CSE 312

Foundations of Computing II

Lecture 9: Variance and Independence of RVs

Recap Linearity of Expectation

Theorem. For any two random variables X and Y *(X, Y do not need to be independent)*

$$\mathbb{E}[X+Y] = \mathbb{E}[X] + \mathbb{E}[Y].$$

Theorem. For any random variables $X_1, \dots, X_n$,

$$\mathbb{E}[X_1 + \cdots + X_n] = \mathbb{E}[X_1] + \cdots + \mathbb{E}[X_n].$$

For any event A, can define the indicator random variable X for A

$$X_A = \begin{cases} 1 & \text{if event } A \text{ occurs} \\ 0 & \text{if event } A \text{ does not occur} \end{cases}$$

$$P(X_A = 1) = P(A)$$
$$P(X_A = 0) = 1 - P(A)$$

$$\mathbb{E}[X_A] = 0 \cdot P(X_A = 0) + 1 \cdot P(X_A = 1) = P(A)$$

Pairs with the same birthday

- In a class of m students, on average how many pairs of people have the same birthday (assuming 365 equally likely birthdays)?
- Call this number X

Decompose: Indicator events involve **pairs** of students (i, j) for $i \neq j$

$X_{ij} = 1$ iff students i and j have the same birthday

.

LOE: $\binom{m}{2}$ indicator variables X_{ij} $\qquad X = \sum_{i \neq j} X_{ij}$

$\mathbb{E}[X_{ij}] = \frac{1}{365}$

Conquer: $\mathbb{E}[X_{ij}] = \frac{1}{365}$ so total expectation is $\frac{\binom{m}{2}}{365} = \frac{m(m-1)}{730}$ pairs

Linearity of Expectation – Even stronger

$\mathbb{E}[5X+1] = 5 \cdot \mathbb{E}(X) + 1$

Theorem. For any random variables $X_1, \dots, X_n$, and real numbers $a_1, \dots, a_n \in \mathbb{R}$,

$$\mathbb{E}[a_1 X_1 + \cdots + a_n X_n] = a_1 \mathbb{E}[X_1] + \cdots + a_n \mathbb{E}[X_n].$$

Very important: In general, we do <u>not</u> have $\mathbb{E}[X \cdot Y] = \mathbb{E}[X] \cdot \mathbb{E}[Y]$

Linearity is special!

In general $\mathbb{E}[g(X)] \neq g\big(\mathbb{E}(X)\big)$

E.g., $X = \begin{cases} +1 \text{ with prob } 1/2 \\ -1 \text{ with prob } 1/2 \end{cases}$

Then: $\mathbb{E}[X^2] \neq \mathbb{E}[X]^2$

How DO we compute $\mathbb{E}[g(X)]$?

$\mathbb{E}[X] = 0$

$X^2 = 1$

$\mathbb{E}[X^2] = 1$

$\neq$

Expected Value of $g(X)$

Definition. Given a discrete RV $X: \Omega \to \mathbb{R}$, the **expectation** or **expected value** or **mean** of $g(X)$ is

$$\mathbb{E}[g(X)] = \sum_{\omega \in \Omega} g\big(X(\omega)\big) \cdot P(\omega)$$

or equivalently

$$\mathbb{E}[g(X)] = \sum_{x \in X(\Omega)} g(x) \cdot P(X = x) = \sum_{x \in \Omega_X} g(x) \cdot p_X(x)$$

Also known as **LOTUS:** "Law of the unconscious statistician

(nothing special going on in the discrete case)

Example: Expectation of $g(X)$

Suppose we rolled a fair, 6-sided die in a game.
You will win the cube of the number rolled in dollars, times 10.
Let X be the result of the dice roll.
What is your expected winnings?

$$\mathbb{E}[10X^3] = 10 \cdot \mathbb{E}[X^3] = 10\left(\frac{1}{6}1^3 + \frac{1}{6}\cdot 2^3 + \frac{1}{6}\cdot 3^3 + \frac{1}{6}\cdot 4^3 + \frac{1}{6}5^3 + \frac{1}{6}\cdot 6^3\right)$$

$$10\sum_{k=1}^{6} k^3 \cdot \frac{1}{6}$$

Agenda

- Variance
- Properties of Variance
- Independent Random Variables
- Properties of Independent Random Variables

Two Games

Game 1: *In every round, you win $2 with probability 1/3, lose $1 with probability 2/3.*

