ECON675: Assignment 2

Anirudh Yadav

October 7, 2018

1 Question 1: Kernel Density Estimation

1.1 Density derivatives

I follow the derivation in Hansen's notes. We are interested in estimating

$$f^{(s)}(x) = \frac{d^s}{dx^s} f(x).$$

The natural estimator is

$$\hat{f}^{(s)}(x) = \frac{d^s}{dx^s} \hat{f}(x)$$

Now, we know that $\hat{f}(x) = \frac{1}{nh} \sum_i K\left(\frac{X_i - x}{h}\right)$. Thus,

$$\begin{aligned}
\hat{f}^{(1)}(x) &= \frac{-1}{nh^2} \sum_{i=1}^{n} K^{(1)}\left(\frac{X_i - x}{h}\right), \\
\hat{f}^{(2)}(x) &= \frac{1}{nh^3} \sum_{i=1}^{n} K^{(2)}\left(\frac{X_i - x}{h}\right), \\
&\vdots \\
\hat{f}^{(s)}(x) &= \frac{(-1)^s}{nh^{1+s}} \sum_{i=1}^{n} K^{(s)}\left(\frac{X_i - x}{h}\right).
\end{aligned}$$

Now,

$$\begin{aligned}
\mathbb{E}[\hat{f}^{(s)}(x)] &= \frac{1}{n} \sum_{i=1}^{n} \mathbb{E}\left[\frac{(-1)^s}{h^{1+s}} K^{(s)}\left(\frac{X_i - x}{h}\right)\right] \\
&= \mathbb{E}\left[\frac{(-1)^s}{h^{1+s}} K^{(s)}\left(\frac{X_i - x}{h}\right)\right], \text{ since } X_i \text{ are iid.} \\
&= \int_{-\infty}^{\infty} \frac{(-1)^s}{h^{1+s}} K^{(s)}\left(\frac{z - x}{h}\right) f(z) dz
\end{aligned}$$

Next, we want to use integration by parts: $\int udv = uv - \int vdu$. Define

$$dv = \frac{(-1)^s}{h^s}\frac{1}{h}K^{(s)}\left(\frac{z-x}{h}\right) \implies v = \frac{(-1)^s}{h^s}K^{(s-1)}\left(\frac{z-x}{h}\right)$$

And

$$u = f(z) \implies du = f^{(1)}(z).$$

Thus,

$$\begin{aligned}\mathbb{E}[\hat{f}^{(s)}(x)] &= \left[\frac{(-1)^s}{h^s}K^{(s-1)}\left(\frac{z-x}{h}\right)f^{(1)}(z)\right]_{-\infty}^{\infty} - \int_{-\infty}^{\infty}\frac{(-1)^s}{h^s}K^{(s-1)}\left(\frac{z-x}{h}\right)f^{(1)}(z)dz. \\ &= -\int_{-\infty}^{\infty}\frac{(-1)^s}{h^s}K^{(s-1)}\left(\frac{z-x}{h}\right)f^{(1)}(z)dz\end{aligned}$$

Repeating this s times give

$$\begin{aligned}\mathbb{E}[\hat{f}^{(s)}(x)] &= (-1)^s\int_{-\infty}^{\infty}\frac{(-1)^s}{h}K\left(\frac{z-x}{h}\right)f^{(s)}(z)dz \\ &= \int_{-\infty}^{\infty}\frac{1}{h}K\left(\frac{z-x}{h}\right)f^{(s)}(z)dz\end{aligned}$$

Next, use the following change of variables: $u = \frac{z-x}{h}$, which implies $z = x + hu \implies dz = hdu$. Thus,

$$\mathbb{E}[\hat{f}^{(s)}(x)] = \int_{-\infty}^{\infty}K(u)f^{(s)}(x+hu)du \tag{1}$$

The next step is to take a Taylor expansion of $f^{(s)}(x+hu)$ around $x + hu = x$, which is valid if $h \to 0$. We get

$$f^{(s)}(x+hu) = f^{(s)}(x) + f^{(s+1)}(x)hu + \frac{1}{2}f^{(s+2)}(x)h^2u^2 + ... + \frac{1}{P!}f^{(s+P)}(x)h^Pu^P + o(h^P).$$

Substituting this expression back into (1), integrating over each term, and using the fact that $\int_{-\infty}^{\infty}K(u)du = 1$ and the notation

$$\mu_\ell(K) = u^\ell K(u)$$

gives

$$\mathbb{E}[\hat{f}^{(s)}(x)] = f^{(s)}(x) + f^{(s+1)}(x)h\mu_1(K) + \frac{1}{2}f^{(s+2)}(x)h^2\mu_2(K) + ... + \frac{1}{P!}f^{(s+P)}(x)h^P\mu_P(K) + o(h^P).$$

Finally, noting that since K is a P-order kernel, $\mu_\ell(K) = 0$ for all $\ell < P$, gives the desired result

$$\mathbb{E}[\hat{f}^{(s)}(x)] = f^{(s)}(x) + \frac{1}{P!}f^{(s+P)}(x)h^P\mu_P(K) + o(h^P). \tag{2}$$

Next we consider the variance of the derivative estimator.

