1. Review of Main Concepts

(a) **Markov’s Inequality**: Let $X$ be a non-negative random variable, and $\alpha > 0$. Then, $\Pr( X \geq \alpha ) \leq \frac{\operatorname{E}[X]}{\alpha}$.

(b) **Chebyshev’s Inequality** (we did not cover this in class): Suppose $Y$ is a random variable with $\operatorname{E}[Y] = \mu$ and $\operatorname{Var}(Y) = \sigma^2$. Then, for any $\alpha > 0$, $\Pr(|Y - \mu| \geq \alpha) \leq \frac{\sigma^2}{\alpha^2}$.

(c) **Chernoff Bound (for the Binomial)**: (We did not cover this in class, but it’s good to know.) It’s stronger than the Chebyshev bound. Suppose $X \sim \text{Binomial}(n, p)$ and $\mu = np$. Then, for any $0 < \delta < 1$,

$$
\Pr( X \geq (1 + \delta) \mu ) \leq e^{-\frac{\delta^2 \mu}{2}}
$$

$$
\Pr( X \leq (1 - \delta) \mu ) \leq e^{-\frac{\delta^2 \mu}{2}}
$$

(d) **Weak Law of Large Numbers (WLLN)**: (We have not covered this in class, but good to know.) Let $X_1, \ldots, X_n$ be iid random variables with common mean $\mu$ and variance $\sigma^2$. Let $\overline{X}_n = \frac{1}{n} \sum_{i=1}^{n} X_i$ be the sample mean for a sample of size $n$. Then, for any $\epsilon > 0$, $\lim_{n \to \infty} \Pr(|\overline{X}_n - \mu| > \epsilon) = 0$. We say that $\overline{X}_n$ converges in probability to $\mu$.

(e) **Realization/Sample**: A realization/sample $x$ of a random variable $X$ is the value that is actually observed.

(f) **Likelihood**: Let $x_1, \ldots, x_n$ be iid realizations from probability mass function $p_X(x ; \theta)$ (if $X$ discrete) or density $f_X(x ; \theta)$ (if $X$ continuous), where $\theta$ is a parameter (or a vector of parameters). We define the likelihood function to be the probability of seeing the data.

If $X$ is discrete:

$$
L(x_1, \ldots, x_n \mid \theta) = \prod_{i=1}^{n} p_X(x_i \mid \theta)
$$

If $X$ is continuous:

$$
L(x_1, \ldots, x_n \mid \theta) = \prod_{i=1}^{n} f_X(x_i \mid \theta)
$$

(g) **Maximum Likelihood Estimator (MLE)**: We denote the MLE of $\theta$ as $\hat{\theta}_{\text{MLE}}$ or simply $\hat{\theta}$, the parameter (or vector of parameters) that maximizes the likelihood function (probability of seeing the data).

$$
\hat{\theta}_{\text{MLE}} = \arg \max_{\theta} L(x_1, \ldots, x_n \mid \theta) = \arg \max_{\theta} \ln L(x_1, \ldots, x_n \mid \theta)
$$

(h) **Log-Likelihood**: We define the log-likelihood as the natural logarithm of the likelihood function. Since the logarithm is a strictly increasing function, the value of $\theta$ that maximizes the likelihood will be exactly the same as the value that maximizes the log-likelihood.

If $X$ is discrete:

$$
\ln L(x_1, \ldots, x_n \mid \theta) = \sum_{i=1}^{n} \ln p_X(x_i \mid \theta)
$$

If $X$ is continuous:

$$
\ln L(x_1, \ldots, x_n \mid \theta) = \sum_{i=1}^{n} \ln f_X(x_i \mid \theta)
$$
(i) **Bias**: The bias of an estimator \( \hat{\theta} \) for a true parameter \( \theta \) is defined as \( \text{Bias}(\hat{\theta}, \theta) = \mathbb{E}[\hat{\theta}] - \theta \). An estimator \( \hat{\theta} \) of \( \theta \) is unbiased iff \( \text{Bias}(\hat{\theta}, \theta) = 0 \), or equivalently \( \mathbb{E}[\hat{\theta}] = \theta \).