W_1 = payoff in a round of Game 1

$$P(W_1 = 2) = \frac{1}{3}, P(W_1 = -1) = \frac{2}{3}$$

$$\mathbb{E}[W_1] = 0$$

Game 2: *In every round, you win $10 with probability 1/3, lose $5 with probability 2/3.*

W_2 = payoff in a round of Game 2

$$P(W_2 = 10) = \frac{1}{3}, P(W_2 = -5) = \frac{2}{3}$$

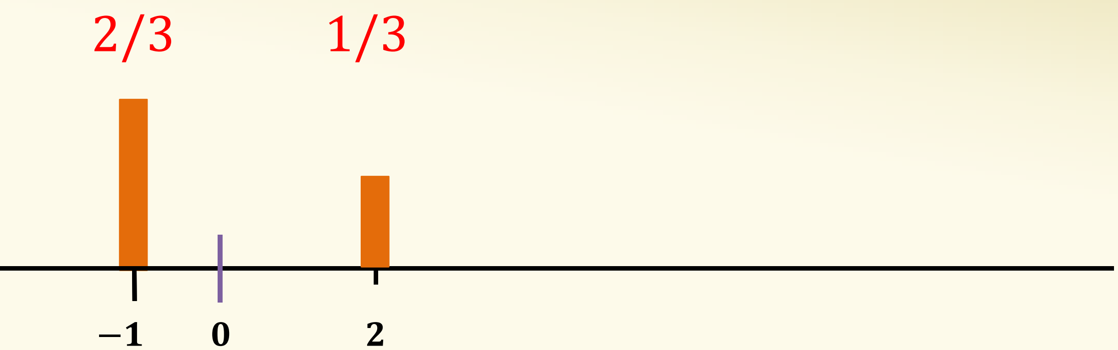
$$\mathbb{E}[W_2] = 0$$

Which game would you <u>rather</u> play?

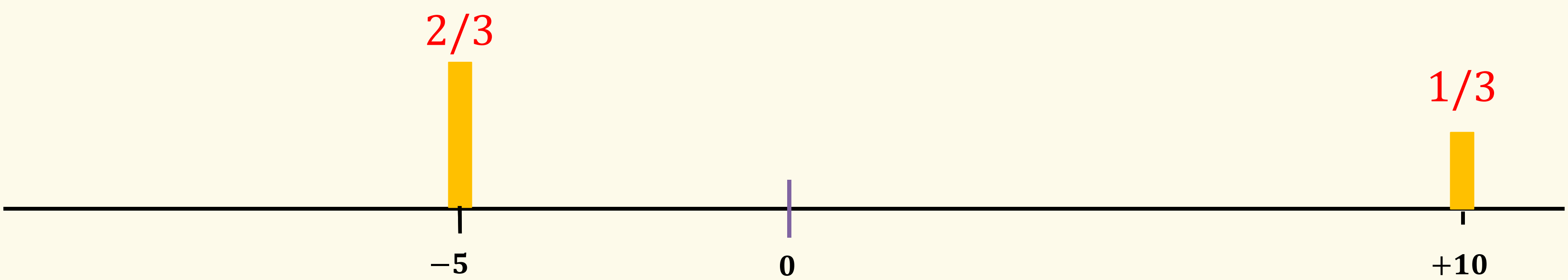
Somehow, Game 2 has higher volatility / exposure!

Two Games

$P(W_1 = 2) = \frac{1}{3}, P(W_1 = -1) = \frac{2}{3}$



$P(W_2 = 10) = \frac{1}{3}, P(W_2 = -5) = \frac{2}{3}$



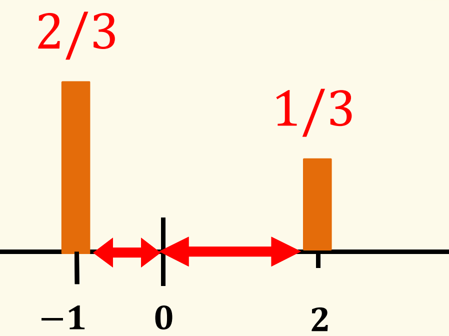
Same expectation, but clearly a very different distribution.

We want to capture the difference – New concept: **Variance**

Variance (Intuition, First Try)

$P(W_1 = 2) = \frac{1}{3}$, $P(W_1 = -1) = \frac{2}{3}$

$\mathbb{E}[W_1] = 0$



constant

New quantity (random variable): How far from the expectation?

