THE MULTIVARIATE ONE-WAY CLASSIFICATION
MODEL WITH RANDOM EFFECTS

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1981
To Susan
and
My Parents
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A well-known model in univariate statistical analysis is the one-way random effects model. In this paper we investigate the multivariate generalization of this model, that is, the multivariate one-way random effects model.

Two specific situations, regarding the structure of the variance-covariance matrix of the random error vectors, are considered. In the first and most general case, it is only assumed that this variance-covariance matrix is symmetric and positive definite. In the second case, it is assumed, in addition, that the variance-covariance matrix is a scalar multiple of the identity matrix.

Maximum likelihood estimates are obtained and the likelihood ratio test for a hypothesis test on the rank of the variance-covariance matrix of the random effect vectors is derived. Properties of the likelihood ratio
test are investigated for the general case, while for the second case an alternative test is developed and its properties are investigated. In each case a sequential procedure for determining the rank of the variance-covariance matrix of the random effect vectors is presented.
1.1 The Random Effects Model, Scalar Case

Suppose a physician is considering administering some particular blood test to his patients as a part of their physical examination. He suspects that the test results vary with the presence and severity of a particular pathological condition. In order to examine variability in the results of the blood test, the physician chooses to administer the blood test n times to each of g patients. This results in the observations $x_{ij}: i = 1,2,\ldots,g; j = 1,2,\ldots,n$.

A suitable model to explain the different values of $x_{ij}: i = 1,2,\ldots,g; j = 1,2,\ldots,n$ would be

$$x_{ij} = \mu + \alpha_i + z_{ij}. \quad (1.1.1)$$

Here $\mu$ is an overall mean, $\alpha_i$ is an effect due to the $i^{th}$ patient, and $z_{ij}$ represents a random error due to the measuring process. We assume that $z_{ij}: i = 1,2,\ldots,g; j = 1,2,\ldots,n$ are independent and have a normal distribution with mean zero and variance $\sigma_z^2$. 
If the physician is interested in using the blood test as a diagnostic tool, he will certainly be interested to know whether a major source of variation in the results of the blood test is due to variation between the patients. Since the physician will administer the test to an unlimited number of patients in the future, we should properly regard the g patients involved as a sample from the entire population of patients. The patient effects, \( \alpha_i: i = 1, 2, \ldots, g \), now have the role of random variables, and (1.1.1) is a random effects model. Again we assume that \( \alpha_i: i = 1, 2, \ldots, g \) are independent and have a normal distribution with mean zero and variance \( \sigma^2_\alpha \). Thus, from our model (1.1.1) we deduce that \( x_{ij} \) has a normal distribution with mean \( \mu \) and variance \( \sigma^2_\alpha + \sigma^2_z \).

The variation in the results of the blood test is governed by \( \sigma^2_\alpha + \sigma^2_z \). The portion of this attributable to the patients is, of course, \( \sigma^2_\alpha/(\sigma^2_\alpha + \sigma^2_z) \), and the physician would like to know whether this or, correspondingly, \( \sigma^2_\alpha/\sigma^2_z \) is sizeable. If \( \sigma^2_\alpha/\sigma^2_z \) is sufficiently large, he would choose to investigate the possible use of this test as a means of detecting the pathological condition; otherwise he would find the blood test essentially useless as a diagnostic tool. Hence, the physician might be interested in testing the hypothesis \( H_0: \sigma^2_\alpha = 0 \) against the hypothesis \( H_1: \sigma^2_\alpha > 0 \).
In order to derive the likelihood ratio test for testing the hypothesis \( H_0 \) against \( H_1 \), we first need to obtain the likelihood function of \((\mu, \sigma^2_z, \sigma^2_\alpha)\). This is most easily done by making a transformation. Let \( C \) be an orthogonal matrix, with the element in the \( i \)th row and the \( j \)th column denoted by \( c_{ij} \), such that \( c_{1j} = 1/\sqrt{n} : j = 1,2,\ldots,n \). Since \( C \) is orthogonal,

\[
\sum_{j=1}^{n} c_{kj} = \sqrt{n} \sum_{j=1}^{n} c_{1j} c_{kj} = 0 \quad \text{for } k = 2,3,\ldots,n.
\]

Consider the orthogonal transformation

\[
(y_{i1}, y_{i2}, \ldots, y_{in})' = C(x_{i1}, x_{i2}, \ldots, x_{in})'.
\]

Upon replacing \( x_{ij} \) by the right side of (1.1.1) and using (1.1.2), we observe that

\[
y_{il} = \frac{1}{\sqrt{n}} \sum_{k=1}^{n} x_{ik} = \sqrt{n} \bar{x}_i.
\]

\[
y_{ij} = \sum_{k=1}^{n} c_{jk} \bar{z}_{ik} \quad \text{for } j = 2,3,\ldots,n,
\]

where \( \bar{x}_i = \frac{1}{n} \sum_{k=1}^{n} x_{ik} / n \). Thus,

\[
\text{Cov}(y_{ij}, y_{ik}) = 0 \quad \text{for } j \neq k,
\]

\[
\text{V}(y_{ij}) = \sigma^2_z \quad \text{for } j = 2,3,\ldots,n,
\]

and \( \{\bar{x}_i, y_{i2}, y_{i3}, \ldots, y_{in}\}_{i=1}^{g} \) is a set of \( g \) mutually independent random variables, where \( \bar{x}_i \) has a normal distribution with mean \( \mu \) and variance \( \sigma^2_z/n + \sigma^2_\alpha \), and \( y_{ij} \).
has a normal distribution with mean zero and variance \( \sigma_z^2 \).

Note also from (1.1.3) that \( \sum_{j=1}^{n} (x_{ij} - \overline{x}_i)^2 = \sum_{j=2}^{n} y_{ij}^2 \) and denote this quantity by \( u_i \). We can now write the joint density function of \( y_{i2}, y_{i3}, \ldots, y_{in} \) as

\[
\begin{align*}
f(y_{i2}, y_{i3}, \ldots, y_{in}; \sigma_z^2) &= \prod_{j=2}^{n} (2\pi \sigma_z^2)^{-\frac{1}{2}} \exp[-y_{ij}^2 / 2\sigma_z^2] \\
&= (2\pi \sigma_z^2)^{-\frac{1}{2}(n-1)} \exp[-\sum_{j=2}^{n} y_{ij}^2 / 2\sigma_z^2] \\
&= g(\sum_{j=2}^{n} y_{ij}^2; \sigma_z^2) = g(u_i; \sigma_z^2),
\end{align*}
\]

so that from the set \{\( \overline{x}_i \), \( y_{i2}, y_{i3}, \ldots, y_{in} \), \( \overline{x}_i \), \( u_i \)\} is sufficient for \( (\mu, \sigma_z^2) \). Thus, we may assume that we have, independently, \( u_i \) and \( \overline{x}_i \) for \( i = 1, 2, \ldots, n \), where \( u_i / \sigma_z^2 \) has a chi-square distribution with \( v = n-1 \) degrees of freedom, and \( \overline{x}_i \) has a normal distribution with mean \( \mu \) and variance \( \sigma_z^2 / n + \sigma_\alpha^2 \). Note that with

\[
\overline{x}_i = \frac{g}{\Sigma_i} \overline{x}_i, / g,
\]

\[
\frac{g}{\Sigma_i} (\overline{x}_i - \mu)^2 = \frac{g}{\Sigma_i} (\overline{x}_i - \overline{x}_i)^2 + g(\overline{x}_i - \mu)^2.
\]

Then putting \( \sigma^2 = \sigma_z^2 / n + \sigma_\alpha^2 \), we can write the joint density function of \( \overline{x}_1, \overline{x}_2, \ldots, \overline{x}_g \) as
\[
f(x_1, x_2, \ldots, x_g; \mu, \sigma^2) = \frac{g}{\prod_{i=1}^{g}} (2\pi\sigma^2)^{-\frac{1}{2}} \exp\left[-\frac{1}{2\sigma^2} (x_i - \mu)^2\right]
\]
\[
= (2\pi\sigma^2)^{-\frac{1}{2}g} \exp\left[-\frac{g}{\sum_{i=1}^{g}} (x_i - \mu)^2\right]
\]
\[
= (2\pi\sigma^2)^{-\frac{1}{2}g} \exp\left[-\frac{g}{\sum_{i=1}^{g}} (x_i - \mu)^2 + g(\overline{x} - \mu)^2\right]
\]
\[
= g(\overline{x}, v; \mu, \sigma^2),
\]
where \( v = n \sum_{i=1}^{g} (x_i - \overline{x})^2 \). Hence, from the set \( \{x_1, x_2, \ldots, x_g\} \), \( (\overline{x}, v) \) is sufficient for \( (\mu, \sigma^2/n + \sigma_a^2) \).

Also, if we let \( c \) denote a constant, we can write the joint density function of \( u_1, u_2, \ldots, u_g \) as
\[
f(u_1, u_2, \ldots, u_g; \sigma_z^2) = \frac{g}{\prod_{i=1}^{g}} c \exp(-u_i/2\sigma_z^2) u_i^{\frac{h}{g} - 1}/(\sigma_z^2)^{\frac{h}{g}}
\]
\[
= (\sigma_z^2)^{-\frac{1}{2}g}\ exp\left(-\sum_{i=1}^{g} u_i/2\sigma_z^2\right) \prod_{i=1}^{g} c u_i^{\frac{h}{g} - 1}
\]
\[
= g(u; \sigma_z^2) h(u_1, u_2, \ldots, u_g),
\]
where \( u = \frac{g}{h} u_i \). Thus, from the set \( \{u_1, u_2, \ldots, u_g\} \), \( u \) is sufficient for \( \sigma_z^2 \).

We may now assume that we have, independently, \( \overline{x} \), \( u \), and \( v \), where \( \overline{x} \) has a normal distribution with mean \( \mu \) and variance \( (\sigma_z^2 + n\sigma_a^2)/gn \); \( u/\sigma_z^2 \) has a chi-square distribution with \( e = g(n-1) \) degrees of freedom, and \( v/(\sigma_z^2 + n\sigma_a^2) \) has a chi-square distribution with \( h = g-1 \) degrees of freedom. The likelihood function of \( (\mu, \sigma_z^2, \sigma_a^2) \) can be expressed as
Let the set $\omega = \{ (\sigma^2, \sigma^2_z): \sigma^2 = 0 \}$ and the set $\Omega = \{ (\sigma^2, \sigma^2_z): \sigma^2_z \geq 0 \}$. We seek the maximum likelihood estimators, $\hat{\mu}_\omega$ and $\hat{\theta}^2_{z\omega}$, of $\mu$ and $\sigma^2_z$ when the parameters are restricted to lie within $\omega$, and the maximum likelihood estimators, $\hat{\mu}_\Omega$, $\hat{\sigma}^2_{z\Omega}$, and $\hat{\sigma}^2_{\alpha\Omega}$, of $\mu$, $\sigma^2_z$, and $\sigma^2_\alpha$ when the parameters are restricted to lie within $\Omega$.

In $\omega \sigma^2_\alpha = 0$ and

$$f(\bar{x}, u, v) = \frac{\exp[-(\bar{x} - \mu)^2 gn/(2\sigma^2_\omega + n\sigma^2_\alpha)]}{(2\pi(\sigma^2_\omega + n\sigma^2_\alpha)/gn)^{1/2}} \frac{u^{n-1} \exp[-u/2\sigma^2_\omega]}{(2\sigma^2_\omega)^{n-1} \Gamma(n-1)} \times \frac{v^{k-1} \exp[-v/2(\sigma^2_\omega + n\sigma^2_\alpha)]}{(2(\sigma^2_\omega + n\sigma^2_\alpha)^{k-1} \Gamma(k+1)}.$$ 

so that the logarithm of the likelihood function, omitting a function of the observations, is

$$-(\bar{x} - \mu)^2 gn = u + v - (e + h + 1) \ln \sigma^2_\omega.$$  \hspace{1cm} (1.1.4) \]

Differentiating (1.1.4) with respect to $\mu$ and $\sigma^2_z$, we obtain, respectively, the equations

$$\frac{(\bar{x} - \mu)^2 gn}{\sigma^2_\omega} = 0, \quad \frac{(\bar{x} - \mu)^2 gn + u + v}{2(\sigma^2_\omega)^2} - \frac{e + h + 1}{2\sigma^2_\omega} = 0.$$
which yield the maximum likelihood solutions

\[ \hat{\mu}_\omega = \bar{x}, \]

\[ \hat{\sigma}^2_{z\omega} = (u+v)/(e+h+1). \]

In \( \Omega \) the logarithm of the likelihood function, omitting a function of the observations, is

\[
- \frac{(\bar{x} - \mu)^2}{2(\sigma^2_z + n\sigma^2_\alpha)} - \frac{u}{2\sigma^2_z} - \frac{e}{2} \ln \sigma^2_z - \frac{v}{2(\sigma^2_z + n\sigma^2_\alpha)} - \frac{(h+1)}{2} \ln (\sigma^2_z + n\sigma^2_\alpha).
\]

(1.1.5)

Differentiation of (1.1.5) with respect to \( \mu, \sigma^2_\alpha, \) and \( \sigma^2_z \) yields, respectively,

\[
\frac{(\bar{x} - \mu)^2}{2(\sigma^2_z + n\sigma^2_\alpha)} = 0,
\]

\[
\frac{n((\bar{x} - \mu)^2 + v)}{2(\sigma^2_z + n\sigma^2_\alpha)^2} - \frac{n(h+1)}{2(\sigma^2_z + n\sigma^2_\alpha)} = 0,
\]

\[
\frac{(\bar{x} - \mu)^2}{2(\sigma^2_z + n\sigma^2_\alpha)^2} + \frac{u}{2(\sigma^2_z)^2} - \frac{e}{2\sigma^2_z} - \frac{(h+1)}{2(\sigma^2_z + n\sigma^2_\alpha)} = 0.
\]

Solving these equations for \( \mu, \sigma^2_z, \) and \( \sigma^2_\alpha, \) we obtain the maximal solution of the likelihood function in \( \Omega, (\hat{\mu}, \hat{\sigma}^2_z, \hat{\sigma}^2_\alpha), \) given by

\[ \hat{\mu} = \bar{x}, \]

\[ \hat{\sigma}^2_z = u/e = u_*, \]

\[ \hat{\sigma}^2_\alpha = (v/(h+1) - u/e)/n = (v_* - u_*)/n, \]
where \( u^* = u/e \) and \( v^* = v/(h+1) \). Since we insist that 
\( \hat{\sigma}^2_{\alpha} \) be greater than or equal to zero, the solution above is the maximum likelihood solution only if \( v^*-u^* \geq 0 \).