$$\begin{aligned}
\mathbb{V}[\hat{f}^{(s)}(x)] &= \mathbb{V}\left[\frac{(-1)^s}{nh^{1+s}}\sum_{i=1}^{n} K^{(s)}\left(\frac{X_i - x}{h}\right)\right] \\
&= \frac{1}{nh^{2+2s}}\mathbb{V}\left[K^{(s)}\left(\frac{X_i - x}{h}\right)\right],
\end{aligned}$$

since $\{X_i\}$ are iid there are no covariance terms and each term has the same variance. Continuing,

$$\begin{aligned}
\mathbb{V}[\hat{f}^{(s)}(x)] &= \frac{1}{nh^{2+2s}}\left\{\mathbb{E}\left[K^{(s)}\left(\frac{X_i - x}{h}\right)^2\right] - \mathbb{E}\left[K^{(s)}\left(\frac{X_i - x}{h}\right)\right]^2\right\} \\
&= \frac{1}{nh^{2+2s}}\mathbb{E}\left[K^{(s)}\left(\frac{X_i - x}{h}\right)^2\right] - \frac{1}{n}\mathbb{E}\left[\frac{1}{h^{1+s}}K^{(s)}\left(\frac{X_i - x}{h}\right)\right]^2 \qquad (3)
\end{aligned}$$

Now, from above we know that

$$\begin{aligned}
\mathbb{E}\left[\frac{1}{h^{1+s}}K^{(s)}\left(\frac{X_i - x}{h}\right)\right] &= f^{(s)}(x) + \frac{1}{P!}f^{(s+P)}(x)h^P\mu_P(K) + o(h^P) \\
&= f^{(s)}(x) + o(1)
\end{aligned}$$

since the remainder goes to zero as $h \to 0$. Thus, the second term in (3) is $O(\frac{1}{n})$; i.e. the same order as $1/n$. Furthermore $O(\frac{1}{n})$ is of smaller order than $O(\frac{1}{nh^{1+2s}})$ since $h \to 0$ and $n \to \infty$. Accordingly, we can write

$$\mathbb{V}[\hat{f}^{(s)}(x)] = \frac{1}{nh^{2+2s}}\mathbb{E}\left[K^{(s)}\left(\frac{X_i - x}{h}\right)^2\right] + o\left(\frac{1}{nh^{1+2s}}\right),$$

Thus,

$$\mathbb{V}[\hat{f}^{(s)}(x)] = \frac{1}{nh^{1+2s}}\int_{-\infty}^{\infty}\frac{1}{h}K^{(s)}\left(\frac{z - x}{h}\right)^2 f(z)dz + o\left(\frac{1}{nh^{1+2s}}\right)$$

Again we use the change of variables $u = \frac{z-x}{h}$ so that

$$\mathbb{V}[\hat{f}^{(s)}(x)] = \frac{1}{nh^{1+2s}}\int_{-\infty}^{\infty}K^{(s)}(u)^2 f(x + hu)du + o\left(\frac{1}{nh^{1+2s}}\right)$$

With the usual Taylor expansion of $f(x + hu)$ we can write

$$\begin{aligned}
\mathbb{V}[\hat{f}^{(s)}(x)] &= \frac{1}{nh^{1+2s}}\int_{-\infty}^{\infty}K^{(s)}(u)^2(f(x) + O(h))du + o\left(\frac{1}{nh^{1+2s}}\right) \\
&= \frac{f(x)}{nh^{1+2s}}\int_{-\infty}^{\infty}K^{(s)}(u)^2 du + o\left(\frac{1}{nh^{1+2s}}\right) \\
&= \frac{1}{nh^{1+2s}}f(x)\vartheta_s(K) + o\left(\frac{1}{nh^{1+2s}}\right),
\end{aligned}$$

where $\vartheta_s(K) = \int_{-\infty}^{\infty} K^{(s)}(u)^2 du$ as required.

1.2 Optimal bandwidth

We have

$$\begin{aligned}
\text{AIMSE}[h] &= \int_{-\infty}^{\infty} \left[\left(h^P \mu_P(K) \cdot \frac{f^{(P+s)}(x)}{P!} \right)^2 + \frac{1}{nh^{1+2s}} \vartheta_s(K) f(x) \right] dx \\
&= h^{2P} \left(\frac{\mu_P(K)}{P!} \right)^2 \vartheta_{s+P}(f) + \frac{1}{nh^{1+2s}} \vartheta_s(K),
\end{aligned}$$

since $f(x)$ integrates to 1 and where $\vartheta_{s+P}(f) = \int (f^{(P+s)}(x))^2 dx$. Thus,

$$\begin{aligned}
\frac{d}{dh} \text{AIMSE}[h] = 2Ph^{2P-1} \left(\frac{\mu_P(K)}{P!} \right)^2 \vartheta_{s+P}(f) - (1+2s) \frac{1}{nh^{2+2s}} \vartheta_s(K) = 0 \\
\implies 2Ph^{1+2P+2s} \left(\frac{\mu_P(K)}{P!} \right)^2 \vartheta_{s+P}(f) = (1+2s) \frac{1}{n} \vartheta_s(K),
\end{aligned}$$

which gives the optimal bandwidth

$$h^* = \left[\frac{1+2s}{2Pn} \left(\frac{P!}{\mu_P(K)} \right)^2 \frac{\vartheta_s(K)}{\vartheta_{s+P}(f)} \right]^{\frac{1}{1+2P+2s}}.$$

A fully data-driven method for estimating h^* is cross-validation. This procedure attempts to directly estimate the mean-squared error, and then choose the bandwidth which minimizes this estimate. From the lecture notes the cross-validation bandwidth is the value h which minimizes the criteria

$$\hat{h}_{CV} = \arg\min_h CV(h) = \frac{1}{n^2 h} \sum_{i=1}^{n} \sum_{j=1}^{n} (K * K) \left(\frac{X_i - X_j}{h} \right) - \frac{2}{n} \sum_{i=1}^{n} \hat{f}_{(i)}(X_i)$$

where $\hat{f}_{(i)}(x_i)$ is the density estimate computed without observation X_i.

1.3 Monte Carlo experiment