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MVE550 Stochastic Processes and Bayesian Inference

Re-exam August 17, 2020, 8:30 - 12:30
Examiner: Petter Mostad, phone 031-772-3579
Allowed aids: All aids are allowed.
For example you may access teaching material on any format and you may use R for computation.
However, you are **not** allowed to communicate with any person other than the examiner and the exam guard.
Total number of points: 30. To pass, at least 12 points are needed.
You need to explain how you derive your answers, i.e., show the steps in computations, unless explicitly stated otherwise.
There is an appendix containing relevant information about some probability distributions.

1. (5 points) Assume the real-valued random variable X has distribution $X \mid \theta \sim \text{Normal}(42, 1/\theta)$, where $\theta > 0$ is a parameter. Assume we use an improper prior $\pi(\theta) \propto_\theta 1/\theta$ for θ.

   (a) Find the name and parameters of the posterior for θ given an observation x.

   (b) Find the name and parameters of the posterior for θ after observing $x = 41.1$, $x = 42.1$, and $x = 41.7$, in that order.

2. (6 points) A discrete-time Markov chain has states A, B, C, D, E. It starts at A and the transition matrix is

$$P = \begin{bmatrix} 0 & 0.1 & 0 & 0.1 & 0.8 \\ 0 & 0 & 1 & 0 & 0 \\ 0 & 1 & 0 & 0 & 0 \\ 0 & 0 & 0 & 1 & 0 \\ 0.7 & 0 & 0.1 & 0.2 & 0 \end{bmatrix}.$$

   (a) Draw the transition graph.

   (b) For each state, write down (without explanation) whether the state is transient, recurrent, and/or absorbing. Also, write down the period of each state.

   (c) Write down two different stationary distributions for the chain.

   (d) Is the chain ergodic? Why/why not?

   (e) For each of its five states, compute the expected number of visits to the state.

3. (5 points) Consider a branching process where the offspring process is a Poisson process with intensity λ truncated at 3: In other words, to generate an offspring number, one generates a value from a Poisson process with intensity λ, and if that value is greater than 3 it is set to 3.

   (a) Find an expression for the probability generating function $G(s)$ in terms of λ.

(b) Let λ_c be the value for λ such that the branching process is critical. Find and simplify an equation that λ_c must satisfy, and explain briefly how one may compute λ_c numerically.

(c) Find and express in terms of λ_c the variance of the offspring process when the branching process is critical.

(d) Compute the extinction probability when the branching process is critical.

4. (4 points) The two real variables x and y, with $y > 0$, have a joint probability density defined by

$$\pi(x, y) \propto_{x,y} y^3 \exp\left(-x^2 y - 2xy - 2y\right)$$

Describe in detail how to set up and implement a Markov chain so that, in the limit when the number of steps increases to infinity, the distribution of the chain will follow the density above. Your algorithm should use Gibbs sampling.

5. (5 points) A continuous-time Markov chain has 5 states: 0, 1, 2, 3, 4. If it is at state 0, it waits a time that is distributed as Exponential(0.5), then X is drawn according a Binomial(4, 0.8) distribution and the process moves to state X. When the process is in a state $X > 0$, it waits an Exponential($X/5$) time before moving to state $X - 1$.

(a) Draw a transition graph for the process, and write down its generator matrix Q.

(b) Is the process time reversible? Why / why not?

(c) Compute the proportion of time the process is in state 2.

(d) Another process works as follows: In any state, it waits a time that is Exponential(1) distributed. Then it produces the next state according to a transition matrix P. Find the matrix P so that this process is identical to the one described above.

6. (5 points) Assume B_t is Brownian motion.

(a) Compute the distribution of $B_{at} + B_{a^2t}$, where $a > 0$ is a constant.

(b) Assume $b > 0$. For what combinations of a and b is $B_{abt} + B_{a^2t}$ Brownian motion?

Appendix: Some probability distributions

The Bernoulli distribution

If $x \in \{0, 1\}$ has a Bernoulli distribution with parameter $0 \leq p \leq 1$, then the probability mass function is

$$\pi(x) = p^x(1-p)^{1-x}.$$

We write $x \mid p \sim \text{Bernoulli}(p)$ and $\pi(x \mid p) = \text{Bernoulli}(x; p)$.

The Beta distribution

If $x \in [0, 1]$ has a Beta distribution with parameters with $\alpha > 0$ and $\beta > 0$ then the density is

$$\pi(x \mid \alpha, \beta) = \frac{\Gamma(\alpha + \beta)}{\Gamma(\alpha)\Gamma(\beta)} x^{\alpha-1}(1-x)^{\beta-1}.$$

We write $x \mid \alpha, \beta \sim \text{Beta}(\alpha, \beta)$ and $\pi(x \mid \alpha, \beta) = \text{Beta}(x; \alpha, \beta)$.