Suppose, however, that \( v^* < u^* \). Clearly (1.1.5) is still maximized when \( u = \bar{x} \), so that we need to minimize

\[
\frac{u}{\sigma^2_z} + e \ln \sigma^2_z + \frac{v}{(\sigma^2_z + n\sigma^2_{\alpha})} + (h+1) \ln(n\sigma^2_{\alpha})
\]

subject to the constraints \( \sigma^2_z > 0 \) and \( \sigma^2_{\alpha} \geq 0 \). Equivalently, we consider the problem of minimizing

\[
\psi(x,t) = u/x + e \ln x + v/t + (h+1) \ln t
\]

subject to the constraint \( t \geq x \geq 0 \). For fixed \( x \) \( \psi(x,t) \) is concave upward in \( t \) with its absolute minimum at \( t = v^* \).

For each \( x \) \( \psi(x,t) \) is, therefore, minimized with respect to \( t \geq x \) when

\[
t = \begin{cases} 
  v^* & \text{if } v^* \geq x, \\
  x & \text{if } v^* < x.
\end{cases}
\]

Thus, \( \psi(x,t) \) is minimized over \( \{(t,x): t \geq x > 0\} \) by setting

\[
t = v^* \text{ and } x = u^* \quad \text{if } v^* \geq u^*,
\]

\[
t = x = (u+v)/(e+h+1) \quad \text{if } v^* < u^*.
\]

Hence, for the maximum likelihood estimators when the parameters are restricted to be within \( \Omega \), we obtain

\[
\hat{\mu}_\Omega = \bar{x},
\]

\[
\hat{\sigma}^2_z\Omega = u^*,
\]

\[
\hat{\sigma}^2_{\alpha}\Omega = (v^*-u^*)/n,
\]
if $v^*_v > u^*_v$, and
\[
\hat{\mu}_\Omega = \bar{x},
\]
\[
\hat{\sigma}^2_{\Omega} = (u+v)/(e+h+1),
\]
\[
\hat{\sigma}^2_{\alpha\Omega} = 0,
\]
if $v^*_v < u^*_v$.

Substituting the maximum likelihood estimates into

the likelihood function, we see that in $\omega$

\[
\max_{\omega} f(\bar{x}_v, u, v) = \frac{u^{\frac{1}{2}e-1} v^{\frac{1}{2}h-1} \exp[-(e+h+1)/2]}{\Gamma(\frac{1}{2}e) \Gamma(\frac{1}{2}h) \left(\frac{u+v}{e+h+1}\right)^{\frac{1}{2}(e+h+1)} \left(\frac{u+v}{e+h+1}\right)^{\frac{1}{2}(e+h+1)} 2^{\frac{1}{2}(e+h+1)}},
\]

and in $\Omega$

\[
\max_{\Omega} f(\bar{x}_\alpha, u, v) = \begin{cases} 
\max_{\omega} f(\bar{x}_v, u, v) & \text{if } v^*_v \geq u^*_v, \\
\max_{\omega} f(\bar{x}_\alpha, u, v) & \text{if } v^*_v < u^*_v.
\end{cases}
\]

The likelihood ratio, $\lambda$, is

\[
\lambda = \frac{\max_{\omega} f(\bar{x}_v, u, v)}{\max_{\Omega} f(\bar{x}_\alpha, u, v)} = \begin{cases} 
\frac{(u/e)^{\frac{1}{2}e} (v/(h+1))^{\frac{1}{2}(h+1)}}{[(u+v)/(e+h+1)]^{\frac{1}{2}(e+h+1)}} & \text{if } v^*_v \geq u^*_v, \\
1 & \text{if } v^*_v < u^*_v.
\end{cases}
\]

Now putting $w = u/(u+v)$ and noting that

\[
v^*_v \geq u^*_v, \quad \text{if and only if (iff)}
\]
\[
\frac{v}{h+1} \geq \frac{u}{e},
\]
\[
\frac{u+v}{h+1} \geq \frac{u}{e} + \frac{1}{h+1},
\]
\[
\frac{e}{e+h+1} \geq \frac{u}{u+v} = w,
\]
we can rewrite the likelihood ratio

\[
\lambda = \begin{cases} 
\frac{(e+h+1)^{\frac{1}{2}}(e+h+1)}{e^{\frac{1}{2}(h+1)}} w^{\frac{1}{2}} e^{(1-w)\frac{1}{2} (h+1)} & \text{if } w \leq \frac{e}{e+h+1}, \\
1 & \text{if } w > \frac{e}{e+h+1}.
\end{cases}
\]

Since \( \lambda \) is an increasing function of \( w \), and \( H_0 \) is rejected for small values of \( \lambda \), it follows that \( H_0 \) is rejected for small values of \( w \) or large values of \( 1/w \). Now

\[
\frac{1}{w} = \frac{u+v}{u} = 1 + \frac{v}{u} = 1 + \frac{h}{e} \left( \frac{v/h}{e/u/e} \right),
\]

so the likelihood ratio test rejects \( H_0 \) for \( ev/hu \) large.

Recall that \( u/\sigma^2 \) has a chi-square distribution with \( e \) degrees of freedom, and \( v/(\sigma^2 + n\sigma^2_0) \) has a chi-square distribution with \( h \) degrees of freedom, independent of \( u \).

Hence, the quantity \( \sigma^2_z ev/(\sigma^2 + n\sigma^2_0)hu \) has an F distribution with \( h \) and \( e \) degrees of freedom. If we let \( F(h,e,\alpha) \) denote the constant for which \( P(F(h,e) \geq F(h,e,\alpha)) = \alpha \) where \( F(h,e) \) has an F distribution with \( h \) and \( e \) degrees of freedom, then we will reject \( H_0 \) if \( ev/hu \geq F(h,e,\alpha) \). The power function of this test is a function of \( \theta = \sigma^2_\alpha/\sigma^2_z \) and is given by

\[
\beta(\theta) = P(F(h,e) \geq F(h,e,\alpha)/(1+\theta)).
\]

Although the analysis which we have just outlined is, by now, quite standard to any graduate level course in design and analysis, we have reproduced it since it motivates the more general problem to be described in the next section.
Indeed the situation we wish to consider contains the one-way random effects model as a special case to which we can return on occasion to check our work.

1.2 The Multivariate Random Effects Model

Suppose a physician is considering administering a battery of \( m \) distinct types of blood tests to his patients as a part of their physical examination. He believes that, based on the results of these tests, he may be able to detect any one of several particular pathological conditions. In order to examine variability in the results of the blood tests, the physician chooses to administer the battery of blood tests \( n \) times to each of \( g \) patients. This results in the observations \( x_{ij}(mx1): i = 1,2,\ldots,g; \ j = 1,2,\ldots,n \).

A suitable model to explain the different values of \( x_{ij}: i = 1,2,\ldots,g; \ j = 1,2,\ldots,n \) would be

\[
x_{ij} = \mu + \alpha_i + z_{ij}.
\]

Here \( \mu(mx1) \) is an overall mean, \( \alpha_i(mx1) \) is an effect due to the \( i^{th} \) patient, and \( z_{ij}(mx1) \) represents a vector of random errors due to the measuring process. We assume that \( z_{ij}: i = 1,2,\ldots,g; \ j = 1,2,\ldots,n \) are independent and have an \( m \)-variate normal distribution with mean \( 0 \) and variance-covariance matrix \( \Sigma \).

Since the physician will administer the tests to an unlimited number of patients in the future, we should properly regard the \( g \) patients involved as a sample from the
entire population of patients. The patient effects, \( \alpha_i \): \( i = 1,2,\ldots,g \), now have the role of random vectors, and (1.2.1) is a multivariate random effects model. We will assume that \( \alpha_i \): \( i = 1,2,\ldots,g \) are independent and have an \( m \)-variate normal distribution with mean \( 0 \) and variance-covariance matrix \( \Delta \). Hence, from our model (1.2.1) we see that \( x_{ij} \) has an \( m \)-variate normal distribution with mean \( \mu \) and variance-covariance matrix \( \Delta + \Sigma \).

While there are \( m \) different blood tests, it is believed that there are some groups of tests for which the tests within a group vary quite strongly together. In other words, the data from some of the tests are highly correlated. For this reason the number of sources of variation between the patients, which we will denote by \( p \), may be less than the number of tests, \( m \). That is, the rank of the variance-covariance matrix \( \Delta \) is \( p \) where \( p \leq m \). Since \( \Delta \) is symmetric, nonnegative definite, and of rank \( p \), there exists a matrix \( L(mxp) \) such that \( \Delta = LL' \). Clearly \( L \) is not unique since if \( \Delta = LL' \) and \( P(pxP) \) is such that \( PP' = I \), then \( \Delta = L*L \) where \( L* = LP \). This enables us to rewrite (1.2.1) as

\[
x_{ij} = \mu + Lf_i + z_{ij} \quad (1.2.2)
\]

where \( f_i (px1) \): \( i = 1,2,\ldots,g \) are independently distributed, having a \( p \)-variate normal distribution with mean \( 0 \) and variance-covariance matrix equal to the identity matrix.
If the physician is interested in using the blood tests as a diagnostic tool, he will certainly be interested in determining the value \( p \), since the \( p \) sources of variation may correspond to \( p \) different pathological disorders. So of particular interest to the physician is a test of the hypothesis \( H_0^{(s)} \): the rank of the matrix \( LL' \leq s-1 \) against the hypothesis \( H_1^{(s)} \): the rank of the matrix \( LL' = s \). With such a test procedure he could develop a sequential test procedure for determining the rank of \( LL' \). He would first test \( H_0^{(m)} \) against \( H_1^{(m)} \), and if he rejects \( H_0^{(m)} \), he would stop and take the rank of \( LL' \) to be \( m \); otherwise, he would proceed to test \( H_0^{(m-1)} \) against \( H_1^{(m-1)} \). The procedure continues until either some hypothesis \( H_0^{(s)} \) is rejected, in which case he then takes the rank of \( LL' \) to be \( s \), or the hypothesis \( H_0^{(1)} \) is accepted, in which case he would conclude that there is no significant variation between patients.

In this paper we investigate the multivariate one-way classification model with random effects, given by (1.2.2). Two specific cases, regarding the structure of the variance-covariance matrix \( \Sigma \), will be considered. In the first and most general case we will assume no more than that \( \Sigma \) is symmetric and positive definite. In the second case we will assume that the vector of random errors, \( \xi_{ij} \), is such that its components are independent and have the same variance. That is, we assume that \( \Sigma \) is equal to some constant multiple of the identity matrix. In each case we develop a test
procedure for testing the hypothesis $H_0^{(s)}$: the rank of $LL' \leq s-1$ against the hypothesis $H_1^{(s)}$: the rank of $LL' = s$.

In addition, we investigate some of the properties of these test procedures and present a numerical example to illustrate the use of these procedures.

