



Why

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Definition

The *covariance* between two random variables which are each integrable and whose product is integrable is the expectation of their product less the product of their expectation.

Notation

Let f and g be two integrable random variables with fg integrable. Denote the covariance of f with g by $\text{cov}(f, g)$. We defined it:

$$\text{cov}(f, g) = E(fg) - E(f)E(g).$$

Properties

Prop. 1. *Covariance is symmetric and bilinear.*²

Prop. 2. *The covariance of a random variable with itself is its variance.*

Proof. Let f be a square-integrable real-valued random variable, then

$$\text{cov}(f, f) = E(ff) - E(f)E(f) = E(f^2) - (E(f))^2 = \text{var}(f).$$

□

¹Future editions will include this.

²Future editions will include an account.

Prop. 3. *The variance of a sum of integrable real-valued random variables whose pairwise products are integrable is the double sum of the pairwise covariances.*

Proof. Let f_1, \dots, f_n be integrable random variables with $f_i f_j$ integrable for all $i, j = 1, \dots, n$. Using the bilinearity,

$$\begin{aligned} \text{var} \left(\sum_{i=1}^n f_i \right) &= \text{cov} \left(\sum_{i=1}^n f_i, \sum_{i=1}^n f_i \right) \\ &= \sum_{i=1}^n \sum_{j=1}^n \text{cov}(f_i, f_j) \end{aligned}$$

□

