

Contents

14 Introduction to Tests of Hypotheses	<i>page</i>	1
14.1 Testing Theory and Modelling		1
14.2 Hypotheses		2
14.3 Examples		3
14.4 Definition of a Test		6
14.5 Types of Errors		7
14.6 Ordering Hypothesis Tests		9
14.7 Choice of a Test		12
14.7.1 Bayesian Principle		13
14.7.2 Neyman Principle		14
14.8 Exercises		15
14.9 References		16
15 Uniformly Most Powerful Tests		17
15.1 Tests of Simple Hypotheses		17
15.1.1 Risk Diagram		17
15.1.2 Neyman–Pearson Theorem		22
15.1.3 Application to Exponential Families		26
15.2 Tests of One-Sided Hypotheses		28
15.2.1 Monotone Likelihood Ratio Families		28
15.2.2 Application to Exponential Families		30
15.2.3 Locally Uniformly Most Powerful Tests and Score Tests		31
15.3 Tests of Two-Sided Hypotheses		35
15.3.1 Case Where $\Theta_0 = \{\theta : \theta \leq \theta_1 \text{ or } \theta \geq \theta_2\}$		36
15.3.2 Case Where $\Theta_0 = \{\theta : \theta_1 \leq \theta \leq \theta_2\}$		36
15.4 Exercises		37
15.5 References		39

16 Unbiased Tests and Invariant Tests	41
16.1 Unbiased Tests	41
16.1.1 Unbiased Tests and α -Similar Tests	41
16.1.2 UMPU Tests in the Absence of Nuisance Parameters	43
16.1.3 UMPU Tests in the Presence of Nuisance Parameters	47
16.1.4 Locally Uniformly Most Powerful Unbiased Tests	65
16.2 Invariant Tests	70
16.2.1 Models and Problems With Invariant Tests	70
16.2.2 Invariant and Maximal Invariant Tests	71
16.2.3 Application: Fisher Tests	72
16.3 Exercises	77
16.4 References	79
17 Likelihood Based Tests	81
17.1 Wald, Score, and Likelihood Ratio Tests: Principles	81
17.2 Classical Tests of $g(\theta) = 0$	82
17.2.1 Wald Test	84
17.2.2 The Score or Lagrange Multiplier Test	86
17.2.3 The Likelihood Ratio Test	90
17.2.4 Equivalent Tests and Independence Property	93
17.3 Examples of Tests of $g(\theta) = 0$	96
17.3.1 The Linear Model With Known Variance	96
17.3.2 The Linear Model With Unknown Variance	98
17.3.3 The Nonlinear Gaussian Regression Model	101
17.4 Classical Tests of $\theta = h(\gamma)$	103
17.4.1 A Wald-Type Test	103
17.4.2 Score Test	106
17.4.3 Likelihood Ratio Test	107
17.4.4 Equivalent Tests and Independence Property	108
17.5 Examples of Tests of a Null Hypothesis in Explicit Form: The Chi-Square Tests	109
17.5.1 Tests of Goodness-of-Fit to a Family of Distributions	109
17.5.2 Tests of Independence	111
17.5.3 Goodness-of-Fit Tests to a Distribution	113
17.6 Score Tests and Augmented Regressions	114
17.6.1 Omitted-Variable Tests in Nonlinear Regression Models	114
17.6.2 Augmented Regression Principle	115

17.6.3	A Homoscedasticity Test	116
17.6.4	A Test of Independence of the Errors	117
17.7	Score Tests and Generalized Residuals	119
17.7.1	Latent Exponential Model and Score Vector	119
17.7.2	Application to the Probit Model	121
17.8	Neyman or $C(\alpha)$ Tests	122
17.8.1	Principle	122
17.8.2	Example	125
17.9	Hausman (Likelihood Based) Tests	125
17.9.1	Test Description	125
17.9.2	Examples	128
17.10	Exercises	130
17.11	References	133
18	General Asymptotic Tests	135
18.1	General Asymptotic Tests	135
18.1.1	Tests Using the Constrained Maximization of $L_n(\theta)$	136
18.1.2	Tests Based on the Unconstrained Estimator $\hat{\theta}_n$ of θ	145
18.1.3	Tests Based on the Function $g(\hat{\theta}_n, a)$	147
18.1.4	An Example: Tests Based on Least Squares	150
18.2	ALS Based Specification Tests	153
18.2.1	General Principle	153
18.2.2	Unknown Linear Constraints on Functions of the Parameter θ	155
18.2.3	Examples	156
18.3	GMM Based Specification Tests	160
18.3.1	General Result	160
18.3.2	Examples	163
18.4	Hausman Specification Tests	166
18.4.1	Principle	166
18.4.2	Example: An Exogeneity Test Based on an Augmented Regression	167
18.5	Information Matrix Test	170
18.6	Exercises	174
18.7	References	176
19	Multiple Tests	179
19.1	The Linear Model	179
19.1.1	Nested Hypotheses	179
19.1.2	The Testing Procedure	180