(j) **Steps to find the maximum likelihood estimator, \( \hat{\theta} \):**

(a) Find the likelihood and log-likelihood of the data.
(b) Take the derivative of the log-likelihood and set it to 0 to find a candidate for the MLE, \( \hat{\theta} \).
(c) Take the second derivative and show that \( \hat{\theta} \) indeed is a maximizer, that \( \frac{\partial^2 L}{\partial \theta^2} < 0 \) at \( \hat{\theta} \). Also ensure that it is the global maximizer: check points of non-differentiability and boundary values.

(k) (To be covered in class 12/4) A **discrete-time stochastic process (DTSP)** is a sequence of random variables \( X_0, X_1, X_2, \ldots \), where \( X_t \) is the value at time \( t \). For example, the temperature in Seattle or stock price of TESLA each day, or which node you are at after each time step on a random walk on a graph.

(l) (To be covered in class 12/4) A **Markov Chain** is a DTSP, with the additional following three properties:

I. ...has a finite (or countably infinite) **state space** \( S = \{s_1, \ldots, s_n\} \) which it bounces between, so each \( X_t \in S \).

II. ...satisfies the **Markov property**. A DTSP satisfies the Markov property if the future is (conditionally) independent of the past given the present. Mathematically, it means, \( P(X_{t+1} = x_{t+1} | X_0 = x_0, X_1 = x_1, \ldots, X_{t-1} = x_{t-1}, X_t = x_t) = P(X_{t+1} = x_{t+1} | X_t = x_t) \).

III. ...has **stationary transition probabilities**. Meaning, if we are at some state \( s_i \), we transition to another state \( s_j \) with probability independent of the current time. Due to this property and the previous, the transitions are governed by \( n^2 \) probabilities: the probability of transitioning from one of \( n \) current states to one of \( n \) next states. These are stored in a square \( n \times n \) **transition probability matrix (TPM)** \( P \), where \( P_{ij} = P(X_{t+1} = s_j | X_t = s_i) \) is the probability of transitioning from state \( s_i \) to state \( s_j \) for any/every value of \( t \).

2. **312 Grades**

Suppose Professor Karlin loses everyones grades for 312 and decides to make it up by assigning grades randomly according to the following probability distribution, and hoping the \( n \) students wont notice: give an A with probability 0.5, a B with probability \( \theta \), a C with probability 2\( \theta \), and an F with probability 0.5 – 3\( \theta \). Each student is assigned a grade independently. Let \( x_A \) be the number of people who received an A, \( x_B \) the number of people who received a B, etc, where \( x_A + x_B + x_C + x_F = n \). Find the MLE for \( \theta \), \( \hat{\theta} \).

3. **A Red Poisson**

(This problem was done in class.) Suppose that \( x_1, \ldots, x_n \) are i.i.d. samples from a Poisson(\( \theta \)) random variable, where \( \theta \) is unknown. Find the MLE of \( \theta \).

4. **Independent Shreds, You Say?**

You are given 100 independent samples \( x_1, x_2, \ldots, x_{100} \) from Bernoulli(\( \theta \)), where \( \theta \) is unknown. (Each sample is either a 0 or a 1). These 100 samples sum to 30. You would like to estimate the distribution’s parameter \( \theta \). Give all answers to 3 significant digits.

(a) What is the maximum likelihood estimator \( \hat{\theta} \) of \( \theta \)?

(b) Is \( \hat{\theta} \) an unbiased estimator of \( \theta \)?
5. Y Me?
Let \( y_1, y_2, \ldots, y_n \) be i.i.d. samples of a random variable with density function
\[
f_Y(y|\theta) = \frac{1}{2\theta} \exp\left(-\frac{|y|}{\theta}\right)
\]
Find the MLE for \( \theta \) in terms of \(|y_i|\) and \( n \).

6. A biased estimator
In class, we showed that the maximum likelihood estimate of the variance \( \theta_2 \) of a normal distribution (when both the true mean \( \mu \) and true variance \( \sigma^2 \) are unknown) is what’s called the sample variance. That is
\[
\hat{\theta}_2 = \left( \frac{1}{n} \sum_{i=1}^{n} (x_i - \hat{\theta}_1)^2 \right)
\]
where \( \hat{\theta}_1 = \frac{1}{n} \sum_{i=1}^{n} x_i \) is the MLE of the mean. Is \( \hat{\theta}_2 \) unbiased?
(We will do this problem in class on Friday 12/4 and you have a similar problem on the homework.)

