ and we want to remove all l terms

$$\sum_{l \neq k} \zeta_l \frac{n_l}{N-1} = \frac{1}{N-1} \sum_{l \neq k} \zeta_l n_l$$

$$\left(\sum_l \zeta_l n_l = \tau = n\mu \right) \quad \text{population total}$$

$$= \frac{1}{N-1}(\tau - \zeta_k n_k)$$

(6) Now Back

$$
\begin{aligned}
E[X_iX_j] &= \sum_k \zeta_k \frac{n_k}{N}\left(\frac{1}{N-1}(\tau - \zeta_k n_k) + \zeta_k \frac{n_k - 1}{N-1}\right) \\
&= \frac{1}{N(N-1)} \sum_k \zeta_k n_k \left[(\tau - \cancel{\zeta_k n_k}) + \cancel{\zeta_k n_k} - \zeta_k\right] \\
&= \frac{1}{N(N-1)} \sum_k \zeta_k n_k \left[\tau - \zeta_k\right] \\
&= \frac{1}{N(N-1)} \left(\sum_k \zeta_k n_k \tau - \sum_k \zeta_k^2 n_k\right) \\
&= \frac{1}{N(N-1)} \left[\tau^2 - \sum_k \zeta_k^2 n_k\right]
\end{aligned}
$$

(7) What is $\sum_k (\zeta_k)^2 \frac{n_k}{N}$? Second moment $E[X_i^2]$ $\qquad E[X_i^2] = \sigma^2 + \mu^2$

$$
\begin{aligned}
E[X_i^2] = \sigma^2 + \mu^2 \qquad & \frac{\tau^2}{N} = N\mu^2 as \mu = \frac{\tau}{N} \\
E[X_iX_j] \Longrightarrow & \frac{1}{N-1}\left[N\mu^2 - (\sigma^2 + \mu^2)\right] \\
= & \frac{1}{N-1}[(N-1)\mu^2 - \sigma^2] = \mu^2 - \frac{\sigma^2}{N-1}
\end{aligned}
$$

$$
\begin{aligned}
\text{So} \quad Cov(X_i, X_j) &= \mu^2 - \frac{\sigma^2}{N-1} - \mu^2 \\
&= -\frac{\sigma^2}{N-1} \qquad\qquad (\text{Cov} < 0) \\
\text{So} \quad Cov(X_i, X_j) &= Var(X_i) = \sigma^2
\end{aligned}
$$

(8) Putting it all together

$$
\begin{aligned}
Var(\bar{X}) &= \frac{1}{n^2}\left(\sum_{i \neq j} Cov(X_i, X_j) + \sum_{i=1}^{n} Var(X_i)\right) \\
&= \frac{1}{n^2}\left(\sum_{i \neq j} -\frac{\sigma^2}{N-1} + n\sigma^2\right) \\
&= \frac{1}{n^2}\left(\frac{-n(n-1)\sigma^2}{N-1} + \frac{\sigma^2}{n}\right) \\
&= \frac{\sigma^2}{n}\left(1 - \frac{n-1}{N-1}\right) \\
&\boxed{= \frac{\sigma^2}{n}\left(\frac{N-n}{N-1}\right)}
\end{aligned}
$$

■

Lecture 4 (2018-09-12)

- Binary data- special case.
- Approximate distance of $\bar{X}$ when n is large but $n << N$
- Estimating population Variance
- Bivariate data

Recall that population is <u>dichotomous</u> or <u>binary</u> then $x_i = \begin{cases} 1 \\ 0 \end{cases}$

Moreover if we consider $x_i = 1$ as a "success" and $x_i = 0$ as a "failure", then

$$\mu = \frac{\sum_{i=1}^{N} X_i}{N} = \frac{\#\text{ of successess in population}}{\text{population size}} = p \qquad (\text{pop}^n \text{ proportion of success})$$

$$\text{Now,} \quad \sigma^2 = \underbrace{\frac{\sum_{i=1}^{N} X_i}{N}}_{\mu} - \mu^2 = p - p^2 = p(1-p) = pq$$

$$\mu \text{ as } 1 \Rightarrow 1^2 = 1 \qquad\qquad 0 \Rightarrow 0^2 = 0$$

Recall that if $Y \sim \text{Bernoulli}(p)$, $Y_i = \begin{cases} 1 & \text{w/ prob } p \\ 0 & \text{w/ prob } 1-p \end{cases}$

$$E[Y] = p$$
$$Var(Y) = p(1-p)$$

Last few weeks involved an analysis of $\bar{X}$, $E(\bar{X})$, $Var(\bar{X})$. Could also ask: How is $\bar{X}$ distributed if n is large.

Confidence Intervals - Sampling W.R.

If sampling **with replacement**, where $X_1, \ldots, X_n$ denotes sample, we know X_i's are *i.i.d.* Hence when n is large, by CLT $\bar{X}$ has an approximately normal distribution.