$\Delta(W_1) = W_1 - \mathbb{E}[W_1]$

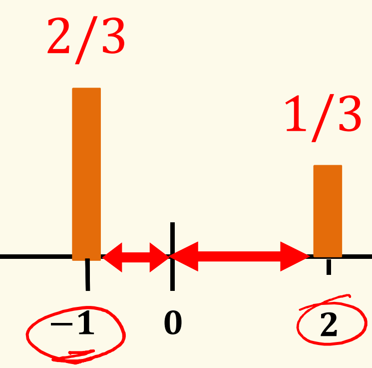
$|W_1 - \mathbb{E}[W_1]|^2$

$(W_1 - \mathbb{E}[W_1])^2$

$$\mathbb{E}[\Delta(W_1)] = \mathbb{E}[W_1 - \mathbb{E}[W_1]]$$
$$= \mathbb{E}[W_1] - \mathbb{E}[\mathbb{E}[W_1]]$$
$$= \mathbb{E}[W_1] - \mathbb{E}[W_1]$$
$$= 0$$

Variance (Intuition, Better Try)

$P(W_1 = 2) = \frac{1}{3}$, $P(W_1 = -1) = \frac{2}{3}$



$\mathbb{E}[W_1] = 0$

A better quantity (random variable): How far from the expectation?

$\Delta(W_1) = (W_1 - \mathbb{E}[W_1])^2$

$P(\Delta(W_1) = 1) = \frac{2}{3}$

$P(\Delta(W_1) = 4) = \frac{1}{3}$

$$\mathbb{E}[\Delta(W_1)] = \mathbb{E}[(W_1 - \mathbb{E}[W_1])^2]$$

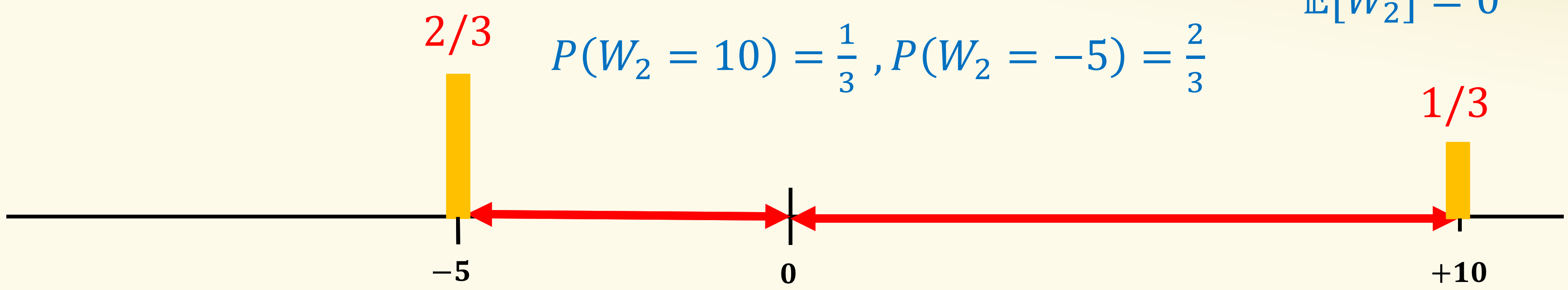
$$= \frac{2}{3} \cdot 1 + \frac{1}{3} \cdot 4$$

$$= 2$$

Variance (Intuition, Better Try)

$\mathbb{E}[W_2] = 0$

$P(W_2 = 10) = \frac{1}{3}$, $P(W_2 = -5) = \frac{2}{3}$



A better quantity (random variable): How far from the expectation?