7. Faulty Machines
(Markov Chains discussed in class 12/4). You are trying to use a machine that only works on some days. If on a given day, the machine is working it will break down the next day with probability \( 0 < b < 1 \), and works on the next day with probability \( 1 - b \). If it is not working on a given day, it will work on the next day with probability \( 0 < r < 1 \) and not work the next day with probability \( 1 - r \).

(a) In this problem we will formulate this process as a Markov chain. First, let \( X_t \) be a random variable that denotes the state of the machine at time \( t \). Then, define a state space \( S \) that includes all the possible states that the machine can be in. Lastly, for all \( A, B \in S \) find \( \mathbb{P}(X_{t+1} = A \mid X_t = B) \) (\( A \) and \( B \) can be the same state).

(b) Suppose that on day 1, the machine is working. What is the probability that it is working on day 3?

(c) As \( n \to \infty \), what does the probability that the machine is working on day \( n \) converge to? To get the answer, solve for the stationary distribution.

8. Three tails
You flip a fair coin until you see three tails in a row. Model this as a Markov chain with the following states:
- \( S \): start state, which we are only in before flipping any coins.
- \( H \): We see a heads, which means no streak of tails currently exists.
- \( T \): We’ve seen exactly one tail in a row so far.
- \( TT \): We’ve seen exactly two tails in a row so far.
- \( TTT \): We’ve accomplished our goal of seeing three tails in a row and stop flipping.

(a) Write down the transition probability matrix.

(b) Write down the system of equations whose variables are \( D(s) \) for each state \( s \in \{S, H, T, TT, TTT\} \), where \( D(s) \) is the expected number of steps until state \( TTT \) is reached starting from state \( s \). Solve this system of equations to find \( D(S) \).
9. Another Markov chain
Suppose that the following is the transition probability matrix for a 4 state Markov chain (states 1,2,3,4).

\[
P = \begin{bmatrix}
  0 & 1/2 & 1/2 & 0 \\
  1/3 & 0 & 0 & 2/3 \\
  1/3 & 1/3 & 0 & 1/3 \\
  1/5 & 2/5 & 2/5 & 0
\end{bmatrix}
\]

(a) What is the probability that \(X_2 = 4\) given that \(X_0 = 4\)?

(b) Write down the system of equations that the stationary distribution must satisfy and solve them.

10. Law of Total Probability Review
(a) (Discrete version) Suppose we flip a coin with probability \(U\) of heads, where \(U\) is equally likely to be one of \(\Omega_U = \{0, \frac{1}{n}, \frac{2}{n}, \ldots, 1\}\) (notice this set has size \(n + 1\)). Let \(H\) be the event that the coin comes up heads. What is \(P(H)\)?

(b) (Continuous version) Now suppose \(U \sim \text{Uniform}(0,1)\) has the continuous uniform distribution over the interval \([0, 1]\). What is \(P(H)\)?

(c) Let’s generalize the previous result we just used. Suppose \(E\) is an event, and \(X\) is a continuous random variable with density function \(f_X(x)\). Write an expression for \(P(E)\), conditioning on \(X\).

11. Poisson CLT practice
Suppose \(X_1, \ldots, X_n\) are iid Poisson(\(\lambda\)) random variables, and let \(\bar{X}_n = \frac{1}{n} \sum_{i=1}^{n} X_i\), the sample mean. How large should we choose \(n\) to be such that \(P(\frac{\lambda}{2} \leq \bar{X}_n \leq \frac{3\lambda}{2}) \geq 0.99\)? Use the CLT and give an answer involving \(\Phi^{-1}(\cdot)\). Then evaluate it exactly when \(\lambda = 1/10\) using the \(\Phi\) table on the last page.

12. Tail bounds
Suppose \(X \sim \text{Binomial}(6, 0.4)\). We will bound \(P(X \geq 4)\) using the tail bounds we’ve learned, and compare this to the true result.

(a) Give an upper bound for this probability using Markov’s inequality. Why can we use Markov’s inequality?

(b) (optional) Give an upper bound for this probability using Chebyshev’s inequality. You may have to rearrange algebraically and it may result in a weaker bound.

(c) (optional) Give an upper bound for this probability using the Chernoff bound.