19.1.3	Interpretation in Terms of Correlation Coefficients	183
19.2	Implicit Form: The General Case	184
19.2.1	Test of a Hypothesis When the Maintained Hypothesis is Already Constrained	184
19.2.2	Sequential Tests of Nested Hypotheses in Implicit Form	195
19.2.3	Example	197
19.3	Explicit Form: The General Case	198
19.3.1	Test of a Hypothesis When the Maintained Hypothesis is Already Constrained	198
19.3.2	Sequential Tests of Nested Hypotheses in Explicit Form	200
19.3.3	Example: Tests for a Common Root	200
19.4	General Multiple Tests	201
19.4.1	Tests of Nonnested Null Hypotheses in a Given Model	202
19.4.2	Tests of a Given Null Hypothesis Against Different Models	205
19.5	Exercises	210
19.6	References	211
20	Set Estimation and Confidence Regions	213
20.1	Definitions	213
20.2	Examples	214
20.2.1	Interval Estimation of the Mean of a Normal Distribution With Known Variance	214
20.2.2	Interval Estimation of the Mean of a Normal Distribution With Unknown Variance	215
20.2.3	Confidence Region for the Mean and the Variance of a Normal Distribution	215
20.2.4	Confidence Region for the Parameters of a Linear Model	217
20.3	Conservative Confidence Regions	218
20.4	Optimality of a Confidence Region	219
20.5	Examples of UMPU Confidence Regions	223
20.5.1	Interval Estimation of the Mean of a Normal Distribution With Unknown Variance	223
20.5.2	Confidence Interval for the Parameters of a Linear Model	224
20.6	Asymptotic Confidence Regions	224

20.7	Examples of Asymptotic Confidence Regions	227
20.8	Bayesian Confidence Regions	228
20.9	Exercises	229
20.10	References	231
21	Inequality Constraints: Estimation and Testing	233
21.1	Some Examples	233
21.1.1	Monotony Constraints	234
21.1.2	Barycentric Interpretation of Some Parameters	234
21.1.3	Positive Definiteness of Symmetric Matrices	235
21.1.4	Stability Conditions	236
21.2	Estimation Under Inequality Constraints	237
21.2.1	Constrained Estimation of the Linear Model	237
21.2.2	General Results	243
21.3	$H_0 : \{g(\theta) = 0\}$ versus $H_1 : \{g(\theta) \geq 0 \text{ and } g(\theta) \neq 0\}$	247
21.3.1	The Main Test Statistics	247
21.3.2	Asymptotically Equivalent Optimization Problems	253
21.3.3	Asymptotic Distribution of the Test Statistics Under the Null Hypothesis H_0	255
21.3.4	Examples	261
21.4	Tests of $H_0 : \{g(\theta) \geq 0\}$	266
21.4.1	Some General Remarks	266
21.4.2	A Special Case	267
21.4.3	An Example	271
21.5	Exercises	272
21.6	References	273
22	Nonnested Models	275
22.1	Kullback Proximity and Pseudo True Values	276
22.1.1	Definition	276
22.1.2	Pseudo True Values and Proximities	278
22.2	Tests of Nonnested Hypotheses	282
22.2.1	Nonnested Hypotheses	282
22.2.2	Generalized Wald Tests	283
22.2.3	Generalized Score Tests	287
22.2.4	Selection of Regressors in Linear Models	288
22.2.5	Choice Among Qualitative Variable Models	290
22.2.6	Cox Testing Procedure	293
22.2.7	Using a Nesting Model	297

22.3	Model Selection Criteria	304
22.3.1	Linear Models	304
22.3.2	The Akaike Criterion	307
22.3.3	Bayesian Criteria	312
22.4	Appendix 1	313
22.5	Appendix 2	317
22.6	Exercises	320
22.7	References	322
23	Asymptotic Efficiency	325
23.1	Asymptotic Comparison of Estimators	325
23.1.1	First-Order Asymptotic Efficiency	326
23.1.2	Higher-Order Expansions	334
23.1.3	Edgeworth Expansion	343
23.2	Asymptotic Comparison of Tests	345
23.2.1	Statement of the Problem and Various Solutions	345
23.2.2	Concepts	350
23.2.3	Bahadur's Relative Efficiency	354
23.2.4	Pitman's Relative Efficiency	362
23.2.5	Direct Approach Based on Local Alternatives	366
23.3	Semiparametric Efficiency	370
23.3.1	Information Contained in Identifying Conditions	370
23.3.2	Asymptotically Efficient Semiparametric Estimators	376
23.3.3	A Two-Step Method For Obtaining an Asymptotically Efficient Estimator	377
23.4	References	380
24	Asymptotic Theory	383
24.1	Existence of an Extremum Estimator	383
24.2	Consistency of an Extremum Estimator	386
24.2.1	Almost Sure Consistency	386
24.2.2	Some Consistency Results	387
24.2.3	Conditions for the Uniform Almost Sure Convergence of the Objective Function	388
24.2.4	Consistency of Quasi Generalized Extremum Estimators	392
24.3	First-Order Conditions	394
24.3.1	Unconstrained Extremum Estimators	394