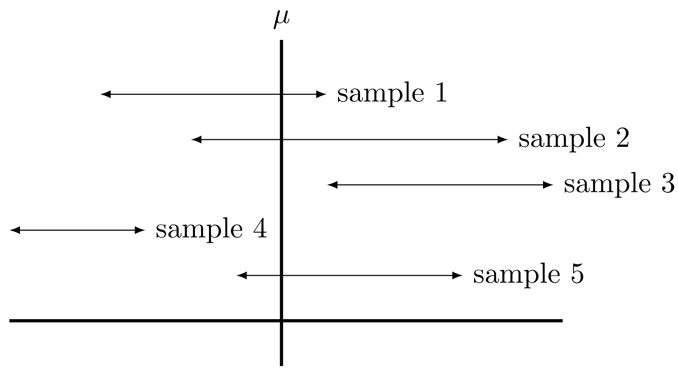
$$P\left(\frac{\bar{X} - \mu}{\sigma/\sqrt{n}} \leq x\right) \longrightarrow \Phi(x) \qquad \text{as } n \to \infty$$

When sampling with replacement, we can use this to obtain confidence intervals for μ: Let $\alpha \in (0, 1)$ be given.

$$\text{Let } Z_\alpha \in \mathbb{R} \text{ such that } P(Z > Z_\alpha) = \alpha \text{ where } Z \sim N(0, 1)$$

By the Central Limit Theorem, for n large (sampling w/replacement)

$$= P\left(-Z_{\alpha/2} \leq \frac{\bar{X} - \mu}{\sigma/\sqrt{n}} \leq Z_{\alpha/2}\right)$$
$$= P\left(\underbrace{\bar{X} - Z_{\alpha/2} \cdot \frac{\sigma}{\sqrt{n}}}_{\text{Random}} \leq \mu \leq \underbrace{\bar{X} + Z_{\alpha/2} \cdot \frac{\sigma}{\sqrt{n}}}_{\text{Random}}\right)$$
$$Var(\bar{X}) = 0 \qquad \text{Never happens}$$



In repeated sampling, approx $(1-\alpha)$ of intervals contain μ, and (α) frac will not.

$$\text{We say } \boxed{\bar{X} - Z_{\alpha/2} \cdot \frac{\sigma}{\sqrt{n}}} \text{ is } 100(1-\alpha)\% \text{ 2-sided confidence interval for } \mu$$

Problem: This interval involved σ which is unknown. Observe that if n is large, then $\frac{\bar{X}-\mu}{\sigma/\sqrt{n}}$ is still approx $N(0,1)$ in distribution where (no population parameters)

$$\boxed{s^2 = \frac{1}{n-1}\sum (X_i - \bar{X})^2} \qquad \text{(sample variance)}$$

So we obtain

$$\boxed{\bar{X} \pm Z_{\frac{\alpha}{2}} \frac{s}{\sqrt{n}}} \qquad \text{as a } 100(1-\alpha) \text{ CI for } \mu$$

In the dichotomous case,

$$\bar{X} = \frac{\#\text{ of the succession sample}}{\text{sample size}} = \hat{p}$$

$$100(1-\alpha)\% \text{ CI for} \qquad p : \hat{p} \pm Z_{\frac{\alpha}{2}} \sqrt{\frac{\hat{p}(1-\hat{p})}{n}}$$

Confidence Intervals - Sampling W.o.R.

Recall now what happens when sampling **without replacement**

Here, $X_1, X_2, \ldots, X_n$ remain identically distributed, but not independent

We surmised, that if $n << N$, $X_i \& X_j$ have an *"approximate independence"*

Example 1. Let population consist of 1000 elements. In this case:

blue $-$ 1 $-$ 200, red $-$ 2 $-$ 300, green $-$ 1 $-$ 500

$$\left.\begin{aligned} &P(X_1 = 3) = \tfrac{1}{2} \\ &P(X_2 = 3 | X_1 = 3) = \tfrac{499}{999} \end{aligned}\right\} \text{not independent, but have approximate independence.}$$

In short, $n << N$, each successive draw does not alter probabilities that much, precisely b/c removal is only of a sample # of population elements.
So if $n << N$, then even in sampling W.O.R, X_i's retain an approximate independence. Further if n is "large" and small relative to N, (note delicate point!) then $\bar{X}$ will still have an approx Normal distribution.

$$\frac{\bar{X}-\mu}{\sqrt{\frac{\sigma^2}{n}\left(\frac{N-n}{N-1}\right)}} \sim N(0,1)$$

Observe σ^2 us still unknown. We'd like to consider estimators for σ^2

Estimator for variance W.o.R

$$\hat{\sigma}^2 = \frac{1}{n}\sum_{i=1}^{n}(X_i-\bar{X})^2$$
$$s^2 = \frac{1}{n-1}\sum_{i=1}^{n}(X_i-\bar{X})^2$$

Try to understand $E[\hat{\sigma}^2]$

$$\hat{\sigma}^2 = \frac{1}{n}\sum_{i=1}^{n}(X_1^2 - 2X_i\bar{X} + \bar{X}^2)$$
$$\hat{\sigma}^2 = \frac{1}{n}\sum_{i=1}^{n}x_i^2 - 2\bar{X}\bar{X} + \bar{X}^2 = \frac{1}{n}\sum_{i=1}^{n}X_i^2 - \bar{X}^2$$
$$E[\hat{\sigma}^2] = \underbrace{E\left[\frac{1}{n}\sum_{i=1}^{n}X_i^2\right]}_{1} - \underbrace{E[\bar{X}^2]}_{2} \qquad \text{can get } E[\bar{X}^2] \text{ from } Var(\bar{X})$$