$$\Delta(W_2) = (W_2 - \mathbb{E}[W_2])^2$$

$$\mathbb{P}(\Delta(W_2) = 25) = \frac{2}{3}$$

$$\mathbb{P}(\Delta(W_2) = 100) = \frac{1}{3}$$

$$\mathbb{E}[\Delta(W_2)] = \mathbb{E}[(W_2 - \mathbb{E}[W_2])^2]$$

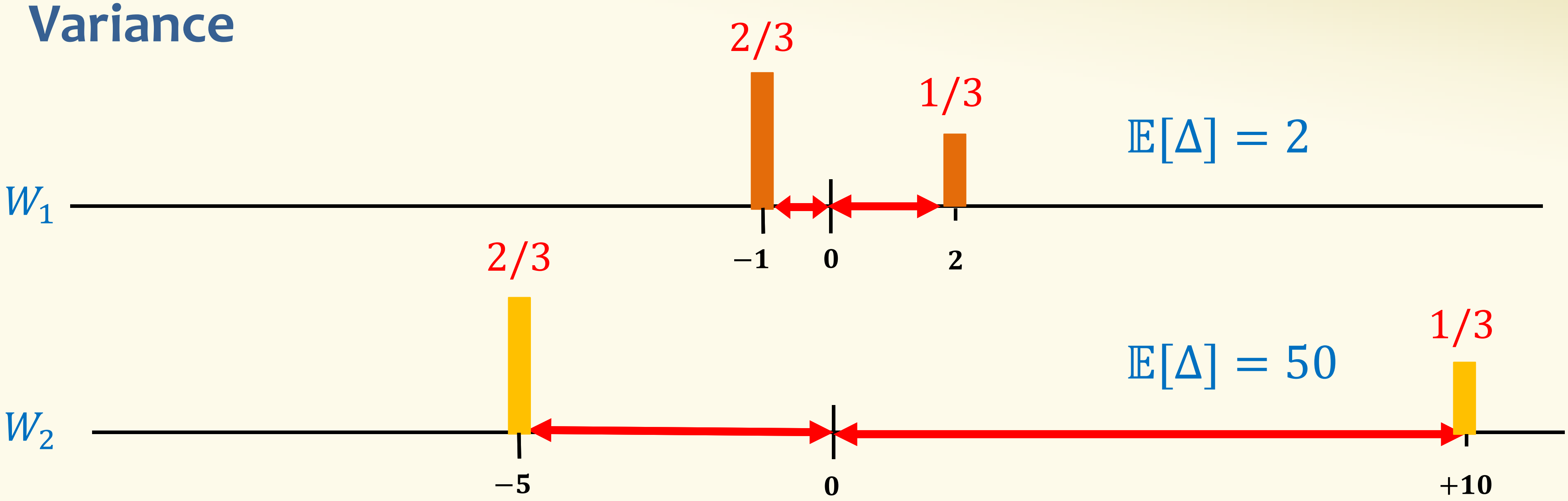
$$= \frac{2}{3} \cdot 25 + \frac{1}{3} \cdot 100$$

$$= 50$$

Poll:
pollev.com/paulbeame028

A. 0
B. 20/3
C. 50
D. 2500

Variance



We say that W_2 has **"higher variance"** than W_1.

Variance

Definition. The **variance** of a (discrete) RV X is

$$\mathrm{Var}(X) = \mathbb{E}[(X - \mathbb{E}[X])^2] = \sum_x p_X(x) \cdot (x - \mathbb{E}[X])^2$$

Recall $\mathbb{E}[X]$ is a **constant**, not a random variable itself.

Standard deviation: $\sigma(X) = \sqrt{\mathrm{Var}(X)}$

Intuition: Variance (or standard deviation) is a quantity that measures, in expectation, how "far" the random variable is from its expectation.