24.3.2	Constrained Extremum Estimators	395
24.4	Taylor Series Expansions	397
24.4.1	Infinitely Small Quantities in Probability	398
24.4.2	Taylor Series Expansion of the First-Order Conditions and Asymptotic Normality	401
24.5	References	404
Review of Linear Algebra and Matrix Calculus		405
A.1	Linear Algebra and Notations	405
A.1.1	Vector Spaces	405
A.1.2	Linear Mappings	406
A.1.3	Bases	406
A.1.4	Supplementary Subspaces	407
A.1.5	Matrix Representations	408
A.1.6	Matrix Operations	409
A.1.7	Change of Bases	411
A.2	Some Complements on Matrices	413
A.2.1	Trace of a Matrix	413
A.2.2	Partitioned Matrices	414
A.3	A Review of Quadratic Forms	420
A.3.1	Definition and Characterization	420
A.3.2	Positive Quadratic Forms	421
A.3.3	Symmetric Matrix Representations of a Linear Mapping	423
A.3.4	Relationships among $\ker \mathbf{A}$, $\text{Im } \mathbf{A}$, $\ker \mathbf{A}'$, and $\text{Im } \mathbf{A}'$	423
A.4	Ordering Symmetric Matrices	424
A.4.1	Definition of an Order Relation	424
A.4.2	Comparing Ordered Spectra	425
A.4.3	Square Root of a Positive Semidefinite Matrix	427
A.4.4	A Geometric Interpretation	429
A.5	Projections	430
A.5.1	Definition and Characterization	431
A.5.2	Matrix Representations of Projections	433
A.5.3	Some Properties of Orthogonal Projections	434
A.5.4	An Optimal Property of Orthogonal Projections	436
A.6	Generalized Inverses	437
A.6.1	Definition and Construction	437
A.6.2	Invariance Properties	439
A.6.3	Solving Linear Systems of Equations	441

Review of Probability	443
B.1 Review of Integration Theory	443
B.1.1 Random Experiments	443
B.1.2 Characterization of a Probability Distribution or a Measure	444
B.1.3 Integration with Respect to a Measure	446
B.1.4 Density Functions	447
B.1.5 Random Variables	448
B.1.6 Properties of the Expectation of a Real Random Variable	449
B.1.7 Some Descriptive Measures of the Probability Dis- tribution of a Real Random Variable	450
B.1.8 Some Probability Distributions on \mathbb{R}	450
B.1.9 Random Vectors and Matrices	451
B.2 Independence and Conditioning	458
B.2.1 Conditional Probability Distributions	458
B.2.2 Conditional Expectations	461
B.2.3 Properties of the Conditional Expectation	462
B.2.4 Linear Regression	465
B.2.5 The Partial Variance Covariance Matrix	468
B.2.6 Independence	470
B.2.7 Conditional Independence	473
B.3 Normal Distributions	475
B.3.1 Univariate Normal Distributions	475
B.3.2 Multivariate Normal Distributions	477
B.3.3 Independence and Conditioning	480
B.3.4 Truncated Normal Distributions	483
B.4 Distributions Derived from the Normal Distribution	487
B.4.1 Chi-Square Distributions	487
B.4.2 Quadratic Forms of Gaussian Vectors	490
B.4.3 Student Distributions	492
B.4.4 Fisher Distributions	495
B.5 Stochastic Processes	496
B.5.1 Definition	496
B.5.2 Types of Convergence of Random Vectors	497
B.5.3 An Example of Stationary Processes: The Autoregressive Process of Order 1	499
B.5.4 Convergence in Distribution	501
B.5.5 Poisson Processes	502
B.6 Asymptotic Theorems	504

B.6.1	Laws of Large Numbers	504
B.6.2	Central Limit Theorems	506
B.6.3	Applications to Continuous Differentiable Functions	509
B.6.4	Other Asymptotic Theorems	510