1.3 Notation

The following notation will be used whenever convenient:

<table>
<thead>
<tr>
<th>Notation</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(A)_i$</td>
<td>row $i$ of the matrix $A$</td>
</tr>
<tr>
<td>$(A)_{ij}$</td>
<td>column $j$ of the matrix $A$</td>
</tr>
<tr>
<td>$(A)_{ij}$</td>
<td>the element in row $i$ and column $j$ of the matrix $A$</td>
</tr>
<tr>
<td>$a_{ij}$</td>
<td>the element in row $i$ and column $j$ of the matrix $A$</td>
</tr>
<tr>
<td>$A^{-1}$</td>
<td>the inverse of the matrix $A$</td>
</tr>
<tr>
<td>$A'$</td>
<td>the transpose of the matrix $A$</td>
</tr>
<tr>
<td>$</td>
<td>A</td>
</tr>
<tr>
<td>$\text{tr } A$</td>
<td>the trace of the matrix $A$</td>
</tr>
<tr>
<td>$\text{dg}(A)$</td>
<td>the diagonal matrix which has as its diagonal elements the diagonal elements of $A$</td>
</tr>
<tr>
<td>$\text{diag}(a_1,a_2,\ldots,a_m)$</td>
<td>the diagonal matrix which has $a_1$, $a_2,\ldots,a_m$ as its diagonal elements</td>
</tr>
<tr>
<td>$\text{ch}_i(A)$</td>
<td>the $i$th largest latent root of the matrix $A$</td>
</tr>
<tr>
<td>Notation</td>
<td>Interpretation</td>
</tr>
<tr>
<td>----------</td>
<td>----------------</td>
</tr>
<tr>
<td>rank (A)</td>
<td>the rank of the matrix A</td>
</tr>
<tr>
<td>$I_m$</td>
<td>the $m \times m$ identity matrix</td>
</tr>
<tr>
<td>$I$</td>
<td>the identity matrix (used when the order of the matrix is obvious)</td>
</tr>
<tr>
<td>(0)</td>
<td>the matrix which has all of its elements equal to zero</td>
</tr>
<tr>
<td>$x$</td>
<td>a vector</td>
</tr>
<tr>
<td>$x_i$</td>
<td>the $i^{th}$ element of the vector $x$</td>
</tr>
<tr>
<td>0</td>
<td>the vector which has all of its elements equal to zero</td>
</tr>
<tr>
<td>$E(x)$</td>
<td>the expected value of $x$</td>
</tr>
<tr>
<td>$V(x)$</td>
<td>the variance of $x$</td>
</tr>
<tr>
<td>$\text{Cov}(x,y)$</td>
<td>the covariance of $x$ and $y$</td>
</tr>
<tr>
<td>$P(A)$</td>
<td>the probability of event $A$</td>
</tr>
<tr>
<td>$P(A</td>
<td>B)$</td>
</tr>
<tr>
<td>$\Gamma(x)$</td>
<td>the gamma function</td>
</tr>
<tr>
<td>$x_n \xrightarrow{d} x$</td>
<td>$x_n$ converges to $x$ in distribution</td>
</tr>
<tr>
<td>$a_n \longrightarrow a$</td>
<td>convergence of a sequence of constants</td>
</tr>
<tr>
<td>$\exp(x)$</td>
<td>Euler's constant, &quot;e,&quot; raised to the $x$ power</td>
</tr>
<tr>
<td>$\varepsilon$</td>
<td>is contained in</td>
</tr>
<tr>
<td>$\sim$</td>
<td>is distributed as</td>
</tr>
<tr>
<td>$N(\mu,\sigma^2)$</td>
<td>the normal distribution with mean $\mu$ and variance $\sigma^2$</td>
</tr>
<tr>
<td>Notation</td>
<td>Interpretation</td>
</tr>
<tr>
<td>----------</td>
<td>----------------</td>
</tr>
<tr>
<td>$N_m(\mu, \Sigma)$</td>
<td>the $m$-variate normal distribution with mean $\mu$ and variance-covariance matrix $\Sigma$</td>
</tr>
<tr>
<td>$\chi^2_v$</td>
<td>the central chi-square distribution with $v$ degrees of freedom</td>
</tr>
<tr>
<td>$F_{v_1, v_2}$</td>
<td>the central F distribution with $v_1$ numerator degrees of freedom and $v_2$ denominator degrees of freedom</td>
</tr>
<tr>
<td>$W_m(\Sigma, v, 0)$</td>
<td>the central Wishart distribution with variance-covariance matrix $\Sigma$ and degrees of freedom $v$</td>
</tr>
<tr>
<td>Jones [1973]</td>
<td>the reference authored by Jones and published in 1973</td>
</tr>
<tr>
<td>Jones [1973:1]</td>
<td>page 1 of the reference authored by Jones and published in 1973</td>
</tr>
</tbody>
</table>
CHAPTER 2

MAXIMIZATION OF THE LIKELIHOOD FUNCTION
FOR GENERAL \( \Sigma \)

2.1 The Likelihood Function

Suppose the vectors \( x_{ij} \) \((mx1)\): \( i = 1, 2, \ldots, g; \ j = 1, 2, \ldots, n \) can be modeled by

\[
x_{ij} = \mu + Lf_i + z_{ij}, \tag{2.1.1}
\]

wherein \( \mu \) \((mx1)\) is a fixed but unknown vector, \( L \) \((mxp)\) is a fixed but unknown matrix, \( f_i \sim N_p(0, I) \): \( i = 1, 2, \ldots, g \), and \( z_{ij} \sim N_m(0, \Sigma) \): \( i = 1, 2, \ldots, g; \ j = 1, 2, \ldots, n \). We assume that the set of random vectors \( \{f_1, f_2, \ldots, f_g, z_{11}, \ldots, z_{gn}\} \) are mutually independent. Thus, \( x_{ij} \sim N_m(\mu, V) \) with \( V = LL' + \Sigma \). However, for any orthogonal matrix \( P(pxp), V = LL' + \Sigma = LP(LP)' + \Sigma \) so that \( L \) is not unique whereas \( LL' \) is unique. The purpose of this section is to derive the likelihood function for \( \mu, LL' \), and \( \Sigma \). Although \( x_{ij} \) and \( x_{k\ell} \) are independent for all \( (j, \ell) \) when \( i \neq k \), \( x_{ij} \) and \( x_{i\ell} \) are not independent even when \( j \neq \ell \), since \( \text{Cov}(x_{ij}, x_{i\ell}) = LL'(j\neq\ell) \). Thus, the likelihood function is not simply the product of the density functions of the \( x_{ij} \)'s. A transformation of the \( x_{ij} \)'s will expedite the derivation of the likelihood function.
Consider the Helmert transformation (see, for example, Kendall and Stuart [1963:250]) given below:

\[ \begin{align*}
    x_{i1} & = \bar{x}_i + (2\cdot1)^{-k}y_{i1} + (3\cdot2)^{-k}y_{i2} + \cdots + (n(n-1))^{-k}y_{iv}, \\
    x_{i2} & = \bar{x}_i - (2\cdot1)^{-k}y_{i1} + (3\cdot2)^{-k}y_{i2} + \cdots + (n(n-1))^{-k}y_{iv}, \\
    x_{i3} & = \bar{x}_i - 2(3\cdot2)^{-k}y_{i2} + \cdots + (n(n-1))^{-k}y_{iv}, \\
    & \quad \vdots \\
    x_{in} & = \bar{x}_i - (n-1)(n(n-1))^{-k}y_{iv},
\end{align*} \]

where \( v = n-1 \). It will be helpful to note that the above equations imply the following:

\[ \begin{align*}
    \bar{x}_i & = n^{-1}x_{i1} + n^{-1}x_{i2} + \cdots + n^{-1}x_{in}, \\
    y_{i1} & = 2^{-k}x_{i1} - 2^{-k}x_{i2}, \\
    y_{i2} & = (3\cdot2)^{-k}x_{i1} + (3\cdot2)^{-k}x_{i2} - 2(3\cdot2)^{-k}x_{i3}, \\
    & \quad \vdots \\
    y_{iv} & = (n(n-1))^{-k}x_{i1} + \cdots + (n(n-1))^{-k}x_{in}.
\end{align*} \]

In matrix formulation we have

\[ \begin{pmatrix} x_{i1}, \ldots, x_{in} \end{pmatrix}' = H(\bar{x}_i, y_{i1}, \ldots, y_{iv})', \]

and we note that, while not an orthogonal matrix, the columns of \( H \) are orthogonal. The matrix \( H \) fails to be orthogonal since \( H'H = \text{diag}(n,1,1,\ldots,1) \). Observe that, upon replacing \( x_{ij} \) by the right side of (2.1.1), we have
\[ \bar{X}_i = \mu + L \bar{f}_i + \bar{Z}_i. \]

\[ Y_{i1} = (2)^{-\frac{l}{2}}(Z_{i1}Z_{i2}), \]

\[ Y_{i2} = (3 \cdot 2)^{-\frac{l}{2}}(Z_{i1}Z_{i2} - Z_{i3}), \]

\[ \vdots \]

\[ Y_{i\nu} = \{ n(n-1) \}^{-\frac{l}{2}}(Z_{i1}Z_{i2} + \cdots + Z_{i\nu-1} Z_{i\nu} + Z_{i\nu})^T. \]

Thus

\[ E(\bar{X}_i, Y_{ij}) = 0, \]

\[ E(Y_{ij}, Y_{iq}) = 0 \text{ if } j \neq q, \]

\[ E(Y_{ij}Y_{ij}) = \Sigma. \]

Hence, it follows that \( \{ \bar{X}_i, Y_{i1}, \ldots, Y_{i\nu} \}_{i=1}^g \) are a set of \( gn \) mutually independent vectors with \( \bar{X}_i \sim N_m(\mu, (1/n) \Sigma + LL') \):

\( i = 1, 2, \ldots, g \) and \( Y_{ij} \sim N_m(Q, \Sigma) \): \( i = 1, 2, \ldots, g \); \( j = 1, 2, \ldots, n \).

Note also that \( \sum_{j=1}^n (\bar{X}_{ij} - \bar{X}_i)(\bar{X}_{ij} - \bar{X}_i)' = \sum_{j=1}^n Y_{ij}Y_{ij}' \) and denote this matrix by \( E_i \). We can now write the joint density function of \( Y_{i1}, \ldots, Y_{i\nu} \) as

\[ f(Y_{i1}, \ldots, Y_{i\nu} | \Sigma) = \prod_{j=1}^{\nu} \left| 2\pi \Sigma \right|^{-\frac{1}{2}} \exp\left[ -\frac{1}{2} Y_{ij} \Sigma^{-1} Y_{ij} \right] \]

\[ = \left| 2\pi \Sigma \right|^{-\frac{1}{2}} \exp\left[ -\frac{1}{2} \sum_{j=1}^{\nu} \text{tr}(Y_{ij} \Sigma^{-1} Y_{ij}) \right] \]
\[ = |2\pi \Sigma|^{-\frac{1}{2}N} \exp \left[ -\frac{1}{2} \sum_{j=1}^{N} \text{tr} \left( \Sigma^{-1} Y_{ij} Y_{ij}' \right) \right] \]
\[ = |2\pi \Sigma|^{-\frac{1}{2}N} \exp \left[ -\frac{1}{2} \text{tr} \left( \Sigma^{-1} E_i \right) \right] \]
\[ = g(E_i; \Sigma) \]

so that from the set \( \{ \overline{X}_1, Y_{i1}, Y_{i2}, \ldots, Y_{iN} \} \), \( (E_i, \overline{X}_i) \) is sufficient.

Thus, we may assume that we have, independently,

\[ E_i \sim W_m(\Sigma, \nu, 0) \]
\[ \overline{X}_i \sim N_m(\mu, \frac{1}{n} \Sigma + LL') \]

Note that
\[ \frac{g}{\Sigma} (\overline{X}_i - \mu)(\overline{X}_i - \mu)' = \frac{g}{\Sigma} (\overline{X}_i - \overline{X}..)(\overline{X}_i - \overline{X}..)' + g(\overline{X}.. - \mu)(\overline{X}.. - \mu)', \]
where \( \overline{X}.. = \frac{g}{\Sigma} \sum_{i=1}^{g} \overline{X}_i / g \). Then putting \( W = (1/n) \Sigma + LL' \),

we can write the joint density function of \( \overline{X}_1, \overline{X}_2, \ldots, \overline{X}_g \) as

\[ f(\overline{X}_1, \overline{X}_2, \ldots, \overline{X}_g; \mu, W) = \prod_{i=1}^{g} \left| 2\pi W \right|^{-\frac{1}{2}g} \exp \left[ -\frac{1}{2} g \left( \sum_{i=1}^{g} (\overline{X}_i - \mu)' W^{-1} (\overline{X}_i - \mu) \right) \right] \]
\[ = \left| 2\pi W \right|^{-\frac{1}{2}g} \exp \left[ -\frac{1}{2} g \left( \sum_{i=1}^{g} \text{tr} ((\overline{X}_i - \mu)' W^{-1} (\overline{X}_i - \mu)) \right) \right] \]
\[ = \left| 2\pi W \right|^{-\frac{1}{2}g} \exp \left[ -\frac{1}{2} g \left( \sum_{i=1}^{g} \text{tr} (W^{-1} (\overline{X}_i - \mu)(\overline{X}_i - \mu)') \right) \right] \]
\[ = \left| 2\pi W \right|^{-\frac{1}{2}g} \exp \left[ -\frac{1}{2} \sum_{i=1}^{g} (\overline{X}_i - \mu)' (\overline{X}_i - \mu) \right] \]
\[
\begin{align*}
= & \ |2\pi W|^{-\frac{1}{2}}g\exp\left(-\frac{1}{2} g \text{ tr } W^{-1} (\bar{x}_i - \bar{y})(\bar{x}_i - \bar{y})'\right) \\
= & |2\pi W|^{-\frac{1}{2}}g\exp\left(-\frac{1}{2} g \text{ tr } W^{-1} (\bar{x}_i - \bar{y})(\bar{x}_i - \bar{y})'\right) \\
& \times \exp\left[-\frac{1}{2} \text{ tr } W^{-1} \sum_{i=1}^{g} (\bar{x}_i - \bar{y})(\bar{x}_i - \bar{y})'\right] \\
= & g(x, H; \mu, W),
\end{align*}
\]

where \( H = n \sum_{i=1}^{g} (\bar{x}_i - \bar{y})(\bar{x}_i - \bar{y})' \). Hence, from the set \( \{\bar{x}_1, \ldots, \bar{x}_g\}, (\bar{x}_\ldots, H) \) is sufficient for \( (\mu, (1/n)\Sigma + LL') \).

