

Probability and Statistics Notes

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1 Introduction to Probability

1.1 The History of Probability

1.2 Interpretations of Probability

Probability Interpretations

- Frequency: If an experiment is carried out many times, the frequency with which a particular outcome occurred would define its probability.
- Classical: If an outcome of some experiment must be one of n different, equally likely outcomes, the probability of each outcome is $\frac{1}{n}$.
- Subjective: An entity assigns probabilities to each possible outcome.

Probability theory does not depend on interpretation.

1.3 Experiments and Events

Probability allows us to quantify how likely an outcome is to occur.

Experiments: Any process in which the possible outcomes can be identified ahead of time.

Events: A well defined set of possible outcomes of the experiment.

Although there is controversy in regard to the proper meaning and interpretation of some of the probabilities that are assigned to the outcomes of many experiments, once these probabilities are assigned, there is complete agreement upon the mathematical theory of probability.

Almost all work in the mathematical theory of probability is related to:

- Methods for determining probabilities of certain events from given probabilities for each possible outcome in an experiment.
- Methods for revising probabilities of events when additional relevant information is obtained.

1.4 Set Theory

Sample Space: The collection of all possible outcomes of an experiment.

Empty Set: Subset of S containing no elements, denoted \emptyset , representing any events that cannot occur.

Complement: For some set A , its complement, denoted A^c , is the set containing all elements of S not in A .

Union: For n sets A_1, \dots, A_n , their union, denoted $A_1 \cup \dots \cup A_n$ or $\bigcup_{i=1}^n A_i$, is defined as the set containing all outcomes that belong to at least one of these n sets.

Intersection: For n sets A_1, \dots, A_n , their intersection, denoted $A_1 \cap \dots \cap A_n$ or $\bigcap_{i=1}^n A_i$, is defined as the set containing the elements common to all these n sets.

Disjoint/Mutually Exclusive: Two sets A and B are disjoint/mutually exclusive if they have no outcomes in common, that is, if $A \cap B = \emptyset$, representing that both A and B cannot occur.

1.5 The Definition of Probability

Axioms of Probability:

1. For every event A , $P(A) \geq 0$
2. $P(S) = 1$
3. $P(\bigcup_{i=1}^{\infty} A_i) = \sum_{i=1}^{\infty} P(A_i)$

Basic Theorems:

1. $P(\emptyset) = 0$
2. For every finite sequence of n disjoint events, A_1, \dots, A_n , $P(\bigcup_{i=1}^n A_i) = \sum_{i=1}^n P(A_i)$
3. For every event A , $P(A^c) = 1 - P(A)$
4. If $A \subset B$, then $P(A) \leq P(B)$
5. For every event A , $0 \leq P(A) \leq 1$
6. For every two events A and B , $P(A \cap B^c) = P(A) - P(A \cap B)$
7. For every two events A and B , $P(A \cup B) = P(A) + P(B) - P(A \cap B)$
8. Bonferroni Inequality: For all events A_1, \dots, A_n , $P(\bigcap_{i=1}^n A_i) \geq 1 - \sum_{i=1}^n P(A_i^c)$

1.6 Finite Sample Spaces