1 $\quad E\left[\frac{1}{n}\sum_{i=1}^{n}X_i^2\right] = \frac{1}{n}\sum_{i=1}^{n}E[X_i^2] = \sigma^2 + \mu^2$

2 $\quad Var(\bar{X}) = E[\bar{X}^2] - (E[\bar{X}])^2$

$$E[\bar{X}^2] = \underbrace{Var(\bar{X})}_{\text{computed}} + \mu^2$$

Combining, we get:

$$E[\hat{\sigma}^2] = \sigma^2 + \mu^2 - (Var(\bar{X}) + \mu^2)$$
$$E[\hat{\sigma}^2] = \sigma^2 - \left[\frac{\sigma^2}{n}\left(\frac{N-n}{N-1}\right)\right]$$

The estimator is biased, but

$$E[\hat{\sigma}^2] = \sigma^2\Bigg(\underbrace{1 - \frac{N-n}{(n)(N-1)}}_{\text{constant, } c}\Bigg)$$
$$E[\hat{\sigma}^2] = C\sigma^2$$

and thus $\frac{\hat{\sigma}^2}{C}$ is an unbiased estimator.

Lecture 5 (2018-09-17)

- Approximation methods / Delta-methods
- Bivariate populations
- Ratio estimations

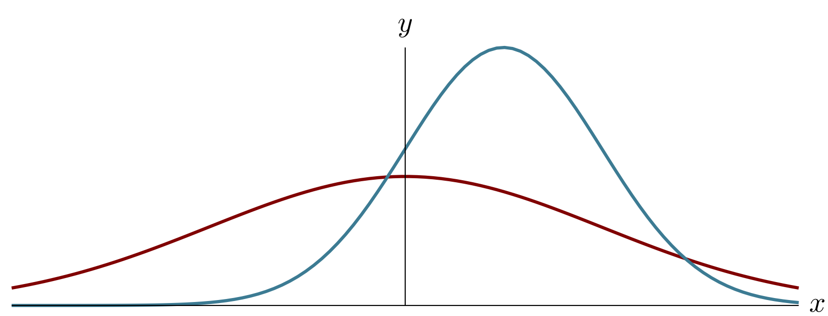
We calculated $E\underbrace{[\hat{\sigma}^2]}_{C\sigma^2}$ where $\hat{\sigma}^2 = \frac{1}{n}\sum_{i=1}^{n}(X_i - \bar{X})^2$ and you can use our computations to generate an unbiased estimator for population variance σ^2. Can also use his to calculate $E[s^2]$, where $s^2 = \frac{1}{n-1}\sum_{i=1}^{n}(X_i - \bar{X})^2$

Bias-Variance Tradeoff

1. Unbiased estimators are useful: if T is an unbiased estimator for θ then $E[T] = \theta$.
2. However, if we wish to evaluate two estimatorsL- one biased and other unbiased, we may not universally want to choose the unbiased one always, we need to consider $\boxed{variance}$.

Why? Suppose that T is an estimator for θ.
The Mean Squared Error (MSE):

$$MSE = E[(T-\theta)^2] \xrightarrow{\text{exercised}} \underbrace{Var(T)}_{\text{Variance}} + \underbrace{(E(T)-\theta)^2}_{\text{Bias}}$$



We can see from the above plots that the red graph has an estimator θ closer to μ, but has a higher variance. However, estimator B has an unbiased estimator, but has a smaller variance. Depends on sampling analysis.

Bivariate population sampling

Suppose we have a population of N objects. On each object we have a pair of measurements: (x_i, y_i)
Note: When sampling from this population if object i is in sample, then both measurements in pair (x_i, y_i) are retained. In particular (x_i, y_i) appears exactly once in the population, and sample w/o repl, then you cannot retrieve measurement i later.

Parameters

$$\mu_X = \frac{1}{N}\sum_{i=1}^{N} X_i \qquad \tau_X = N\mu_X$$

$$\tau_Y = N\mu_Y$$

$$\sigma_Y^2 = \frac{1}{N}\sum_{i=1}^{N}(y_i - \mu_Y)^2 \qquad \mu_Y = \frac{1}{N}\sum_{i=1}^{N} Y_i \qquad \sigma_X^2 = \frac{1}{N}\sum_{i=1}^{N}(x_i - \mu_X)^2$$

Covariance

$$\sigma_{XY}^2 = \frac{1}{N}\sum_{i=1}^{N}(x_i - \mu_X)(y_i - \mu_Y)$$

Suppose $\mu_X \neq 0$ Define $r = \frac{\mu_X}{\mu_Y}$ What is a reasonable estimator r?
Could consider $R = \frac{\bar{X}}{\bar{Y}}$

Now Suppose that μ_X. were known. Consider $\mu_X \cdot R = \frac{\mu_X}{\bar{X}}\bar{Y}$.
Plausible estimator for μ_Y. But why? we already have $\bar{Y}$, an unbiased estimator for μ_Y. We will see that $\mu_X \cdot R$, the so called **ratio estimate**, is

1. a biased estimate
2. can contribute in reduction in variance relative to $\bar{Y}$

