STA 711 Homework 7

Due: Friday, March 24, 12:00pm (noon) on Canvas.

Instructions: Submit your work as a single PDF. For this assignment, you may include written work by scanning it and incorporating it into the PDF. Include all R code needed to reproduce your results in your submission.

1. Let $X_1, ..., X_n$ be an iid sample from a population with mean μ and variance σ^2, and suppose that σ^2 is known. We wish to test the hypotheses $H_0 : \mu = \mu_0$ vs. $H_A : \mu \neq \mu_0$.

   (a) Write an expression for the (approximate) power function for the Wald test of these hypotheses.

   (b) Plot power as a function of μ, using $\mu = \mu_0$, $n = 100$, and $\sigma^2 = 1$.

   (c) Let $\beta(\mu)$ be the (approximate) power function for the Wald test. Show mathematically that for each $\mu \neq \mu_0$, $\beta(\mu) \to 1$ as $n \to \infty$.

   (d) Suppose that $\mu_0 = 0$ and $\sigma^2 = 1$. What is the minimum sample size n needed such that $\beta(0.5) > 0.7$?

2. Suppose that $X_1, ..., X_n \overset{iid}{\sim} N(0, \sigma^2)$. We wish to test the hypotheses $H_0 : \sigma^2 = \sigma_0^2$ vs. $H_A : \sigma^2 = \sigma_1^2$, were $\sigma_0^2 < \sigma_1^2$.

   (a) Show that the most powerful test of these hypotheses rejects when $\sum\limits_{i=1}^{n} X_i^2 > c$, for some value c.

   (b) Find c such that the test in part (a) has size α.

3. Suppose that $X_1, ..., X_n \overset{iid}{\sim} N(\mu, \sigma^2)$, with both μ and σ^2 unknown. Our hypotheses are $H_0 : \sigma^2 = \sigma_0^2$ vs. $H_A : \sigma^2 \neq \sigma_0^2$. Propose a test statistic and rejection region for testing these hypotheses, such that the resulting test is size α.

4. Suppose that $X_1, ..., X_n \overset{iid}{\sim} Pareto(\theta, \nu)$, with pdf

$$f(x|\theta, \nu) = \frac{\theta \nu^\theta}{x^{\theta+1}} \mathbb{1}\{x \geq \nu\},$$

   where $\theta, \nu > 0$.

   (a) Find the maximum likelihood estimators of θ and ν.

   (b) We wish to test $H_0 : \theta = 1$ vs. $H_A : \theta \neq 1$, and ν is unknown.

5. (Global F-test for linear regression) Suppose that $V_1 \sim \chi^2_{d_1}$ and $V_2 \sim \chi^2_{d_2}$ are independent χ^2 random variables. Then $F = \dfrac{V_1/d_1}{V_2/d_2} \sim F_{d_1, d_2}$, where F_{d_1,d_2} denotes the F-distribution with numerator degrees of freedom d_1 and denominator degrees of freedom d_2.

   The F-distribution is important for hypothesis testing in linear regression models. Suppose we observe independent data $(X_1, Y_1), ..., (X_n, Y_n)$, where $Y_i = \beta^T X_i + \varepsilon_i$, with $\beta = (\beta_0, ..., \beta_k)^T$ and $\varepsilon_i \overset{iid}{\sim} N(0, \sigma^2)$. We wish to test the hypotheses

$$H_0 : \beta_1 = \cdots = \beta_k = 0 \qquad H_A : \text{at least one of } \beta_1, ..., \beta_k \neq 0.$$

The F-test for these hypotheses is based on the F-statistic

$$F = \frac{(SSTO - SSE)/k}{SSE/(n-k-1)},$$

where $F \sim F_{k,n-k-1}$ under H_0, and

$$SSTO = \sum_{i=1}^{n}(Y_i - \overline{Y})^2 \qquad SSE = \sum_{i=1}^{n}(Y_i - \widehat{\beta}^T X_i)^2$$

The goal of this problem is to demonstrate that, indeed, $F \sim F_{k,n-k-1}$ under H_0.

(a) Show that under H_0, $\frac{1}{\sigma^2}\sum\limits_{i=1}^{n}(Y_i - \beta_0)^2 \sim \chi^2_n$.

(b) Find symmetric matrices A_1, A_2, A_3 such that under H_0,

$$\frac{1}{\sigma^2}\sum_{i=1}^{n}(Y_i - \beta_0)^2 = Z^T A_1 Z + Z^T A_2 Z + Z^T A_3 Z$$

where $Z \sim N(0, I)$, $\frac{1}{\sigma^2}SSE = Z^T A_1 Z$, and $\frac{1}{\sigma^2}(SSTO - SSE) = Z^T A_2 Z$.

(c) Using the matrices A_1, A_2, A_3 from part (b), show that $rank(A_1) = n-k-1$, $rank(A_2) = k$, and $rank(A_3) = 1$.

(d) By applying Cochran's theorem, show that $F = \dfrac{(SSTO - SSE)/k}{SSE/(n-k-1)} \sim F_{k,n-k-1}$ under H_0.

6. When does the central limit theorem kick in?