Also if we let \( c \) denote a constant, we can write the joint density function of \( E_1, \ldots, E_g \) as

\[
f(E_1, \ldots, E_g; \Sigma) = c \prod_{i=1}^{g} \left| E_i \right|^{\frac{1}{2}(\nu-m-1)} \exp\left[-\frac{1}{2} \text{ tr } (\Sigma^{-1}E_i)\right] \\
= c \exp\left[-\frac{1}{2} \text{ tr } (\Sigma^{-1} \sum_{i=1}^{g} E_i)\right] \prod_{i=1}^{g} \left| E_i \right|^{\frac{1}{2}(\nu-m-1)} \\
= g_1(E; \Sigma)g_2(E_1, E_2, \ldots, E_g),
\]

where \( E = \sum_{i=1}^{g} E_i \). Thus, from the set \( \{E_1, \ldots, E_g\} \), \( E \) is sufficient for \( \Sigma \).

Then we may assume that we have, independently,

\[
\begin{align*}
\bar{x}_\ldots & \sim N_m (\mu, \frac{1}{q_n}(\Sigma + nLL')), \\
E & \sim W_m (\Sigma, e, 0), \\
H & \sim W_m (\Sigma + nLL', h, 0),
\end{align*}
\]
where \( e = g(n-l) \) and \( h = g-1 \). The problem is to estimate \( \mu, \Sigma, \) and \( LL' \) or, equivalently, to estimate \( \mu, \Sigma, \) and \( M \) where \( M = nLL' \). Recall that \( L \) is not uniquely defined so that if \( \hat{L}L' \) is an estimate of \( LL' \), then any \( \hat{L} \), such that \( \hat{L}L' = \hat{L}L' \), is an estimate of \( L \). The likelihood function of \( (\mu, \Sigma, M) \) can be expressed as

\[
f(\bar{x}.., E, H) = \frac{K_m(I,e)K_m(I,h)}{2\pi \frac{g}{g \Sigma(M)} \frac{1}{2} |\Sigma+M| \frac{1}{2} h |\Sigma| \frac{1}{2} e} \left| H \right| \frac{1}{2} (h-m-1) \left| E \right| \frac{1}{2} (e-m-1) \times \exp\left\{ -\frac{1}{2} (\bar{x}..-\mu)' \left( \frac{1}{g \Sigma(M)} \right)^{-1} (\bar{x}..-\mu) - \frac{1}{2} \text{tr}(\Sigma^{-1} E) - \frac{1}{2} \text{tr}(\Sigma+M)^{-1} H \right\},
\]

where \( \Sigma^{-1} = 2^{k m \nu} \pi^{k m (m-1)} \prod_{j=1}^{m} \Gamma\left( \frac{1}{2} (\nu-j+1) \right) \).

The logarithm of the likelihood function, omitting a function of the observations, is

\[-\frac{1}{2} \text{tr} \Sigma^{-1} E - \frac{1}{2} e \ln |\Sigma| - \frac{1}{2} \text{tr}(\Sigma+M)^{-1} H - \frac{1}{2} h \ln |\Sigma+M| - \frac{1}{2} \ln |\Sigma+M| - \frac{1}{2} (\bar{x}..-\mu)' \left( \frac{1}{g \Sigma(M)} \right)^{-1} (\bar{x}..-\mu).
\]

We seek the solution, \( (\hat{\mu}, \hat{\Sigma}, \hat{M}) \), which maximizes the equation above, or equivalently, the solution which minimizes

\[
\text{tr} \Sigma^{-1} E + e \ln |\Sigma| + \text{tr}(\Sigma+M)^{-1} H + h \ln |\Sigma+M| + (\bar{x}..-\mu)' \left( \frac{1}{g \Sigma(M)} \right)^{-1} (\bar{x}..-\mu).
\]

Before we can minimize the above equation, we need some results on differentiation. Let \( W(m \times m) \), \( X(m \times m) \), and \( Y(m \times m) \) be symmetric matrices, and let \( z(m \times 1) \) and \( a(m \times 1) \) be vectors. The proof of the first result can be found in Graybill [1969:267].
Lemma 2.1.1:
\[ \frac{\partial \ln|X|}{\partial X} = 2X^{-1} - d(g(X^{-1})) . \]

Lemma 2.1.2:
\[ \frac{\partial \ln|X+Y|}{\partial X} = 2(X+Y)^{-1} - d(g((X+Y)^{-1})) . \]

Proof: Let \( V = X + Y \). Then
\[
\frac{\partial \ln|X+Y|}{\partial X} = \frac{\partial \ln|V|}{\partial X} = \sum_{1 \leq p \leq q \leq m} \frac{\partial \ln|V|}{\partial v_{pq}} \frac{\partial v_{pq}}{\partial x_{ij}} = \frac{\partial \ln|V|}{\partial v_{ij}} ,
\]
so
\[ \frac{\partial \ln|X+Y|}{\partial X} = \frac{\partial \ln|V|}{\partial v} = 2v^{-1} - d(g(v^{-1})) = 2(X+Y)^{-1} - d(g((X+Y)^{-1})) . \]

Lemma 2.1.3:
\[ \frac{\partial \text{tr}(X+Y)^{-1}W}{\partial X} = -2(X+Y)^{-1}W(X+Y)^{-1} + d(g((X+Y)^{-1}W(X+Y)^{-1})) . \]

Proof: Let \( V = X + Y \). Note that
\[
\frac{\partial v^{-1}}{\partial x_{ij}} = (0) = \left( \frac{\partial v^{-1}}{\partial x_{ij}} \right) v + v^{-1} \left( \frac{\partial v}{\partial x_{ij}} \right)
\]
so that
\[ \frac{\partial v^{-1}}{\partial x_{ij}} = - v^{-1} \left( \frac{\partial v}{\partial x_{ij}} \right) v^{-1} . \]

Then
\[
\frac{\partial \text{tr}(X+Y)^{-1}W}{\partial x_{ij}} = \frac{\partial \text{tr}v^{-1}W}{\partial x_{ij}} = \text{tr} \left( \frac{\partial v^{-1}}{\partial x_{ij}} \right) W
\]
\[ = - \text{tr} v^{-1} \left( \frac{\partial v}{\partial x_{ij}} \right) v^{-1} W
\]
\[ = - \sum_{p=1}^{m} \sum_{q=1}^{m} (v^{-1}wv^{-1})_{pq} \frac{\partial v_{pq}}{\partial x_{ij}} . \]
\[
\begin{align*}
&= \begin{cases} 
-(V^{-1}W^{-1})_{ij} - (V^{-1}W^{-1})_{ij} & \text{if } i \neq j, \\
-(V^{-1}W^{-1})_{ii} & \text{if } i = j.
\end{cases} \\
&= \begin{cases} 
-2(V^{-1}W^{-1})_{ij} & \text{if } i \neq j, \\
-(V^{-1}W^{-1})_{ii} & \text{if } i = j.
\end{cases}
\end{align*}
\]

Hence, $\frac{\partial \text{tr}(X+Y)^{-1}W}{\partial X} = -2V^{-1}W^{-1} + \text{dg}(V^{-1}W^{-1})$

\[
= -2(X+Y)^{-1}W(X+Y)^{-1} + \text{dg}((X+Y)^{-1}W(X+Y)^{-1}).
\]

**Lemma 2.1.4:**

\[
\frac{\partial (z-a)'W(z-a)}{\partial z} = 2W(z-a).
\]

**Proof:**

\[
\frac{\partial (z-a)'W(z-a)}{\partial z_i} = \frac{\partial}{\partial z_i} \left( \sum_{p=1}^{m} \sum_{q=1}^{m} (z_p - a_p)(z_q - a_q)w_{pq} \right)
\]

\[
= \sum_{q=1}^{m} (z_q - a_q)w_{iq} + \sum_{p=1}^{m} (z_p - a_p)w_{pi}
\]

\[
= 2 \sum_{q=1}^{m} (z_q - a_q)w_{iq} = 2(W)_{ii}(z-a)
\]

so that $\frac{\partial (z-a)'W(z-a)}{\partial z} = 2W(z-a)$.

If we ignore the constraints that $\Sigma$ is positive definite and $M$ is nonnegative definite and seek the stationary values of (2.1.2) over all possible $(\mu, \Sigma, M)$, we find, upon taking the partial derivatives of (2.1.2) with respect to $\Sigma$, $M$, and $\mu$ and setting them equal to zero, that
\[
e\Sigma^{-1} + (h+1)(\Sigma+M)^{-1} - \Sigma^{-1}E\Sigma^{-1} - (\Sigma+M)^{-1}H(\Sigma+M)^{-1}
- gn(\Sigma+M)^{-1}(\bar{x}_{..} - \mu)(\bar{x}_{..} - \mu)'(\Sigma+M)^{-1} = (0),
\]
\[
(h+1)(\Sigma+M)^{-1} - (\Sigma+M)^{-1}H(\Sigma+M)^{-1} - gn(\Sigma+M)^{-1}(\bar{x}_{..} - \mu)(\bar{x}_{..} - \mu)'(\Sigma+M)^{-1}
= (0),
\]
\[
gn(\Sigma+M)^{-1}(\bar{x}_{..} - \mu) = 0,
\]
for which the solutions are
\[
\tilde{\mu} = \bar{x}_{..},
\]
\[
\tilde{\Sigma} = (1/e)E,
\]
\[
\tilde{M} = (1/(h+1))H - (1/e)E.
\]
Since \(M\) is a nonnegative definite matrix, its maximum likelihood estimate must also be nonnegative definite, so the solutions above are the maximum likelihood estimates only if
\[
(1/(h+1))H - (1/e)E
\]

is nonnegative definite. We find that, while the solutions for \(\mu\) and \(\Sigma\) are the natural unbiased estimates, the solution for \(M\) is not. That is,
\[
E(\tilde{M}) = (1/(h+1))(hM - \Sigma).
\]
Hence, we see that \(E(\tilde{M})\) is also not necessarily nonnegative definite.