So we will need to understand $E[R], Var(R)$ & approximations of $E[R]$ & $Var(R)$

Approximation Methods

Let X be a random variable with mean $= \mu_X$ and variance $= \sigma_X^2$. Let $Z = g(X)$, where $g : \mathbb{R} \to \mathbb{R}$, g a deterministic function of x.
Question: How to compute $E[Z]$?
Answer: If density of X is known, (call this f_X), then

$$E(Z) = \int_{\mathbb{R}} g(X) f_X(x) dx \qquad \text{involves an integral}$$

Cumbersome even if f_X is known; closed form solution to integral exists; not possible to get exact value even if f_X known, but no closed form solution; not even possible to write integral if f_X unknown. If g is linear, then it is OK e.g. $E[g(X)] = E[aX + b] = a\mu_X + b$

Taylor Expansions

Taylor expansion of g about μ_X (Why? Think Chebyshev!)

$$g(x) \approx g(\mu_X) + g'(\mu_X)(x - \mu_X) + \frac{g''(x)(x - \mu_X)^2}{2!} + \cdots + \text{higher order terms}$$

$$\boxed{g(X) \approx g(\mu_X) + g'(\mu_X)(X - \mu_X) + \frac{g''(X)(X - \mu_X)^2}{2!}}$$

$$E[Z] \approx E[g(\mu_X)] + E[g'(\mu_X)(X-\mu_X)] + E\left[\frac{g''(\mu_X)}{2!}(X-\mu_X)^2\right]$$
$$\approx g(\mu_X) + g'(\mu_X)\cancelto{0}{E[(X-\mu_X)]} + \frac{g''(\mu_X)}{2!}E[(X-\mu_X)^2]$$
$$\boxed{E[Z] \approx g(\mu_X) + \frac{g''(\mu_X)}{2!}\sigma_X^2}$$

But $R = \frac{\bar{Y}}{\bar{X}}$, a function of two variables!

Consider $\quad g(x,y) : \mathbb{R}^2 \to \mathbb{R}$
Taylor expand g about (μ_x, μ_y)

1 Linear Approximation

$$g(x,y) \approx g(\mu_x,\mu_y) + \frac{\partial g}{\partial x}(\mu_x,\mu_y)\cdot(x-\mu_x) + \frac{\partial g}{\partial y}(\mu_x,\mu_y)\cdot(y-\mu_y)$$

2 Second order approximation

$$g(x,y) \approx g(\mu_x,\mu_y) + \frac{\partial g}{\partial x}(\mu_x,\mu_y)\cdot(x-\mu_x) + \frac{\partial g}{\partial y}(\mu_x,\mu_y)\cdot(y-\mu_y)$$
$$+\frac{1}{2}\frac{\partial^2 g}{\partial x^2}(\mu_x,\mu_y)\cdot(x-\mu_x)^2 + \frac{1}{2}\frac{\partial^2 g}{\partial y^2}(\mu_x,\mu_y)\cdot(y-\mu_y)^2 + \frac{\partial g}{\partial x \partial y}(\mu_x,\mu_y)\cdot(x-\mu_x)(y-\mu_y)$$

Evaluating $E[g(X,Y)]$

$$E[g(X,Y)] \approx g(\mu_x,\mu_y) + \frac{\partial g}{\partial x}(\mu_x,\mu_y)\cdot\cancelto{0}{E[(x-\mu_x)]} + \frac{\partial g}{\partial y}(\mu_x,\mu_y)\cdot\cancelto{0}{E[(y-\mu_y)]}$$
$$+\frac{1}{2}\frac{\partial^2 g}{\partial x^2}(\mu_x,\mu_y)\cdot E[(x-\mu_x)^2] + \frac{1}{2}\frac{\partial^2 g}{\partial y^2}(\mu_x,\mu_y)\cdot E[(y-\mu_y)^2] + \frac{\partial g}{\partial x \partial y}(\mu_x,\mu_y)\cdot E[(x-\mu_x)(y-\mu_y)]$$

When the dust settles,

$$\boxed{E[g(X,Y)] \approx g(\mu_x,\mu_y) + \frac{1}{2}\frac{\partial^2 g}{\partial x^2}(\mu_x,\mu_y)\cdot\sigma_X^2 + +\frac{1}{2}\frac{\partial^2 g}{\partial y^2}(\mu_x,\mu_y)\cdot\sigma_Y^2 + \frac{\partial g}{\partial x \partial y}(\mu_x,\mu_y)\cdot Cov(X,Y)}$$

Lecture 6 (2018-09-19)

- Approximation methods, Δ-methods
- Ratio estimations
- Parametric Estimation

Let X be a r.v. mean μ_X and variance σ_X^2. Let g be a deterministic function $g : \mathbb{R} \to \mathbb{R}$.
Let $Z = g(X)$ How to approximate $E[g(X)] = g(Z)$? We could do

$$E[Z] \approx g(\mu_X) + \frac{1}{2} g''(\mu_X) \cdot Var(X)$$

Whether or not this approximation is accurate depends on contribution to higher order terms.
If $Z = g(X, Y)$, then $E[Z]$ is

$$E[Z] \approx g(\mu_x, \mu_y) + \frac{1}{2}\frac{\partial^2 g}{\partial x^2}(\mu_x, \mu_y) \cdot \sigma_X^2 + + \frac{1}{2}\frac{\partial^2 g}{\partial y^2}(\mu_x, \mu_y) \cdot \sigma_Y^2 + \frac{\partial g}{\partial x \partial y}(\mu_x, \mu_y) \cdot \sigma_{XY}$$