(d) Give the exact probability.
13. MAP Estimation (optional)
I recommend you read sections 7.4 and 7.5, if you’re interested. Let \( x_1, \ldots, x_n \) be iid realizations from a distribution with common pmf \( p_X(x; \theta) \) where \( \theta \) is an unknown but fixed parameter. Let’s call the event \( \{ X_1 = x_1, \ldots, X_n = x_n \} = D \) for data. You may wonder why in MLE, we seek to maximize the likelihood \( L(D | \theta) \), rather than \( P(\theta | D) \). This is because it doesn’t make sense to compute \( P(\theta) \), since \( \theta \) is fixed. However, in Maximum a Posteriori (MAP) estimation, we assume the parameter is a random variable (denoted \( \Theta \)), and attempt to maximize \( \pi_\Theta(\theta | D) \), where \( \pi_\Theta \) is the pmf or pdf of \( \Theta \), depending on whether \( \Theta \) is continuous or discrete. Using Bayes Theorem, we get
\[
\pi_\Theta(\theta | D) \propto \frac{L(D|\theta)\pi_\Theta(\theta)}{L(D)}.
\]
To maximize the LHS with respect to \( \theta \), we may ignore the denominator on the RHS since it is constant with respect to \( \theta \). Hence MAP seeks to maximize \( \pi_\Theta(\theta | D) \propto L(D | \theta)\pi_\Theta(\theta) \). We call \( \pi_\Theta(\theta) \) the prior distribution on the parameter \( \Theta \), and \( \pi_\Theta(\theta | D) \) the posterior distribution on \( \Theta \). MLE maximizes the likelihood, and MAP maximizes the product of the likelihood and the prior. If the prior is uniform, we will see that MAP is the same as MLE (since \( \pi_\Theta(\theta) \) won’t depend on \( \theta \)).

(a) Suppose we have the samples \( x_1 = 0, x_2 = 0, x_3 = 1, x_4 = 1, x_5 = 0 \) from the Bernoulli(\( \theta \)) distribution, where \( \theta \) is unknown. Assume \( \theta \) is unrestricted; that is, \( \theta \in (0, 1) \). What is \( \hat{\theta}_{MLE} \)?

(b) Suppose we impose that \( \theta \in \{0.2, 0.5, 0.7\} \). What is \( \hat{\theta}_{MLE} \)?

(c) Assume \( \Theta \) is restricted as in part (b) (now a random variable for MAP). Assume a (discrete) prior of \( \pi_\Theta(0.2) = 0.1, \pi_\Theta(0.5) = 0.01, \pi_\Theta(0.7) = 0.89 \). What is \( \hat{\theta}_{MAP} \)?

(d) Show that we can make the MAP estimator whatever we want it to be. That is, for each of the three candidate parameters above, find a prior distribution on \( \Theta \) such that the MAP estimate is that parameter.

(e) Typically, for the Bernoulli/Binomial distribution, if we use MAP, we want to be able to get any value \( \theta \in (0, 1) \) (not just ones in a finite set such as \( \{0.2, 0.5, 0.7\} \)). So we assign \( \theta \) the Beta distribution with parameters \( \alpha, \beta > 0 \) and density \( \pi_\Theta(\theta) = c\theta^{\alpha-1}(1-\theta)^{\beta-1} \) for \( \theta \in (0, 1) \) and 0 otherwise as a prior, where \( c \) is a normalizing constant which has a complicated form. The mode of a \( W \sim \text{Beta}(\alpha, \beta) \) random variable is given as \( \frac{\alpha-1}{\alpha+\beta-2} \) (the mode is the value with the highest density = \( \arg \max_{w \in (0,1)} f_W(w) \)). Suppose \( x_1, \ldots, x_n \) are iid samples from the Bernoulli distribution with unknown parameter, where \( \sum_{i=1}^n x_i = k \). Recall that the MLE is \( k/n \). Show that the posterior \( \pi_\Theta(\theta | D) \) has a Beta \( (k + \alpha, n - k + \beta) \) density, and find the MAP estimator for \( \Theta \). (Hint: use the mode given). Notice that Beta \( (1,1) \equiv \text{Uniform}(0,1) \). If we had this prior, how would the MLE and MAP estimates compare?

(f) Since the posterior is also a Beta distribution, we call the Beta distribution the conjugate prior to the Bernoulli/Binomial distribution. Interpret what the parameters \( \alpha, \beta \) mean as to the prior.

(g) Which do you think is “better”, MLE or MAP?