Suppose that instead of using the likelihood function of \((\mu, \Sigma, M)\) we use the marginal likelihood function of \((\Sigma, M)\). Justification for this follows from the fact that \((E, H)\) is "marginally sufficient" for \((\Sigma, M)\) or, in other words, \((E, H)\) is "sufficient for \((\Sigma, M)\) in the absence of knowledge of \(\mu\)."
For a detailed description of the principle of marginal sufficiency see Barnard [1963]. There is ample precedent for the use of this principle in multivariate theory. For example, Bartlett's test has two forms, one involving the sample size and the other involving the degrees of freedom. The marginal likelihood function of \((E, M)\) can be written

\[
 f(E, H) = \frac{K_m(I, e)K_m(I, h)}{|\Sigma + M|^{\frac{1}{2}h}|\Sigma|^{\frac{1}{2}e}} |H|^{\frac{1}{2}(h-m-1)} |E|^{\frac{1}{2}(e-m-1)}
\]

\[
 \times \exp[-\frac{1}{2} \text{tr} \Sigma^{-1}E - \frac{1}{2} \text{tr}(\Sigma+M)^{-1}H],
\]

where

\[
 K_m^{-1}(I, v) = 2^{rac{1}{2}m} \pi^{\frac{1}{2}m(m-1)} \prod_{j=1}^{m} \Gamma(\frac{1}{2}(v-j+1)).
\]

The logarithm of the likelihood, omitting a function of the observations, is

\[
 -\frac{1}{2} \text{tr} \Sigma^{-1}E + \frac{1}{2} e \ln |\Sigma| - \frac{1}{2} \text{tr}(\Sigma+M)^{-1}H - \frac{1}{2} h \ln |\Sigma+M|.
\]

We seek the solution, \((\tilde{E}, \tilde{M})\), which maximizes the above equation, or equivalently, the solution which minimizes

\[
 \text{tr} \Sigma^{-1}E + e \ln |\Sigma| + \text{tr}(\Sigma+M)^{-1}H + h \ln |\Sigma+M|. \quad (2.1.3)
\]

Again if we ignore the constraints that \(\Sigma\) is positive definite and \(M\) is nonnegative definite and seek the stationary values of (2.1.3) over all possible \((\Sigma, M)\), we find, upon taking the partial derivatives of (2.1.3) with respect to \(\Sigma\) and \(M\) and setting them equal to zero, that

\[
 e\Sigma^{-1} + h(\Sigma+M)^{-1} - \Sigma^{-1}E\Sigma^{-1} - (\Sigma+M)^{-1}H(\Sigma+M)^{-1} = 0,
\]

\[
 h(\Sigma+M)^{-1} - (\Sigma+M)^{-1}H(\Sigma+M)^{-1} = 0,
\]
for which the solutions are
\[ \tilde{\Sigma}_* = (1/e)E, \]
\[ \tilde{M}_* = (1/h)H - (1/e)E. \]

We see that these solutions are the natural unbiased estimates of \( \Sigma \) and \( M \), and thus \( E(\tilde{M}_*) = M \) is clearly nonnegative definite. For this reason, we choose to continue our work with the marginal likelihood function of \((\Sigma, M)\). Note that since \( M \) is nonnegative definite, the solutions above are the maximum likelihood estimates only if \((1/h)H - (1/e)E\) is also nonnegative definite. In the next two sections we will derive maximum likelihood estimates for \( \Sigma \) and \( M \) which are valid for all possible \((E, H)\).

### 2.2 Some Lemmas

Consider the function
\[ \phi(A,B;D,e,h) = e[\text{tr } A^{-1} + \ln|A|] + h[\text{tr } B^{-1}D + \ln|B|], \]
where \( A, B, \) and \( D \) are \( m \times m \) matrices. We assume that \( D \) is diagonal with distinct, descending, positive diagonal elements; that is, \( D = \text{diag}(d_1, d_2, \ldots, d_m) \) with \( d_1 > d_2 > \ldots > d_m > 0 \).

We are interested in minimizing \( \phi(A,B;D,e,h) \) subject to
\[ (A,B) \in C_s = \{(A,B): A \in P_m, B \in P_m', B - A \in \bigcup_{j=0}^s P_j\}, \]
where \( P_j \)
is the set of all symmetric, nonnegative definite matrices of rank \( j \). In this section it will be shown that the required absolute minimum occurs when both \( A \) and \( B \) are diagonal.
The proof of this result relies mainly on a lemma regarding the stationary points of the function \( g(P) = \text{tr} \ PB^{-1}P'D \) where \( P(m \times m) \) is orthogonal.

**Lemma 2.2.1:** Consider \( g(P) = \text{tr} \ PXP'D \) where \( P(m \times m) \) is such that \( PP' = I \), and \( X(m \times m) \) and \( D(m \times m) \) are both symmetric and positive definite. It is assumed that \( D \) is diagonal with distinct, descending, positive diagonal elements. Then the stationary points of \( g(P) \) occur when \( PXP' \) is diagonal.

Further, the absolute maximum of \( g(P) \) is

\[
\max_{P:PP'=I} g(P) = \sum_{i=1}^{m} d_i \text{ch}_i(X),
\]

and the absolute minimum of \( g(P) \) is

\[
\min_{P:PP'=I} g(P) = \sum_{i=1}^{m} d_{m+1-i} \text{ch}_i(X).
\]

**Proof:** Using the method of Lagrange multipliers, we look at

\[
L(P, \Lambda) = \text{tr} \ PXP'D + \text{tr} \ \Lambda(PP' - I),
\]

where \( \Lambda = \Lambda' \). Let \( \delta_{ij} \) be the matrix that has 1 in row \( i \), column \( j \), and 0's elsewhere. Then

\[
\frac{\partial L}{\partial P_{ij}} = \text{tr}(\Delta_{ij}XP'D + PX\Delta_{ji}D) + \text{tr}(\Delta_{ij}P' + P\Delta_{ji})
\]

\[
= \text{tr}(DP\Delta_{ji} + PX\Delta_{ji}) + \text{tr}(P\Delta_{ji}A + APA_{ji})
\]

\[
= 2\text{tr}(\Delta_{ji}DPX) + 2\text{tr}(\Delta_{ji}\Lambda P)
\]

\[
= 2(DPX)_{ij} + 2(\Lambda P)_{ij},
\]
\[ \frac{\partial L}{\partial \lambda_{ij}} = \text{tr}(\Delta_{ij} + \Delta_{ji})(PP' - I) = 2(PP' - I)_{ij} \quad \text{if } i \neq j, \]
\[ \frac{\partial L}{\partial \lambda_{ii}} = \text{tr} \Delta_{ii}(PP' - I) = (PP' - I)_{ii}. \]

Thus, the stationary values of \( g(P) \) occur at the solutions to
\[
\begin{align*}
2DPX + 2\Lambda P &= 0, \\
PP' &= I. 
\end{align*}
\]
(2.2.1)

From (2.2.1) it follows that
\[ \Lambda = -DPXP', \]
so that \( \Lambda = \Lambda' \) implies that
\[ DPXP' = PXP'D, \]
or
\[ DY = YD, \]
(2.2.2)
where \( Y = PXP' \).

Examining the \((i,j)\)th term on each side of (2.2.2), we see that we must have \( d_iy_{ij} = y_{ij}d_j \). Since \( d_i \neq d_j: i \neq j \), it follows that \( y_{ij} = 0: i \neq j \). Thus, \( Y = PXP' \) is diagonal. It is clear then that the stationary values of \( \text{tr} PXP'D \) are given by the set of values
\[ \sum_{i=1}^{m} d_{t(i)} \chi_i(X), \]
where \( \{t(1), t(2), \ldots, t(m)\} \) is a permutation of \( \{1, 2, \ldots, m\} \), the set being formed over all such permutations. Further, the absolute maximum of \( \text{tr} PXP'D \) is, clearly,
\[ \max_{P:PP'=I} \text{tr} PXP'D = \sum_{i=1}^{m} d_i \chi_i(X), \]
and the absolute minimum is, clearly,

$$\min_{P:PP' = I} \text{tr} PXP'D = \sum_{i=1}^{m} d_{m+1-i} \text{ch}_i(X).$$

We will also need the following results, the first of which can be found in Bellman [1970:117].

**Lemma 2.2.2:** Let $X(m \times m)$ and $Y(m \times m)$ be symmetric matrices with $Y$ nonnegative definite. Then

$$\text{ch}_i(X+Y) \geq \text{ch}_i(X) \quad \text{for } i = 1, 2, \ldots, m.$$

If $Y$ is positive definite, then

$$\text{ch}_i(X+Y) > \text{ch}_i(X) \quad \text{for } i = 1, 2, \ldots, m.$$

**Lemma 2.2.3:** The function $\phi(A,B;D,e,h)$ has an absolute minimum over the set of solutions $C_s = \{(A,B): A \in P_m, B \in P_m, B - A \in \bigcup_{j=0}^{s} P_j\}$.

**Proof:** Since $B$ is positive definite, it follows that $B^{-1}$ is also positive definite, so that the diagonal elements of $B^{-1}$ are positive. Then we find that

$$\text{tr } B^{-1}D = \sum_{i=1}^{m} (B^{-1})_{ii} d_i \geq \sum_{i=1}^{m} (B^{-1})_{ii} d_m \sum_{i=1}^{m} (B^{-1})_{ii} = d_m \text{tr } B^{-1}$$

$$= \sum_{i=1}^{m} \text{ch}_i(B^{-1}) = \sum_{i=1}^{m} (\text{ch}_i(B))^{-1},$$

since $\text{ch}_i(B^{-1}) = (\text{ch}_{m+1-i}(B))^{-1}$. Hence, using the fact that for any matrix $X(m \times m)$, $\text{tr } X = \sum_{i=1}^{m} \text{ch}_i(X)$ and

$$|X| = \prod_{i=1}^{m} \text{ch}_i(X),$$

we see that
\[ \phi(A,B;D,e,h) \geq e^{\sum_{i=1}^{m} ((\text{ch}_i(A))^{-1} + \ln(\text{ch}_i(A)))} + h^{\sum_{i=1}^{m} (\text{ch}_i(B))^{-1} + \ln(\text{ch}_i(B))}. \quad (2.2.3) \]

From Lemma 2.2.2 we know that \( \text{ch}_i(B-A) < \text{ch}_i(B) \), since \( A \) is positive definite. Then \( C_s \) can be written
\[
C_s = \{(A,B) : \text{ch}_i(A) > 0: \ i = 1,2,\ldots,m; \ \text{ch}_i(B) > 0: \ i = 1,2,\ldots,m; \ 0 \leq \text{ch}_i(B-A) < \text{ch}_i(B) : \ i = 1,2,\ldots,s; \ ch_i(B-A) = 0: i = s+1,\ldots,m; A = A', B = B' \}. \quad \text{The closure,} \\
\overline{C}_s, \ \text{of} \ C_s \ \text{is} \ \{(A,B) : \text{ch}_i(A) \geq 0: \ i = 1,2,\ldots,m; \ \text{ch}_i(B) \geq 0: \ i = 1,2,\ldots,m; \ 0 \leq \text{ch}_i(B-A) \leq \text{ch}_i(B) : \ i = 1,2,\ldots,s; \ \text{ch}_i(B-A) = 0: i = s+1,\ldots,m; A = A', B = B' \}. \quad \text{Since} \ \phi(A,B;D,e,h) \geq 0, \ \text{it has an absolute minimum over} \ \overline{C}_s, \ \text{since} \ \overline{C}_s \ \text{is closed.} \\
\text{Note that from Lemma 2.2.2 if} \ \text{ch}_i(B-A) = \text{ch}_i(B) \ \text{for some} \ i, \ \text{then it must be true that} \ \text{ch}_m(A) = 0, \ \text{since} \ A \ \text{must then be positive semidefinite. Thus, for every} \ (A,B) \in \overline{C}_s - C_s \ \text{it must be true that} \ \text{ch}_m(A) = 0 \ \text{or} \ \text{ch}_m(B) = 0 \ \text{or both. It then follows from} \ (2.2.3) \ \text{that} \ \phi(A,B;D,e,h) = \infty \ \text{whenever} \ (A,B) \in \overline{C}_s - C_s. \ \text{Hence,} \ \phi(A,B;D,e,h) \ \text{has an absolute minimum over} \ C_s. \]

**Lemma 2.2.4**: Suppose the function \( f(x) \), minimized over \( x \in S \), achieves a minimum at \( x = a \). Let the set \( S_1 \) be such that for any \( x \in S - S_1 \), there exists an \( x_1 \in S_1 \) such that \( f(x_1) < f(x) \). Similarly, let the set \( S_2 \) be such that for any \( x \in S - S_2 \), there exists an \( x_2 \in S_2 \) such that \( f(x_2) < f(x) \). Then it follows that \( a \in S_1 \cap S_2 \).
Proof: Suppose \( a \notin S_1 \cap S_2 \). Then either \( a \notin S_1 \) or \( a \notin S_2 \) or both. However, if \( a \notin S_1 \), then \( a \in S-S_1 \), and there exists no \( x_1 \in S_1 \) such that \( f(x_1) < f(a) \), since \( f \) is minimized at \( a \). This then is a contradiction, so it must be true that \( a \in S_1 \).

Similarly, if \( a \notin S_2 \), then \( a \in S-S_2 \), and there exists no \( x_2 \in S_2 \) such that \( f(x_2) < f(a) \). This also is a contradiction, so it must be true that \( a \in S_2 \). Hence, it follows that \( a \in S_1 \cap S_2 \).

In Lemma 2.2.3 it was seen that the function \( \phi(A,B;D,e,h) \) has an absolute minimum over the set \( C_S \). We will now show that this absolute minimum will occur only when both \( A \) and \( B \) are diagonal.

Lemma 2.2.5: The absolute minimum of \( \phi(A,B;D,e,h) \) subject to \( (A,B) \in C_S \) occurs when both \( A \) and \( B \) are diagonal.

We offer two proofs.