Goal: Understand $E[R]$, $Var(R)$ where $R = \frac{\bar{Y}}{\bar{X}}$ and we are sampling W.o.R from a finite bivariate population

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Let's consider what happens when $g(X, Y) = \frac{Y}{X}$

$$\frac{\partial g}{\partial x} = \frac{-y}{x^2} \to \frac{\partial^2 g}{\partial x^2} = \frac{2y}{x^3} \qquad \frac{\partial g}{\partial y} = \frac{1}{x} \to \frac{\partial^2 g}{\partial y^2} = 0 \qquad \frac{\partial^2 g}{\partial x \partial y} = -\frac{1}{x^2}$$

Here we will look at $g(\bar{X}, \bar{Y}) = \frac{\bar{X}}{\bar{Y}}$ $\qquad E[\bar{X}] = \mu_x$ and $E[\bar{Y}] = \mu_y$

$$E[g(\bar{X}, \bar{Y})] = E\left[\frac{\bar{X}}{\bar{Y}}\right] \approx \frac{\mu_y}{\mu_x} + \frac{1}{2}\left(\frac{2\mu_y}{(\mu_x)^3}\right)\sigma_{\bar{X}}^2 + 0 - \frac{1}{\mu_x^2}\sigma_{\bar{X}\bar{Y}}$$

Do we think $\mu_x R$ is unbiased for μ_y **Answer:** <u>No</u>, it is not unbiased b/c look at approximation

What about variance?

Let's return for a minute on general setting for approximations of moments of functions of random variables. Again $g(X, Y) = Z$

Let's write 1st order Taylor expansion for Z

$$Z \approx g(\mu_x, \mu_y) + \frac{\partial g}{\partial x}(\mu_x, \mu_y) \cdot (x - \mu_x) + \frac{\partial g}{\partial y}(\mu_x, \mu_y) \cdot (y - \mu_y)$$

So we find

$$Z \approx a + b(X - \mu_X) + c(Y - \mu_Y)$$
$$Var(Z) \approx b^2 Var(X) + c^2 Var(Y) + 2bc Cov(X, Y)$$
$$\approx \left[\underbrace{\frac{\partial g}{\partial x}}_{\text{b}}\right]^2 \sigma_X^2 + \left[\underbrace{\frac{\partial g}{\partial y}}_{\text{c}}\right]^2 \sigma_Y^2 + 2\left[\underbrace{\frac{\partial g}{\partial x}}_{\text{b}}\right]\left[\underbrace{\frac{\partial g}{\partial y}}_{\text{c}}\right]\sigma_{XY}$$

We don't go further than linear as higher variance requires higher order moments e.g. $E[x^4] \leftarrow$ they don't matter.

$$Var(R) \approx \left[\frac{-\mu_y}{\mu_x^2}\right]^2 \sigma_{\bar{X}}^2 + \left[\frac{1}{\mu_x}\right]^2 \sigma_{\bar{Y}}^2 + 2\left[\frac{-\mu_y}{\mu_x^2}\right]\left[\frac{1}{\mu_x}\right]\sigma_{\bar{X}\bar{Y}} \tag{$\star$}$$

Recall

$$\sigma_{\bar{X}}^2 = \frac{\sigma_x}{n}\left[\frac{N-n}{N-1}\right] \qquad \sigma_{\bar{Y}}^2 = \frac{\sigma_y}{n}\left[\frac{N-n}{N-1}\right]$$
$$\sigma_{\bar{X}\bar{Y}} = ? \quad \frac{\sigma_{xy}}{n}\left[\frac{N-n}{N-1}\right]$$

Recall

$$\sigma_{XY} = \frac{1}{N}\sum_{i=1}^{N}(x_i - \mu_x)(y_i - \mu_y)$$
$$\rho = \frac{\sigma_{xy}}{\sigma_x \sigma_y} \implies \boxed{\sigma_{xy} = \rho\sigma_x\sigma_y}$$

Now $\star$ implies

$$\begin{aligned}
Var(R) &\approx \frac{1}{n}\left[\frac{N-n}{N-1}\right]\left\{\frac{\mu_y^2}{\mu_x^4}\sigma_x^2 + \frac{1}{\mu_x^2}\sigma_y^2 - \frac{2\mu_y}{\mu_x^3}\sigma_{xy}\right\} \\
&\approx \frac{1}{n\mu_x^2}\left[\frac{N-n}{N-1}\right]\left\{\underbrace{\frac{\mu_y^2}{\mu_x^2}}_{r^2}\sigma_x^2 + \sigma_y^2 - 2\underbrace{\frac{\mu_y}{\mu_x^3}}_{r}\underbrace{\sigma_{xy}}_{\rho\sigma_x\sigma_y}\right\} \\
Var(R) &\approx \frac{1}{n\mu_x^2}\left[\frac{N-n}{N-1}\right]\left(r^2\sigma_x^2 + \sigma_y^2 - 2r\rho\sigma_x\sigma_y\right)
\end{aligned}$$

Ratio Estimations

Ratio estimate for μ_Y is $\mu_X R \leftarrow$ useful if μ_X is known. We know from before that $E[\mu_X R] \neq \mu_Y$.

$$Var(\bar{Y}) = \frac{\sigma_y^2}{n}\left[\frac{N-n}{N-1}\right] \qquad\qquad E[\bar{Y}] = \mu$$

Ratio is useful if bias is small and variance reduction is significant (relative to $Var(\bar{Y})$).

