S&DS 351: Stochastic Processes - Homework 1

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Problem 1.1

Suppose you have a matrix $X \in \mathbb{R}^{m \times n}$ and another matrix $Y \in \mathbb{R}^{n \times p}$. Let $Z = X \times Y$, i.e., the matrix multiplication of X and Y.

(a) (5 points) What are the dimensions of Z? What is the i, jth entry of Z in terms of those of the matrices X and Y? Is Z necessarily equal to $Y \times X$? If not, provide a counterexample.

The dimensions of $Z \in \mathbb{R}^{m \times p}$.
The i, jth entry of Z is given by

$$Z_{i,j} = \sum_{k=1}^{n} A_{i,k} B_{k,j}$$

Z is not necessarily equal to $Y \times X$. For example, consider the following matrices:

$$X = \begin{bmatrix} 1 & 2 \\ 3 & 4 \end{bmatrix} \quad Y = \begin{bmatrix} 5 & 6 \\ 7 & 8 \end{bmatrix}$$

Then, $Z = X \times Y = \begin{bmatrix} 19 & 22 \\ 43 & 50 \end{bmatrix}$, but $Y \times X = \begin{bmatrix} 23 & 34 \\ 31 & 46 \end{bmatrix}$.

Therefore, there $\exists X, Y$ such that $X \times Y = Z \neq Y \times X$.

(b) (5 points) Consider the following matrix P:

$$P = \begin{bmatrix} 0 & 0 & 1 \\ \frac{1}{3} & \frac{1}{3} & \frac{1}{3} \\ 0 & \frac{1}{2} & \frac{1}{2} \end{bmatrix}.$$

Find P^2 (that is, $P \times P$).

$$P^2 = P \times P = \begin{bmatrix} 0 & 0 & 1 \\ \frac{1}{3} & \frac{1}{3} & \frac{1}{3} \\ 0 & \frac{1}{2} & \frac{1}{2} \end{bmatrix} \begin{bmatrix} 0 & 0 & 1 \\ \frac{1}{3} & \frac{1}{3} & \frac{1}{3} \\ 0 & \frac{1}{2} & \frac{1}{2} \end{bmatrix} = \begin{bmatrix} 0 & \frac{1}{2} & \frac{1}{2} \\ \frac{1}{9} & \frac{5}{18} & \frac{11}{18} \\ \frac{1}{6} & \frac{5}{12} & \frac{5}{12} \end{bmatrix}$$

(c) (5 points) Find the limit of P^n as $n \to \infty$ (that is, find the limit of each entry $(P^n)_{i,j}$, $1 \leq i, j \leq 3$ as $n \to \infty$). You do not need to prove what the limit is; it suffices to guess correctly (using a calculator or computer is allowed).

Since P is row-stochastic,

$$\lim_{x \to \infty} P^n = \begin{bmatrix} \pi \\ \pi \\ \pi \end{bmatrix} = \mathbf{1}\pi^\top$$

where π is the stationary distribution statisfying $\pi P = \pi$ and $\pi_1 + \pi_2 + \pi_3 = 1$.
Let $\pi = (\pi_1, \pi_2, \pi_3)$.

$$(\pi P)_j = \sum_{i=1}^{3} \pi_i P_{i,j} = \pi_j$$

for each $j = 1, 2, 3$
For $j = 1$, $\pi_1 = 0\pi_1 + \frac{1}{3}\pi_2 + 0\pi_3 = \frac{1}{3}\pi_2$
So, $\pi_1 = \frac{1}{3}\pi_2$
For $j = 2$, $\pi_2 = 0\pi_1 + \frac{1}{3}\pi_2 + \frac{1}{2}\pi_3 = \frac{1}{3}\pi_2 + \frac{1}{2}\pi_3$, or $\pi_3 = \frac{4}{3}\pi_2$
For $j = 3$, $\pi_3 = \pi_1 + \frac{1}{3}\pi_2 + \frac{1}{2}\pi_3 = \pi_1 + \frac{1}{3}\pi_2 + \frac{1}{2}\pi_3$
Normalizing using $\pi_1 + \pi_2 + \pi_3 = 1$,

$$\pi_1 + \pi_2 + \pi_3 = \frac{1}{3}\pi_2 + \pi_2 + \frac{4}{3}\pi_2 = \frac{8}{3}\pi_2 = 1$$

Therefore, $\pi_2 = \frac{3}{8}$, $\pi_1 = \frac{1}{3}\pi_2 = \frac{1}{8}$, and $\pi_3 = \frac{4}{3}\pi_2 = \frac{1}{2}$.

$$\pi = \left(\frac{1}{8}, \frac{3}{8}, \frac{1}{2}\right)$$

In a 3×3 matrix, where every row is π, we get

$$\lim_{n\to\infty} P^n = \begin{bmatrix} \frac{1}{8} & \frac{3}{8} & \frac{1}{2} \\ \frac{1}{8} & \frac{3}{8} & \frac{1}{2} \\ \frac{1}{8} & \frac{3}{8} & \frac{1}{2} \end{bmatrix}$$

(d) (Bonus, 10 points) Prove the following statement for any $P \in \mathbb{R}^{3\times3}$. Assume the limit of P^n as $n \to \infty$ equals a matrix of the form $\mathbf{1}\pi^\top$ for some $\pi \in \mathbb{R}^{3\times1}$ and $\mathbf{1} = (1, 1, 1)^\top \in \mathbb{R}^{3\times1}$. Confirm that $\mathbf{1}^\top\pi \in \mathbb{R}^{3\times3}$. Prove that $P^\top\pi = \pi$.