Variance – Example 1

X fair die

- $P(X = 1) = \cdots = P(X = 6) = 1/6$
- $\mathbb{E}[X] = 3.5$

$\mathrm{Var(X)} = ?\ \left(x - \mathbb{E}(X)\right)^2$

Variance – Example 1

X fair die

- $P(X = 1) = \cdots = P(X = 6) = 1/6$
- $\mathbb{E}[X] = 3.5$

$$\mathrm{Var(X)} = \sum_x P(X = x) \cdot (x - \mathbb{E}[X])^2$$

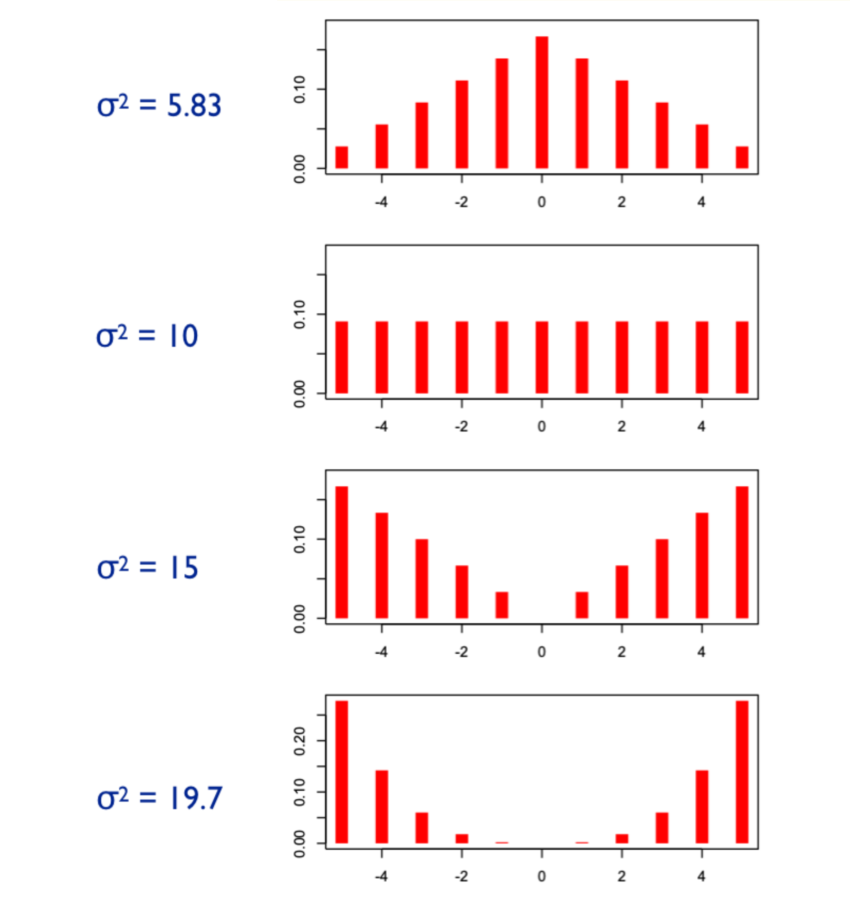
$$= \frac{1}{6}[(1-3.5)^2 + (2-3.5)^2 + (3-3.5)^2 + (4-3.5)^2 + (5-3.5)^2 + (6-3.5)^2]$$

$$= \frac{2}{6}[2.5^2 + 1.5^2 + 0.5^2] = \frac{2}{6}\left[\frac{25}{4} + \frac{9}{4} + \frac{1}{4}\right] = \frac{35}{12} \approx 2.91677 \ldots$$

Variance in Pictures

Captures how much "spread' there is in a pmf

All pmfs have same expectation



Agenda

- Variance
- Properties of Variance
- Independent Random Variables
- Properties of Independent Random Variables

Variance – Properties

Definition. The **variance** of a (discrete) RV X is

$$\mathrm{Var}(X) = \mathbb{E}[(X - \mathbb{E}[X])^2] = \sum_x p_X(x) \cdot (x - \mathbb{E}[X])^2$$

Theorem. For any $a, b \in \mathbb{R}$, $\mathrm{Var}(a \cdot X + b) = a^2 \cdot \mathrm{Var}(X)$

(Proof: Exercise!)

Theorem. $\mathrm{Var}(X) = \mathbb{E}[X^2] - \mathbb{E}[X]^2$

Variance

Theorem. $\mathrm{Var}(X) = \mathbb{E}[X^2] - \mathbb{E}[X]^2$

Proof: $\mathrm{Var}(X) = \mathbb{E}[(X - \mathbb{E}[X])^2]$

Recall $\mathbb{E}[X]$ is a **constant**

$$= \mathbb{E}[X^2 - 2\mathbb{E}[X] \cdot X + \mathbb{E}[X]^2]$$

$$= \mathbb{E}(X^2) - 2\mathbb{E}[X]\mathbb{E}[X] + \mathbb{E}[X]^2$$

(linearity of expectation!)

$$= \mathbb{E}[X^2] - \mathbb{E}[X]^2$$

$\mathbb{E}[X^2]$ and $\mathbb{E}[X]^2$ are different !

Variance – Example 1

X fair die

- $\mathbb{P}(X = 1) = \cdots = \mathbb{P}(X = 6) = 1/6$
- $\mathbb{E}[X] = \frac{21}{6}$
- $\mathbb{E}[X^2] = \frac{91}{6}$

$$\mathrm{Var(X)} = \mathbb{E}[X^2] - \mathbb{E}[X]^2 = \frac{91}{6} - \left(\frac{21}{6}\right)^2 = \frac{105}{36} \approx 2.91677$$