<u>Recall</u>

$$\begin{aligned}
E(R) &= \frac{\mu_x}{\mu_y} + \frac{1}{\cancel{2}}\frac{\cancel{2}\mu_y}{\mu_x^3}\cdot\frac{\sigma_y^2}{n}\left[\frac{N-n}{N-1}\right] - \frac{1}{\mu_X^2}\frac{\sigma_{xy}}{n}\left[\frac{N-n}{N-1}\right] \\
&\approx r + \frac{1}{n\mu_x^2}\left[\frac{N-n}{N-1}\right]\left(r\sigma_x^2 - \rho\sigma_x\sigma_y\right)
\end{aligned}$$

Lecture 7 (2018-09-21)

Lecture 8 (2018-09-23)

Lecture 9 (2018-09-25)

Lecture 10 (2018-09-30)

Lecture 11 (2018-10-04)

Lecture 12 (2018-10-15)

NEED TO FINISH ATLEAST 8 LECTURES FROM BEFORE

- Modes of convergence; Slutsky's Theorem
- Asymptotic normality of MLEs
- Sufficiency
- Efficiency

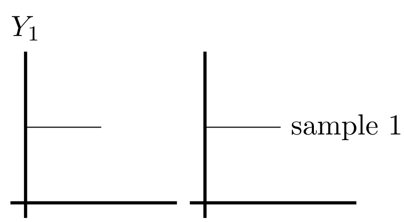
<u>4 Typical Modes of Convergence</u>

1. Convergence with probability 1
2. Convergence in probability
3. Convergence in L^P (expectation)
4. Convergence in distribution

$$Y_n = g_n(X) = n\mathbb{1}_{[0,\frac{1}{n})} \qquad X \sim unif[0,1]$$
$$Y_n \to y \quad \text{w.p. } 1 \quad \text{(away from zero) where } Y \equiv 0$$
$$g_n(X) = n^2\mathbb{1}_{[0,\frac{1}{n})}$$

1. Here $Y_n \to 0$ w.p. 1
2. $Y_n \to 0$ in probability
3. $E[|Y_n|] = n$ so $Y_n \to Y$ in Expectation or L^P for $p \geq 1$

<u>Exercise</u>: How can we construct a sequence Y_n s.t. $Y_n \to 0$ in probability but $Y_n \not\to 0$ w.p. 1?



For each $\omega \in (0,1)$ the Y_n's oscillate between 0 and 1, but the set of points at which Y_n is non-zero shrinks in probability.
Note: If $Y_n \to Y$ with probability 1, then $Y_n \to Y$ in probability, but converse is not necessarily true.

Theorem. *Slutsky's Theorem:*

1 *Suppose $X_n \to X$ in distribution ($X_n \xrightarrow{d} X$), $Y_n \to Y$ in probability. Then $X_n + Y_n \xrightarrow{d} X + Y$*

2 *If $X_n \xrightarrow{d} X$ and $Y_n \to c$ in probability: $X_nY_n \xrightarrow{d} cX$*

<u>Why all this fuss?</u> Short answers: modes of convergence can be quire different!

Let's look at what happens to functions of random variables in particular:

Let $g : \mathbb{R} \to \mathbb{R}$ be smooth; and suppose $X_i \sim i.i.d. \quad f(x|\theta); \qquad \mu = \mathbb{E}[X_i]; \quad Var(X_i) = \sigma^2 < \infty$

So $\bar{X}$ is consistent for μ. Further, by CLT $\Rightarrow$

$$\frac{\bar{X} - \mu}{\frac{\sigma}{\sqrt{n}}} \underset{\text{approx}}{\sim} \mathcal{N}(0,1)$$
$$\frac{\sqrt{n}}{\sigma}(\bar{X} - \mu) \to \mathcal{N}(0,1)$$

How to understand approximatet/asymptotic behavior of $g(\bar{X})$? **Taylor expand** g about μ

$$g(x) \approx g(\mu) + g'(\mu)(x - \mu) + \frac{1}{2}g''(\mu)(x - \mu)^2$$

<u>Taylor's theorem with remainder:</u>

$$g(x) \approx g(\mu) + g'(\mu)(x - \mu) + \frac{g''(Z)}{2!}(x - \mu)^2$$

where Z is some point between x & μ

$$\Rightarrow g(\bar{X}) - g(\mu) = g'(\mu)(\bar{X} - \mu) + \frac{g''(Z)(\bar{X} - \mu)^2}{2!}$$
$$\sqrt{n}\big(g(\bar{X}) - g(\mu)\big) = \underbrace{\boxed{\sqrt{n}g'(\mu)(\bar{X} - \mu)}}_{\to\mathcal{N}(0,\text{some variance})} + \underbrace{\frac{\sqrt{n}g''(Z)(\bar{X} - \mu)^2}{2!}}_{?}$$

$$? = \sqrt{n} \quad \underbrace{\frac{g''(Z)}{2!}}_{\substack{\text{suppose}\\ \text{we can bound}\\ \text{this piece}}} \quad (\bar{X} - \mu)^2$$

$$\sqrt{n}(\bar{X} - \mu)^2 = \underbrace{\boxed{\sqrt{n}(\bar{X} - \mu)}}_{\substack{\text{converging}\\ \text{in distr}\\ \text{to normal}}}\underbrace{\boxed{(\bar{X} - \mu)}}_{0 \text{ in prob.}}$$