Proof 1: Define the sets \( S_1 \) and \( S_2 \) as follows:

\[
S_1 = \{ (A,B) \in C_S : A \text{ is diagonal} \},
\]

\[
S_2 = \{ (A,B) \in C_S : B \text{ is diagonal} \}.
\]

We want to show that if \( \phi(A,B;D,e,h) \) achieves a minimum at \( (A,B) = (A_*,B_*) \), then \( (A_*,B_*) \in S_1 \cap S_2 \). Now with

\[
\tilde{A} = D^{-\frac{1}{2}}AD^{-\frac{1}{2}} \quad \text{and} \quad \tilde{B} = D^{-\frac{1}{2}}BD^{-\frac{1}{2}},
\]

\[
\phi(A,B;D,e,h) = e[\text{tr}A^{-1} + \ln|A|] + h[\text{tr}B^{-1} + \ln|B|]
\]

\[
= e[\text{tr}\tilde{A}^{-1}D^{-1} + \ln|\tilde{A}|] + h[\text{tr}\tilde{B}^{-1} + \ln|\tilde{B}|] + (e+h)\ln|D|
\]

\[
= \phi(\tilde{B},\tilde{A};D^{-1},h,e) + (e+h)\ln|D|.
\]
Note that since $D^{-\frac{1}{2}}$ is positive definite, $(A,B) \in C_S$ if and only if $(D^{-\frac{1}{2}}AD^{-\frac{1}{2}}, D^{-\frac{1}{2}}BD^{-\frac{1}{2}}) = (\tilde{A}, \tilde{B}) \in C_S$. Thus, minimizing

$\phi(A,B;D,e,h)$ subject to $(A,B) \in C_S$ is equivalent to minimizing $\phi(\tilde{B},\tilde{A};D^{-1},h,e)$ subject to $(\tilde{A},\tilde{B}) \in C_S$. Moreover, if $(\tilde{A}_*,\tilde{B}_*)$ minimizes $\phi(\tilde{B},\tilde{A};D^{-1},h,e)$, then $(D^{\frac{1}{2}}\tilde{A}_*D^{-\frac{1}{2}}, D^{\frac{1}{2}}\tilde{B}_*D^{-\frac{1}{2}})$ minimizes $\phi(A,B;D,e,h)$. Now arbitrarily fix $(\tilde{A},\tilde{B}) \in C_S$ and consider $\phi(P\tilde{B}P',P\tilde{A}P';D^{-1},h,e)$ for all orthogonal $P$. Clearly this is minimized with respect to $P$ when $\text{tr} P\tilde{A}^{-1}P'D^{-1}$ is minimized. It follows from Lemma 2.2.1 that all the stationary points, and thus the absolute minimum, occur when $P\tilde{A}P'$ is diagonal. Hence, for any $(\tilde{A},\tilde{B}) \in C_S - S_1$ there exists an $(\tilde{A}_1,\tilde{B}_1) \in S_1$ such that

$\phi(\tilde{B}_1,\tilde{A}_1;D^{-1},h,e) < \phi(\tilde{B},\tilde{A};D^{-1},h,e)$.

But since $\tilde{A} = D^{-\frac{1}{2}}AD^{-\frac{1}{2}}$, we know that $\tilde{A}$ is diagonal if and only if $A$ is diagonal. So we find that for any $(A,B) \in C_S - S_1$, there exists an $(A_1,B_1) \in S_1$ such that

$\phi(A_1,B_1;D,e,h) < \phi(A,B;D,e,h)$.

In a similar manner now arbitrarily fix $(A,B) \in C_S$ and consider $\phi(P\tilde{A}P',P\tilde{B}P';D,e,h)$ for all orthogonal $P$. Clearly this is minimized with respect to $P$ when $\text{tr} P\tilde{B}^{-1}P'D$ is minimized, since the terms $\text{tr} P\tilde{A}^{-1}P'$, $\ln|P\tilde{A}P'|$, and $\ln|P\tilde{B}P'|$ are constant for all orthogonal $P$. So from Lemma 2.2.1 it follows that all the stationary points, and therefore the absolute minimum, of $\phi(P\tilde{A}P',P\tilde{B}P';D,e,h)$ occur when $P\tilde{B}P'$ is diagonal.
This implies that for any \((A, B) \in C_s - S_2\), there exists an \((A_2, B_2) \in S_2\) such that

\[ \phi(A_2, B_2; D, e, h) < \phi(A, B; D, e, h). \]

The result now follows from Lemma 2.2.4. Furthermore, from Lemma 2.2.1 we see that if \((A_*, B_*)\) minimizes \(\phi(A, B; D, e, h)\), then the diagonal elements of \(D^{-1/2} A_* D^{-1/2}\) are increasing and the diagonal elements of \(B_*\) are decreasing.

The second proof of Lemma 2.2.5 utilizes the concept of "majorization" (see Marshall and Olkin [1974]).

**Definition 2.2.6:** Let \(x\) and \(y\) be real \(m \times 1\) vectors with \(i^{th}\) element \(x_i\) and \(y_i\), respectively, and \(i^{th}\) largest element \(x(i)\) and \(y(i)\), respectively. We say that \(x\) majorizes \(y\) and write \(x \gg y\), if

\[ \sum_{i=1}^{s} x(i) \geq \sum_{i=1}^{s} y(i) \quad \text{for} \quad s = 1, 2, \ldots, m, \]

with equality when \(s = m\).

We will need some results which, while well known to workers in the area of majorization, may not be readily accessible to others. We prove the results here for the benefit of the uninitiated reader.

**Lemma 2.2.7:** If \(S\) (\(m \times m\)) is doubly stochastic, then \(x \gg SX = Y\).

**Proof:** Since \(S\) is doubly stochastic, it follows that \(s_{ij} \geq 0\) for all \((i, j)\), and
\[ \sum_{j=1}^{m} s_{ij} = 1 \quad \text{for } i = 1, 2, \ldots, m, \]

\[ \sum_{i=1}^{m} s_{ij} = 1 \quad \text{for } j = 1, 2, \ldots, m. \]

Thus, for \( 1 \leq t \leq m \) there exists \( k_1, k_2, \ldots, k_t \) such that

\[ t \sum_{i=1}^{m} y(i) = \sum_{j=1}^{m} (s_{k_1 j} + s_{k_2 j} + \ldots + s_{k_t j})x_j. \]

Clearly when \( t < m \),

\[ s_{k_1 j} + s_{k_2 j} + \ldots + s_{k_t j} \leq \sum_{i=1}^{m} s_{ij} = 1 \quad \text{for } j = 1, 2, \ldots, m, \]

and

\[ \sum_{j=1}^{m} (s_{k_1 j} + s_{k_2 j} + \ldots + s_{k_t j}) = t. \]

Then when \( t < m \),

\[ t \sum_{i=1}^{m} y(i) = \sum_{j=1}^{m} (s_{k_1 j} + s_{k_2 j} + \ldots + s_{k_t j})x_j \]

\[ \leq \sum_{i=1}^{t} x(i). \]

If \( t = m \), then

\[ s_{k_1 j} + s_{k_2 j} + \ldots + s_{k_t j} = \sum_{i=1}^{t} s_{ij} = 1, \]

so that

\[ t \sum_{i=1}^{m} y(i) = \sum_{j=1}^{t} (s_{k_1 j} + s_{k_2 j} + \ldots + s_{k_t j})x_j \]

\[ = \sum_{j=1}^{t} x_j = t \sum_{i=1}^{t} x(i). \]
Lemma 2.2.8: If $x \succ y$ and $\sigma(1) \geq \sigma(2) \geq \ldots \geq \sigma(m) \geq 0$, then
\[
\sum_{i=1}^{m} x(i)\sigma(i) \geq \sum_{i=1}^{m} y(i)\sigma(i).
\]

Proof: Put $d_i = x(i) - y_i$. Then
\[
\sum_{i=1}^{m} (x(i) - y_i)\sigma(i) = \sum_{i=1}^{m} d_i\sigma(i)
\]
\[
= d_1(\sigma(1) - \sigma(2)) +
(d_1 + d_2)(\sigma(2) - \sigma(3)) +
(d_1 + d_2 + d_3)(\sigma(3) - \sigma(4)) +
\vdots
\vdots
(d_1 + d_2 + \ldots + d_{m-1})(\sigma(m-1) - \sigma(m)) +
(d_1 + d_2 + \ldots + d_m)\sigma(m).
\]
The last term is zero, since
\[
\sum_{i=1}^{m} d_i = \sum_{i=1}^{m} (x(i) - y_i) = \sum_{i=1}^{m} x(i) - \sum_{i=1}^{m} y(i) = 0.
\]
The partial sums are nonnegative, since
\[
\sum_{i=1}^{t} d_i = \sum_{i=1}^{t} x(i) - \sum_{i=1}^{t} y(i) \geq \sum_{i=1}^{t} x(i) - \sum_{i=1}^{t} y(i) \geq 0.
\]
Further, the differences $\sigma(1) - \sigma(2), \sigma(2) - \sigma(3), \ldots, \sigma(m-1) - \sigma(m)$ are nonnegative. Hence, the result follows.

Lemma 2.2.9, Corollary: If $x$ is an ordered vector, that is, $x_1 \geq x_2 \geq \ldots \geq x_m$, $S$ is doubly stochastic, and $\sigma$ is also an ordered vector, then $x'\sigma \geq (Sx)'\sigma$. 
Lemma 2.2.10: If $x \succ y$ and $\sigma(1) \geq \sigma(2) \geq \ldots \geq \sigma(m) \geq 0$, then

$$\sum_{i=1}^{m} x(i) \sigma(m+1-i) \leq \sum_{i=1}^{m} y(i) \sigma(m+1-i).$$

Proof: The proof is similar to that of Lemma 2.2.8.

Letting $d_i = x(i) - y(i)$, we have

$$\sum_{i=1}^{m} (x(i) - y(i)) \sigma(m+1-i) = \sum_{i=1}^{m} d_i \sigma(m+1-i)$$

$$= d_1 (\sigma(m) - \sigma(m-1)) +$$

$$(d_1 + d_2) (\sigma(m-1) - \sigma(m-2)) +$$

$$(d_1 + d_2 + d_3) (\sigma(m-2) - \sigma(m-3)) +$$

$$\vdots$$

$$(d_1 + d_2 + \ldots + d_{m-1}) (\sigma(2) - \sigma(1)) +$$

$$(d_1 + d_2 + \ldots + d_m) \sigma(1).$$

We have seen that the partial sums, $\sum_{i=1}^{m} d_i : t=1, \ldots, m-1$, are nonnegative and $\sum_{i=1}^{m} d_i$ is zero, so that the last term is zero.

Further, the differences $\sigma(m) - \sigma(m-1), \sigma(m-1) - \sigma(m-2), \ldots,$ $\sigma(2) - \sigma(1)$ are negative or zero. Hence, the result follows.

Corollary: If $x$ is an ordered vector, and $y = Sx$ with $S$ doubly stochastic, then

$$\sum_{i=1}^{m} x_i \sigma(m+1-i) \leq \sum_{i=1}^{m} y_i \sigma(m+1-i).$$

Furthermore, if $\sigma(1) > \sigma(2) > \ldots > \sigma(m)$, then there is equality only if $y = x$. 
We are now ready for the second proof of Lemma 2.2.5. Recall that we need to show that the absolute minimum of \( \phi(A,B;D,e,h) \) subject to \( (A,B) \in C_s \) occurs when both A and B are diagonal.

**Proof 2 (Lemma 2.2.5):** Let \( S_1 \) and \( S_2 \) be defined as before; that is,

\[
S_1 = \{ (A,B) \in C_s : A \text{ is diagonal} \},
\]

\[
S_2 = \{ (A,B) \in C_s : B \text{ is diagonal} \},
\]

and recall that we need to show that if \( \phi(A,B;D,e,h) \) is minimized at \( (A_*,B_*) \), then \( (A_*,B_*) \in S_1 \cap S_2 \). Let \( \beta_1 \geq \beta_2 \geq \ldots \geq \beta_m > 0 \) be the latent roots of \( B^{-1} \), and \( PB^{-1}P' = \text{diag}(\beta_m', \beta_{m-1}', \ldots, \beta_1) \). Then

\[
\{ \phi(PAP',PBP';D,e,h) - \phi(A,B;D,e,h) \}/h \leq \text{tr} \ PB^{-1}P'D - \text{tr} \ B^{-1}D
\]

\[
= \sum_{j=1}^{m} \beta_{m+1-j}d_j - \sum_{j=1}^{m} \left( \sum_{i=1}^{m} \beta_{m+1-i}p_{ij}^2 \right)d_j
\]

\[
= \sum_{j=1}^{m} \beta_j d_{m+1-j} - \sum_{j=1}^{m} \lambda_j d_{m+1-j}, \quad (2.2.4)
\]

where \( \lambda = P_2 \tilde{\beta}, \tilde{\beta}' = (\beta_1', \beta_2', \ldots, \beta_m') \), and \( P_2 \) is the matrix with \( (i,j)^{th} \) element \( p_{m+1-j,m+1-i}^2 \). Since \( PP' = P'P = I \), we see that \( P_2 \) is doubly stochastic. Also \( d = (d_1, d_2, \ldots, d_m) \) and \( \tilde{\beta} \) are ordered vectors, so by Lemma 2.2.11, equation (2.2.4) is not positive. Furthermore, \( d_1 > d_2 > \ldots > d_m \) so that

\[
\phi(PAP',PBP';D,e,h) \leq \phi(A,B;D,e,h),
\]
with equality holding only when \( B^{-1} = \text{diag}(\beta_m, \beta_{m-1}, \ldots, \beta_1) \).