Problem 1.2

Suppose that we are given two geometric random variables A_1 and A_2 with parameter p which are not necessarily independent. Let $\{B_1, B_2, \dots\}$ be a sequence of random variables independent of A_1 and A_2, such that each B_i has mean μ and variance σ^2.

(a) (5 points) Compute $\mathbb{E}[A_1 + 300A_2]$.

Given that A_1 and A_2 are geometric, even if they are not independet, the expectation of a sum of random variables is the sum of their expectations. As such

$$\mathbb{E}[A_1 + 300A_2] = \mathbb{E}[A_1] + 300\mathbb{E}[A_2] = \frac{1}{p} + \frac{300}{p} = \frac{301}{p}$$

(b) (5 points) Prove that $\mathbb{P}[A_1 + 300A_2 \geq 5000/p] \leq 0.1$.

Employing Markov's inequality, where for any non-negative random variable X and any $a > 0$,

$$\mathbb{P}[X \geq a] \leq \frac{\mathbb{E}[X]}{a}$$

$$\mathbb{P}\left(A_1 + 300A_2 \geq \frac{5000}{p}\right) \leq \frac{\mathbb{E}[A_1 + 300A_2]}{\frac{5000}{p}} = \frac{\frac{301}{p}}{\frac{5000}{p}} = \frac{301}{5000}$$

Since $\frac{301}{5000} < 0.1$, $\mathbb{P}[A_1 + 300A_2 \geq 5000/p] \leq \frac{301}{5000} < 0.1$, proving the inequality.

(c) (10 points) Compute $\mathbb{E}[\sum_{i=1}^{A_1} B_i^2]$. (Hint: condition on A_1).

From the given information,

$$\mathbb{E}[B_i^2] = Var(B_i) + (\mathbb{E}[B_i])^2 = \sigma^2 + \mu^2$$

Using the law of total expectation and conditioning on A_1,

$$\mathbb{E}[\sum_{i=1}^{A_1} B_i^2] = \mathbb{E}[\mathbb{E}[\sum_{i=1}^{A_1} B_i^2|A_1]] = \mathbb{E}[A_1(\sigma^2 + \mu^2)] = (\sigma^2 + \mu^2)\mathbb{E}[A_1]$$

Since $A_1 \sim \text{Geometric}(p)$,

$$\mathbb{E}[A_1] = \frac{1}{p}$$

Therefore,

$$\mathbb{E}\left[\sum_{i=1}^{A_1} B_i^2\right] = \frac{\sigma^2 + \mu^2}{p}$$

Problem 1.3

Suppose that two teams play a best of 5 series. That is, whichever team wins 3 games is the winner of the series. Suppose that each game is played independently, and for each game team A has a probability 0.7 of winning and team B has a probability 0.3.

(a) (5 points) What is the probability that team A wins the series?

(b) (5 points) What is the probability that team A wins the series conditioned on the fact that team B won the first game? If you had to bet, would you bet on A winning the series? Would you still bet on A winning after B won the first game?

Problem 1.4

Let X, Y be two *independent* standard normal random variables. Let R be an exponential random variable with parameter 1 and let Θ be a uniform random variable taking values between $[0, 2\pi]$.

(a) (5 points) Compute $\mathbb{P}(R = 0)$ (please note that this isn't the PDF of R at 0, we are asking what is the probability that R equals 0).

(b) (10 points) Compute $\mathbb{P}(X^2 + Y^2 \geq t)$.

(c) (10 points) Assume that R and Θ are independent. Define $A = \sqrt{R}\cos(\Theta)$ and $B = \sqrt{R}\sin(\Theta)$, what is the joint PDF of A, B? What is the marginal PDF of A?

Problem 1.5

Suppose that $X \sim \text{Exp}(\lambda_1)$, $Y \sim \text{Exp}(\lambda_2)$, and Y is independent of X.

(a) (5 points) Compute $\mathbb{P}(X > Y)$.

(b) (5 points) Compute $\mathbb{P}(X > (t + x) \mid X > t)$, for $t > 0$ and $x > 0$.

(c) (5 points) Compute $\mathbb{P}(\min(X, Y) > t)$.

Problem 1.6

Given a fair die with 8 possible sides, let T be the number of times you have to roll so that all eight sides have appeared at least once. Let N be the number of distinct sides obtained from the first eight rolls.

(a) (5 points) Find $\mathbb{E}(T)$.

(b) (5 points) Find $\mathbb{E}(N)$.

(c) (5 points) Find $\mathbb{E}(T \mid N = 4)$.