So Slutsky's Theorem $\Rightarrow \sqrt{n}\big(g(\bar{X}) - g(\mu)\big) \to \mathcal{N}(0, \text{some variance})$

Recall our properties of MLE's from last week:

1. Consistency
2. Fisher information as a variance
3. Asymptotic normality: $\sqrt{nI(\theta_0)}\left(\hat{\theta}_{\text{MLE}} - \theta_0\right) \xrightarrow{d} \mathcal{N}(0,1)$

Let's look at $\ell(\theta) = $ log-likelihood

$$\text{MLE}: \quad 0 = \ell'(\hat{\theta})$$
$$\ell'(\theta) - \ell'(\theta_0) \approx \ell''(\theta_0)(\theta - \theta_0)$$

We conclude that for $\theta = \hat{\theta}$

$$\begin{aligned}
\ell'(\hat{\theta}) &\approx \ell'(\theta_0) + \ell''(\theta_0)(\hat{\theta} - \theta_0) \\
\Rightarrow 0 &= \ell'(\theta_0) + \boxed{\ell'(\theta_0)}(\hat{\theta} - \theta_0)
\end{aligned}$$

So if $\ell''(\theta_0) \neq 0$, we find

$$\boxed{(\hat{\theta} - \theta_0) \approx \frac{-\ell'(\theta_0)}{\ell''(\theta_0)}}$$

Now we can also write

$$\boxed{\sqrt{n}(\hat{\theta} - \theta_0) \approx -\frac{n^{-1/2}\ell'(\theta_0)}{n^{-1}\ell''(\theta_0)}}$$

$$\begin{aligned}
\ell'(\theta) &= \sum_{i=1}^{n} \frac{\partial}{\partial\theta} \log f(X_i|\theta_0) \\
&= \sum_{i=1}^{n} \frac{\partial}{\partial\theta} \log\left(f(X_i|\theta_0)\right)\Big|_{\theta=\theta_0} \\
\mathbb{E}[n^{-1/2}\ell'(\theta_0)] &= \frac{1}{\sqrt{n}} \sum_{i=1}^{n} \mathbb{E}\left[\frac{\partial}{\partial\theta} \log\left(f(X_i|\theta_0)\right)\Big|_{\theta=\theta_0}\right] = 0 \qquad \text{(by earlier result)} \\
Var\left(n^{-1/2}\ell'(\theta_0)\right) &= \frac{1}{n}\mathbb{E}\left[\left(\frac{\partial}{\partial\theta} \log\left(f(X_i|\theta_0)\right)\Big|_{\theta=\theta_0}\right)^2\right]
\end{aligned}$$

By independence of X_i's and Zero 1st moment of $\frac{\partial}{\partial\theta} \log f(X_i|\theta)\Big|_{\theta=\theta_0}$

$$\boxed{= I(\theta_0)}$$

The denominator:

$$\frac{1}{n}\ell''(\theta_0) = \frac{1}{n}\sum_{i=1}^{n} \underbrace{\left[\frac{\partial^2}{(\partial\theta)^2} \log f(X_i|\theta)\right]}_{Z_i}\Bigg|_{\theta=\theta_0}$$

Lecture 13 (2018-10-17)

- Asymptotic normality of MLEs (8.5)
- Efficiency & Sufficiency (8.7)
- Bayesian Estimation (8.6)

Suppose X_i are i.i.d. $f(x|\theta)$ where f satisfies regularity conditions 1) smoothness 2) $suppf$ is independent of θ)
Let $\hat{\theta}$ be MLE for θ suppose true value of θ is $\theta = \theta_0$. Then

$$\sqrt{nI(\theta_0)}(\hat{\theta} - \theta_0) \xrightarrow[d]{n\to\infty} \mathcal{N}(0, 1)$$

Note $Var(\hat{\theta})$ is asymptotically given by $\frac{1}{nI(\theta_0)}$

$$\sqrt{nI(\theta_0)}(\hat{\theta} - \theta_0) = \frac{\hat{\theta} - \theta_0}{1/nI(\theta_0)}$$

Recall: (where $\ell(\theta)$ is log likelihood)

$$\sqrt{n}(\hat{\theta} - \theta_0) \approx \frac{n^{-1/2}\ell'(\theta_0)}{n^{-1}\ell''(\theta_0)}$$