Therefore, for any \((A, B) \in C_s - S_2\) there exists an \((A_2, B_2) \in S_2\) such that
\[
\phi(A_2, B_2; D, e, h) < \phi(A, B; D, e, h).
\]

Now with \( \tilde{A} = D^{-\frac{1}{2}}AD^{-\frac{1}{2}} \) and \( \tilde{B} = D^{-\frac{1}{2}}BD^{-\frac{1}{2}} \)
\[
\phi(A, B; D, e, h) = e[\text{tr}\tilde{A}^{-1}D^{-1} + \ln|\tilde{A}|] + h[\text{tr}\tilde{B}^{-1} + \ln|\tilde{B}|]
+ (e+h)\ln|D|
\]
\[
= \phi(\tilde{B}, \tilde{A}; D^{-1}, h, e) + (e+h)\ln|D|.
\]

Let \( \tilde{\alpha}_1 \geq \tilde{\alpha}_2 \geq \ldots \geq \tilde{\alpha}_m > 0 \) be the latent roots of \( \tilde{A}^{-1} \)
and \( QA^{-1}Q' = \text{diag}(\tilde{\alpha}_1, \tilde{\alpha}_2, \ldots, \tilde{\alpha}_m) \). Then by an argument identical to the previous one we find that
\[
\phi(Q\tilde{B}Q', Q\tilde{A}Q'; D^{-1}, h, e) \leq \phi(\tilde{B}, \tilde{A}; D^{-1}, h, e),
\]
with equality holding only when \( \tilde{A}^{-1} = \text{diag}(\tilde{\alpha}_1, \tilde{\alpha}_2, \ldots, \tilde{\alpha}_m) \).

From (2.2.5) it follows that
\[
\phi(D^{\frac{1}{2}}Q\tilde{A}Q'D^{\frac{1}{2}}, D^{\frac{1}{2}}Q\tilde{B}Q'D^{\frac{1}{2}}; D, e, h) \leq \phi(D^{\frac{1}{2}}\tilde{A}D^{\frac{1}{2}}, D^{\frac{1}{2}}\tilde{B}D^{\frac{1}{2}}; D, e, h),
\]
with equality holding only when \( \tilde{A}^{-1} = \text{diag}(\tilde{\alpha}_1, \tilde{\alpha}_2, \ldots, \tilde{\alpha}_m) \).

Note that \( D^{\frac{1}{2}}Q\tilde{A}Q'D^{\frac{1}{2}} = \text{diag}(d_1 \tilde{\alpha}_1^{-1}, \ldots, d_m \tilde{\alpha}_m^{-1}) \). Thus, for any
\((A, B) \in C_s - S_1\) there exists an \((A_1, B_1) \in S_1\) such that
\[
\phi(A_1, B_1; D, e, h) < \phi(A, B; D, e, h).
\]

The result now follows from Lemma 2.2.4.

**Lemma 2.2.12, Corollary:** Let \( R \) be some restriction on the latent roots of \( A \) or \( B \) or both, and let \( C_s^R \) be the subset of \( C_s \) such that \((A, B) \in C_s^R\) implies that \( R \) is satisfied.

Since \((A, B) \in C_s^R\) if and only if \((PAP', PBP') \in C_s^R\) for any orthogonal \( P \), it follows that the minimal value of
\( \phi(A,B;D,e,h) \) over \( (A,B) \in C^R_s \) occurs when \( A \) and \( B \) are diagonal.

For example, if the latent roots of \( A \) were known to be proportional to a given set, then the minimal value of \( \phi(A,B;D,e,h) \) over \( (A,B) \in C^R_s \) occurs when \( A \) is a diagonal matrix with diagonal elements proportional to this set.

### 2.3 The Maximum Likelihood Estimates

In this section we seek the maximum likelihood estimates of \( \Sigma \) and \( M \) subject to the constraints \( \Sigma \in P_m^s \) and \( M \in U^s \cup P_j \).

Recall that the likelihood function of \( (\Sigma,M) \) is

\[
f(E,H) = \frac{K_m(I,e)K_m(I,h)}{|\Sigma+M|^\frac{1}{2}h}|E|^\frac{1}{2}(e-m-l)|H|^\frac{1}{2}(h-m-l) \\
\times \exp\left[-\frac{1}{2}\text{tr}E^{-1}H^{-1}+\frac{1}{2}\text{tr}(\Sigma+M)^{-1}H\right].
\]

The logarithm of the likelihood function, omitting a function of the observations, is

\[-\frac{1}{2}\text{tr}\Sigma^{-1}E-\frac{1}{2}\text{tr}\Sigma^{-1}H-\frac{1}{2}\text{tr}(\Sigma+M)^{-1}H-\frac{1}{2}\text{tr}\Sigma^{-1}H-\frac{1}{2}\ln|\Sigma+M|\]

We seek the solution, \( (\hat{\Sigma},\hat{M}) \), which maximizes the above equation, or equivalently, the solution which minimizes

\[
\text{tr}\Sigma^{-1}E+e\ln|\Sigma| + \text{tr}(\Sigma+M)^{-1}H+h\ln|\Sigma+M| \tag{2.3.1}
\]

subject to \( \Sigma \in P_m^s \) and \( M \in \bigcup_{j=0}^s P_j \).

Let \( E_* = (1/e)E \) and \( H_* = (1/h)H \). Note that since \( E_* \) and \( H_* \) are both symmetric matrices, and \( E_* \in P_m^s \) and \( H_* \in \bigcup_{j=0}^s P_j \), there exists a nonsingular matrix \( K(m \times m) \) such that

\( KE_*K' = I \) and \( KH_*K' = D \), where \( D = \text{diag}(d_1,d_2,\ldots,d_m) \), and \( d_1 > d_2 > \ldots > d_m > 0 \) are the latent roots of \( H_*E_*^{-1} \).
Then with $\tilde{\Sigma} = K\Sigma K'$ and $\tilde{M} = KMK'$, (2.3.1) can be rewritten

$$
e\text{tr}K^{-1}\Sigma^{-1}K^{-1}I + e\ln|\Sigma| + h\text{tr}K^{-1}(\Sigma + M)^{-1}D + h\ln|\Sigma + M|$$

$$= e[tr\Sigma^{-1} + \ln|\Sigma|] + h[tr(\Sigma + M)^{-1}D + \ln|\Sigma + M|]$$

$$- (e+h)\ln|K|^2$$

$$= \phi(\tilde{\Sigma}, \tilde{\Sigma} + \tilde{M}; D, e, h) - (e+h)\ln|K|^2.$$  

Thus, the problem has been reduced to that of minimizing

$$\phi(\tilde{\Sigma}, \tilde{\Sigma} + \tilde{M}; D, e, h)$$

subject to $\tilde{\Sigma} \in P_m$ and $\tilde{M} \in \bigcup_{j=0}^{s} P_j$ or, equivalently, $(\tilde{\Sigma}, \tilde{\Sigma} + \tilde{M}) \in C_s$. But from Lemma 2.2.5 it is known that the minimal solution to $\phi(\tilde{\Sigma}, \tilde{\Sigma} + \tilde{M}; D, e, h)$ is such that $\tilde{\Sigma}$ and $\tilde{\Sigma} + \tilde{M}$ are diagonal, and in addition, it is known that the diagonal elements of $D^{-1/2}\tilde{\Sigma}D^{-1/2}$ are increasing while the diagonal elements of $\tilde{\Sigma} + \tilde{M}$ are decreasing.

Consider the function

$$g(x,y) = e\left(\frac{1}{x} + \ln x\right) + h\left(\frac{d}{y} + \ln y\right),$$  

(2.3.2)

where $d > 0$. Differentiating (2.3.2) with respect to $x$ and $y$, we get the equations

$$- \frac{1}{x^2} + \frac{1}{x} = 0,$$

$$- \frac{d}{y^2} + \frac{1}{y} = 0,$$

which yield the minimal solution $x_0 = 1$ and $y_0 = d$. If instead we wanted to minimize (2.3.2) subject to $x = y$, (2.3.2) would reduce to

$$g(x) = e\left(\frac{1}{x} + \ln x\right) + h\left(\frac{d}{x} + \ln x\right).$$  

(2.3.3)
Then
\[ \frac{dg(x)}{dx} = e\left(-\frac{1}{x^2} + \frac{1}{x}\right) + h\left(-\frac{d}{x^2} + \frac{1}{x}\right) = 0, \]
so that \( x_1 = y_1 = \frac{e+dh}{e+h} \) minimizes (2.3.3).

Now let
\[ f(d) = g(x_1, y_1) - g(x_0, y_0) \]
\[ = e\left(e+h + \ln\left(\frac{e+dh}{e+h}\right)\right) + h\left(\frac{d(e+h)}{e+dh} + \ln\left(\frac{e+dh}{e+h}\right)\right) \]
\[ - (e+h+h\ln d) \]
\[ = e(1 - \frac{(d-1)h}{e+dh}) + h(1 + \frac{(d-1)e}{e+dh}) + (e+h)\ln\left(\frac{e+dh}{e+h}\right) \]
\[ - (e+h+h\ln d) \]
\[ = (e+h)\ln\left(\frac{e+dh}{e+h}\right) - h\ln d. \]

Differentiating \( f(d) \) with respect to \( d \) and noting that \( e \geq 1, h \geq 1 \), we find that when \( d > 1 \)
\[ \frac{df(d)}{dd} = \frac{h(e+h)}{e+dh} - \frac{h}{d} = \frac{dh(e+h) - h(e+dh)}{(e+dh)d} = \frac{eh(d-1)}{(e+dh)d} > 0. \]

In other words, the difference \( g(x_1, y_1) - g(x_0, y_0) \) is an increasing function of \( d \) when \( d > 1 \).

Now with \( X = \text{diag}(x_1, x_2, \ldots, x_m) \) and \( Y = \text{diag}(y_1, y_2, \ldots, y_m) \)
consider minimizing
\[ \phi(X, Y; D, e, h) = e \sum_{i=1}^{m} \left(\frac{1}{x_i} + \ln x_i\right) + h \sum_{i=1}^{m} \left(\frac{1}{y_i} + \ln y_i\right) \]
(2.3.4)
subject to \( (X, Y) \in C_s \), which in this case implies that
\( y_i \geq x_i > 0 \) for all \( i \), and \( x_i = y_i \) for at least \( m - s \) of the \( i \)'s. Suppose that \( d_1 > d_2 > \ldots > d_r > 1 > d_{r+1} > \ldots > d_m > 0 \).

Using the fact that \( f(d) \) is increasing in \( d \) for \( d > 1 \),
it then follows that the minimal solution to (2.3.4) is
\((X_S, Y_S)\), where if \(r \geq s\),
\[
\begin{cases}
  x_{si} = y_{si} = (e+d_i h)/(e+h) & \text{for } s+1 \leq i \leq m, \\
  x_{si} = 1, \ y_{si} = d_i & \text{for } 1 \leq i \leq s,
\end{cases}
\]
and if \(r < s\),
\[
\begin{cases}
  x_{si} = y_{si} = (e+d_i h)/(e+h) & \text{for } r+1 \leq i \leq m, \\
  x_{si} = 1, \ y_{si} = d_i & \text{for } 1 \leq i \leq r.
\end{cases}
\]

Thus, \(\phi(\tilde{\Sigma}, \tilde{\Sigma} + \tilde{M}; D, e, h)\) is minimized subject to
\((\tilde{\Sigma}, \tilde{\Sigma} + \tilde{M}) \in C_s\) at
\[
\begin{align*}
\tilde{\Sigma} &= X_S, \\
\tilde{M} &= Y_S - X_S,
\end{align*}
\]
so that the maximum likelihood estimates of \(\Sigma\) and \(M\) are
\(\hat{\Sigma}\) and \(\hat{M}\), where
\[
\begin{align*}
\hat{\Sigma} &= K^{-1}X_SK', \\
\hat{M} &= K^{-1}(Y_S - X_S)K'.
\end{align*}
\]

We now present an example to illustrate the computation involved in deriving the maximum likelihood estimates. Consider model (2.1.1) in which we take \(m = 4\), \(g = 21\), \(n = 6\), \(\Sigma = I\), and \(M = \text{diag}(99, 24, 0, 0)\). Hence, \(e = g(n-1) = 105\) and \(h = g-1 = 20\). Generating a matrix \(E\) from the distribution \(W_4(I, 105, 0)\) and a matrix \(H\) from the distribution \(W_4(I+M, 20, 0)\), we obtain
\[
E = \begin{bmatrix}
69.1329 & 4.07476 & -5.12762 & -9.94924 \\
127.055 & -3.77638 & 20.4629 & \\
116.342 & 8.12511 & \\
& 100.186 & \\
\end{bmatrix},
\]

\[
H = \begin{bmatrix}
1845.85 & 63.5986 & -16.5227 & -1.43363 \\
688.962 & 1.14908 & -8.61601 & \\
& 20.1453 & -0.0100181 & \\
& & & 12.2617 & \\
\end{bmatrix}.
\]