The Beta-Binomial distribution

If $x \in \{0, 1, 2, \ldots, n\}$ has a Beta-Binomial distribution, with n a positive integer and parameters $\alpha > 0$ and $\beta > 0$, then the probability mass function is

$$\pi(x \mid n, \alpha, \beta) = \binom{n}{x} \frac{\Gamma(x + \alpha)\Gamma(n - x + \beta)\Gamma(\alpha + \beta)}{\Gamma(\alpha)\Gamma(\beta)\Gamma(n + \alpha + \beta)}.$$

We write $x \mid n, \alpha, \beta \sim \text{Beta-Binomial}(n, \alpha, \beta)$ and $\pi(x \mid n, \alpha, \beta) = \text{Beta-Binomial}(x; n, \alpha, \beta)$.

The Binomial distribution

If $x \in \{0, 1, 2, \ldots, n\}$ has a Binomial distribution, with n a positive integer and $0 \leq p \leq 1$, then the probability mass function is

$$\pi(x \mid n, p) = \binom{n}{x} p^x(1-p)^{n-x}.$$

We write $x \mid n, p \sim \text{Binomial}(n, p)$ and $\pi(x \mid n, p) = \text{Binomial}(x; n, p)$.

The Dirichlet distribution

If $x = (x_1, x_2, \ldots, x_n)$ has a Dirichlet distribution, with $x_i \geq 0$ and $\sum_{i=1}^n x_i = 1$ and with parameters $\alpha = (\alpha_1, \ldots, \alpha_n)$ with $\alpha_1 > 0, \ldots, \alpha_n > 0$, then the density function is

$$\pi(x \mid \alpha) = \frac{\Gamma(\alpha_1 + \alpha_2 + \cdots + \alpha_n)}{\Gamma(\alpha_1)\Gamma(\alpha_2)\cdots\Gamma(\alpha_n)} p_1^{\alpha_1-1} p_2^{\alpha_2-1} \cdots p_n^{\alpha_n-1}.$$

We write $x \mid \alpha \sim \text{Dirichlet}(\alpha)$ and $\pi(x \mid \alpha) = \text{Dirichlet}(x; \alpha)$.

The Exponential distribution

If $x \geq 0$ has an Exponential distribution with parameter $\lambda > 0$, then the density is

$$\pi(x \mid \lambda) = \lambda \exp(-\lambda x)$$

We write $x \mid \lambda \sim \text{Exponential}(\lambda)$ and $\pi(x \mid \lambda) = \text{Exponential}(x; \lambda)$. The expectation is $1/\lambda$ and the variance is $1/\lambda^2$.

The Gamma distribution

If $x > 0$ has a Gamma distribution with parameters $\alpha > 0$ and $\beta > 0$ then the density is

$$\pi(x \mid \alpha\beta) = \frac{\beta^\alpha}{\Gamma(\alpha)} x^{\alpha-1} \exp(-\beta x).$$

We write $x \mid \alpha, \beta \sim \text{Gamma}(\alpha, \beta)$ and $\pi(x \mid \alpha, \beta) = \text{Gamma}(x; \alpha, \beta)$.

The Geometric distribution

If $x \in \{1, 2, 3, \ldots\}$ has a Geometric distribution with parameter $p \in (0, 1)$, the probability mass function is

$$\pi(x \mid p) = p(1 - p)^{x-1}$$

We write $x \mid p \sim \text{Geometric}(p)$ and $\pi(x \mid p) = \text{Geometric}(x; p)$. The expectation is $1/p$ and the variance $(1 - p)/p^2$.

The Normal distribution

If the real x has a Normal distribution with parameters μ and σ^2, its density is given by

$$\pi(x \mid \mu, \sigma^2) = \frac{1}{\sqrt{2\pi\sigma^2}} \exp\left(-\frac{1}{2\sigma^2}(x - \mu)^2\right).$$

We write $x \mid \mu, \sigma^2 \sim \text{Normal}(\mu, \sigma^2)$ and $\pi(x \mid \mu, \sigma^2) = \text{Normal}(x; \mu, \sigma^2)$.

The Poisson distribution

If $x \in \{0, 1, 2, \ldots\}$ has Poisson distribution with parameter $\lambda > 0$ then the probability mass function is

$$e^{-\lambda} \frac{\lambda^x}{x!}.$$

We write $x \mid \lambda \sim \text{Poisson}(\lambda)$ and $\pi(x \mid \lambda) = \text{Poisson}(x; \lambda)$.