Recall: last time we showed

$$Var(n^{1/2}\ell'(\theta_0)) = I(\theta_0)$$

Also the denominator is

$$\frac{1}{n}\ell''(\theta_0) = \frac{1}{n}\sum_{i=1}^{n}\left[\frac{\partial^2}{(\partial\theta)^2}\log f(X_i|\theta)\right]\bigg|_{\theta=\theta_0}$$

By LLN, this converges to

$$\mathbb{E}\left[\frac{\partial^2}{(\partial\theta)^2}\log f(X_i|\theta)\bigg|_{\theta=\theta_0}\right] = +I(\theta_0)$$

So we've written

$$\sqrt{n}(\hat{\theta} - \theta_0) \approx \frac{W^{(n)}}{U^{(n)}}$$

We know that $U^{(n)} \to I(\theta_0)$ in probability But what is the numerator?

$$W^{(n)} = \frac{1}{\sqrt{n}}\sum_{i=1}^{n}\underbrace{\left[\frac{\partial}{\partial\theta}\log f(X_i|\theta)\right]\bigg|_{\theta=\theta_0}}_{Y_i}$$

Observe that Y_i's are ii, $E[Y_i] = 0; Var(Y_i) = I(\theta_0)$ So by CLT applied to $\frac{1}{\sqrt{n}}\sum_{i=1}^{n} Y_i$, we find that

$$\frac{1}{\sqrt{nI(\theta_0)}}\sum Y_i \xrightarrow{d} \mathcal{N}(0, 1)$$

So Slutsky's theorem $\Rightarrow \sqrt{n}(\hat{\theta}-\theta_0) \xrightarrow{d} \mathcal{N}(0, ?)$ What is ?

So we've written

$$[\sqrt{n}(\hat{\theta}-\theta_0)]\sqrt{I(\theta_0)} \approx \frac{W^{(n)}}{U^{(n)}} \quad (\sqrt{I(\theta_0)})$$

$$\text{Notice that} \quad \frac{\sqrt{I(\theta_0)}}{U^{(n)}} \to \frac{1}{\sqrt{I(\theta_0)}} \quad \text{in probability}$$

$$\text{Note that} \quad \frac{W^n}{\sqrt{I(\theta_0)}} = \frac{1}{\sqrt{I(\theta_0)}}\sum Y_i \longrightarrow \mathcal{N}(0,1)$$

So what did we do?

1. First, we did a Taylor expansion (1st order) of log likelihood
2. We used that to write

$$\sqrt{n}(\hat{\theta}-\theta_0) \approx -\frac{n^{-1/2}\ell'(\theta_0)}{n^{-1}\ell''(\theta_0)}$$

$$\textbf{Note:} \qquad \sqrt{nI(\theta_0)}(\hat{\theta}-\theta_0) \approx \frac{\frac{1}{\sqrt{nI(\theta_0)}}\ell'(\theta_0)}{\boxed{\frac{-1}{I(\theta_0)}\cdot\frac{1}{n}\ell''(\theta_0)}}$$

3. We used Central Limit Theorem to conclude that

$$\frac{1}{\sqrt{n}}\ell'(\theta_0) \to \mathcal{N}(0, I(\theta_0))$$

4. By LLN, boxed piece converges in probability to $1/\sqrt{I(\theta_0)}$
5. By Slutsky's Theorem, $\sqrt{nI(\theta_0)}(\hat{\theta}-\theta_0) \xrightarrow[d]{n\to\infty} \mathcal{N}(0,1)$

Next: Surprising!

Suppose that $X_i \sim f(X_i|\theta)$ satisfying regularity conditions and let $T = r(X_1,\ldots,X_n)$ an estimator for θ Suppose that T is unbiased for θ. (T is not necessarily MLE or MOM...) Then

$$Var(T) \geq \frac{1}{nI(\theta)}$$

This is a remarkable lower bound on the variance of an unbiased estimator! An unbiased estimator T ($T = T_n = r(X_1,\ldots,X_n)$) Such that $Var(T_n) = \frac{1}{nI(\theta)}$ is said to be efficient

$$\text{if} \quad \frac{Var(T_n)}{1/nI(\theta_0)} \xrightarrow{n\to\infty} 1, \qquad \text{then } T_n \text{ is asymptotically efficient}$$

Relative Efficiency: If we have two unbiased estimators $\hat{\theta}_1$ and $\hat{\theta}_2$, their relative efficiency is the ratio $\frac{Var(\hat{\theta}_1)}{Var(\hat{\theta}_2)}$

The <u>asymptotic relative efficiency</u> is the limit of this ratio as $n \to \infty$:

$$\lim_{n\to\infty} \frac{Var(\hat{\theta}_1)}{Var(\hat{\theta}_2)}$$

So far we've shown

1. MLEs are consistent
2. MLEs are asymptotically unbiased
3. MLEs are asymptotically normal
4. MLEs are asymptotically efficient

Sufficiency

Let $X_i \sim f(x|\theta)$. Suppose $T = r(X_1, \dots, X_n)$ is a statistic (i.e. a function of $X_1, \dots, X_n$) We say T is sufficient for θ if the conditional distribution of $X_1, \dots, X_n$ given T is independent of θ

Theorem. *(Factorization)*
A statistic T is sufficient for a parameter θ ***iff*** $f(x_1, \dots, x_n|\theta) = g(T, \theta) \cdot h(X_1, \dots, X_n)$