With \(E_\ast = (1/105)E\) and \(H_\ast = (1/20)H\) we need to find a non-singular matrix \(K\) such that \(KE_\ast K' = I\) and \(KH_\ast K' = D\), where \(D\) is a diagonal matrix. Let \(D_1 = \text{diag}(\text{ch}_1(E_\ast), \ldots, \text{ch}_4(E_\ast))\), and let \(P\) be the orthogonal matrix for which the \(i\)th column is the characteristic vector of \(E_\ast\) corresponding to \(\text{ch}_i(E_\ast)\), then, since \(E_\ast\) is symmetric, \(P'E_\ast P = D_1\). Similarly, let \(D = \text{diag}(\text{ch}_1(D_1^{-\frac{1}{2}}P'H_\ast PD_1^{-\frac{1}{2}}), \ldots, \text{ch}_4(D_1^{-\frac{1}{2}}P'H_\ast PD_1^{-\frac{1}{2}}))\), and let \(Q\) be the orthogonal matrix for which the \(i\)th column is the characteristic vector of \(D_1^{-\frac{1}{2}}P'H_\ast PD_1^{-\frac{1}{2}}\) corresponding to \(\text{ch}_i(D_1^{-\frac{1}{2}}P'H_\ast PD_1^{-\frac{1}{2}})\), then, since \(D_1^{-\frac{1}{2}}P'H_\ast PD_1^{-\frac{1}{2}}\) is symmetric, \(Q'D_1^{-\frac{1}{2}}P'H_\ast PD_1^{-\frac{1}{2}}Q = D\). Thus, we may take \(K = Q'D_1^{-\frac{1}{2}}P\). Using the above decomposition for \(K\), we find that, for our example,

\[
K = \begin{bmatrix}
1.24522 & -.0464049 & .0380069 & .130133 \\
.0181884 & -.925978 & -.0477042 & .213476 \\
.00831611 & -.00767896 & .940375 & -.237376 \\
-.000914637 & -.0158712 & -.153048 & -.994866 & \\
\end{bmatrix},
\]

and \(D = \text{diag}(142.729, 29.6669, .91847, .625404)\). Note that \(d_2 > 1\) and \(d_3 < 1\), so that \(r = 2\). Simple calculation yields \(X_0 = Y_0 = \text{diag}(23.6766, 5.5867, .986955, .940065), X_1 = \text{diag}(1.5.5867, .986955, .940065)\),
\[ Y_1 = \text{diag}(142.729, 5.5867, .986955, .940065), \]
\[ X_2 = X_3 = X_4 = \text{diag}(1, 1, .986955, .940065), \]
\[ Y_2 = Y_3 = Y_4 = \text{diag}(142.729, 29.6669, .986955, .940065). \]

Hence, if we let \( \hat{\Sigma}_i \) and \( \hat{\Phi}_i \) be the maximum likelihood estimates of \( \Sigma \) and \( \Phi \), respectively, subject to the constraints \( \Sigma \in P_4 \) and \( \Phi \in \bigcup_{j=0}^{i} P_j \), we find that

\[
\hat{\Sigma}_0 = \begin{bmatrix}
15.3199 & .541388 & -.173203 & -.0910632 \\
6.52813 & -.0210184 & .0947756 \\
1.0919 & .064921 \\
.899582
\end{bmatrix},
\]

\[
\hat{\Phi}_0 = \begin{bmatrix}
.665836 & .246703 & -.046356 & -.0924036 \\
6.5222 & -.0184676 & .0947486 \\
1.0908 & .0649326 \\
.899582
\end{bmatrix},
\]

\[
\hat{\Sigma}_1 = \begin{bmatrix}
91.5881 & 1.84178 & -.792796 & .00837764 \\
.0370371 & -.0159426 & .000168469 \\
.00686252 & -.000072518 \\
.000000766
\end{bmatrix},
\]

\[
\hat{\Phi}_1 = \begin{bmatrix}
.6578 & .040037 & -.0471092 & -.0889834 \\
1.20736 & -.0378372 & .182707 \\
1.09073 & .0652532 \\
.898126
\end{bmatrix},
\]
Further commentary on these data will be made in Sections 3.6, 4.2, and 5.4.

2.4 The Likelihood Ratio Test

Recall that $C_s = \{(A,B) : \forall A \in P, B - A \in P \}$,

and suppose we know that $(\Sigma, \Sigma + M) \in \Omega = C_s$. We wish to test, say, the null hypothesis that $(\Sigma, \Sigma + M) \in \omega = C_{s-1} \subset C_s$. The alternative hypothesis is then that $(\Sigma, \Sigma + M) \in \Omega - \omega = C_s - C_{s-1}$. Thus, we are testing the hypothesis

$$H_0^{(s)}: \text{rank } (M) \leq s-1$$

against the hypothesis

$$H_1^{(s)}: \text{rank } (M) = s.$$

We adopt the likelihood approach and compare $\max_{\Omega} \frac{f(E,H)}{\omega}$ with $\max_{\Omega} f(E,H)$. Specifically, we look at

$$\max_{\Omega} \frac{f(E,H)}{\omega} = \lambda \in (0,1].$$

With the matrices $X_s = \text{diag}(x_{s1}, x_{s2}, \ldots, x_{sm})$ and $Y_s = \text{diag}(y_{s1}, y_{s2}, \ldots, y_{sm})$ given by

$$\begin{cases} 
  x_{si} = y_{si} = (e + d_i h)/(e + h) & \text{for } s + 1 \leq i \leq m, \\
  x_{si} = 1, y_{si} = d_i & \text{for } 1 \leq i \leq s,
\end{cases}$$

Further commentary on these data will be made in Sections 3.6, 4.2, and 5.4.
if $r \geq s$, and
\[
\begin{cases} 
x_{si} = y_{si} = (e+d_i h)/(e+h) & \text{for } r+1 \leq i \leq m, \\
x_{si} = 1, y_{si} = d_i & \text{for } 1 \leq i \leq r,
\end{cases}
\]
if $r < s$, the maximum likelihood estimators, $\hat{\Sigma}_\Omega$, of $\Sigma$ and, $\hat{M}_\Omega$, of $M$ when the parameters are restricted to lie within $\Omega$, are given by
\[
\hat{\Sigma}_\Omega = K^{-1}X_sK^{-1},
\hat{M}_\Omega = K^{-1}(Y_s-X_s)K^{-1},
\]
where $K$ is a nonsingular matrix. Similarly, the maximum likelihood estimators, $\hat{\Sigma}_\omega$, of $\Sigma$ and, $\hat{M}_\omega$, of $M$ where the parameters are restricted to lie within $\omega$, are given by
\[
\hat{\Sigma}_\omega = K^{-1}X_{s-1}K^{-1},
\hat{M}_\omega = K^{-1}(Y_{s-1}-X_{s-1})K^{-1}.
\]
It should be noted that if $r < s$, then $X_s = X_{s-1}$ and $Y_s = Y_{s-1}$, and if $r \geq s$, $x_{si} = x_{s-1,i}$ and $y_{si} = y_{s-1,i}$ only for $i \neq s$.

The likelihood ratio, $\lambda$, is
\[
\lambda = \max_\Omega \frac{\max_\omega f(E,H)}{\max_\Omega f(E,H)}
\]
\[
= \exp\left[-\frac{1}{2}\text{tr} \hat{\Sigma}_\omega^{-1} E - \frac{1}{2}\text{tr} (\hat{\Sigma}_\omega + \hat{M}_\omega)^{-1} H\right] \frac{|\hat{\Sigma}_\omega + \hat{M}_\omega|^{\frac{1}{2}} h |\hat{\Sigma}_\omega|^{\frac{1}{2}} e}{\exp\left[-\frac{1}{2}\text{tr} \hat{\Sigma}_\Omega^{-1} E - \frac{1}{2}\text{tr} (\hat{\Sigma}_\Omega + \hat{M}_\Omega)^{-1} H\right] |\hat{\Sigma}_\Omega + \hat{M}_\Omega|^{\frac{1}{2}} h |\hat{\Sigma}_\Omega|^{\frac{1}{2}} e}
\]
\[
\begin{align*}
&= \frac{\exp[-\lambda \text{etr}X_{s-1} - \lambda \text{htr}Y_{s-1} D]}{\exp[-\lambda \text{etr}X_s - \lambda \text{htr}Y_s D]} \cdot \frac{|Y_s|^\lambda |X_s|^\lambda \gamma}{|Y_{s-1}|^\lambda |X_{s-1}|^\lambda} \\
&= \frac{|Y_s|^\lambda |X_s|^\lambda \gamma}{|Y_{s-1}|^\lambda |X_{s-1}|^\lambda}.
\end{align*}
\]

since, if \( r < s \),

\[
\text{etr}(X_{s-1} - X_s) + \text{htr}(Y_{s-1} - Y_s) D \quad (2.4.1)
\]

\[
= \text{etr}(X_s - X_s) + \text{htr}(Y_s - Y_s) D
\]

\[
= 0,
\]

and, if \( r \geq s \), (2.4.1) becomes

\[
e(x_{s-1} - x_s) + h(y_{s-1} - y_s) d_s
\]

\[
= e(e + h) - e + \frac{d_s h(e + h)}{e + d_s h} - h
\]

\[
= \frac{(e + d_s h)(e + h)}{e + d_s h} - (e + h) = 0.
\]

So we have

\[
\lambda = \begin{cases} 
\frac{\lambda h(e + d_s h)^{-\frac{1}{2}}(e + h)}{d_s (e + h)} & \text{if } r \geq s, \\
1 & \text{if } r < s.
\end{cases}
\]

Since \( d_1 > d_2 > \ldots > d_r > 1 > d_{r+1} > \ldots > d_m > 0 \),

clearly, \( r \geq s \) if and only if \( d_s > 1 \). Hence, we can write \( \lambda \) as

\[
\lambda = \begin{cases} 
\frac{\lambda h(e + d_s h)^{-\frac{1}{2}}(e + h)}{d_s (e + h)} & \text{if } d_s > 1, \\
1 & \text{if } 0 < d_s \leq 1.
\end{cases}
\]
Now upon taking the derivative of \( \lambda \) with respect to \( d_s \) over the range \( d_s > 1 \), we get

\[
\frac{d\lambda}{dd_s} = \frac{1}{\lambda} \frac{d\lambda_s}{d_s} \left( \frac{e+d_s h}{e+h} \right)^{\frac{1}{2}(e+h)-1} \left[ \left( \frac{e+d_s h}{e+h} \right) - d_s \right]
\]

\[
= \frac{1}{\lambda} \frac{d\lambda_s}{d_s} \left( \frac{e+d_s h}{e+h} \right)^{\frac{1}{2}(e+h)-1} \left[ \frac{e-d_s e}{e+h} \right],
\]

which is negative for \( d_s > 1 \). Thus, \( \lambda \) is a decreasing function of \( d_s \) over the range \( d_s > 1 \). In addition,

\[
\frac{d\lambda_s}{d_s} \left( \frac{e+d_s h}{e+h} \right)^{\frac{1}{2}(e+h)} \leq 1 \quad \text{for} \quad d_s \geq 1,
\]

with equality when \( d_s = 1 \), so that \( \lambda \) is a decreasing function of \( d_s \).

The likelihood ratio test rejects \( H_0^{(s)} \) for small values of \( \lambda \). Since \( \lambda \) is a decreasing function of \( d_s \), the likelihood ratio test rejects \( H_0^{(s)} \) for large values of \( d_s \). Now recall that with \( H_* = (1/h)H \) and \( E_* = (1/e)E \), there exists a nonsingular matrix \( K \) such that \( KH_*K' = D \) and \( KE_*K' = I \). It follows then that \( d_i: i = 1,2,\ldots,m \) are the solutions to

\[
|H_* - dE_*| = |KH_*K' - dKE_*K'| = |D - dI| = 0,
\]

so we observe that \( d_s \) is the \( s \)th largest solution to

\[
|H_* - dE_*| = 0. \quad (2.4.2)
\]

With \( \phi_i = d_i h/e : i = 1,2,\ldots,m \), (2.4.2) can be written

\[
|H - \frac{dh}{e}E| = 0,
\]

or

\[
|H - \phi E| = 0. \quad (2.4.3)
\]
Hence, we would reject $H_0^{(s)}$ for large values of $\phi_s = d_s h/e$, where $\phi_s$ is the $s$th largest solution to (2.4.3). It is of particular importance to recall that $H \sim W_m(\Sigma+M,h,0)$ and $E \sim W_m(\Sigma,e,0)$, independently.

We have seen that the likelihood ratio test rejects $H_0^{(s)}$ when $\phi_s > c$ for some constant $c$. Now we want to choose for the constant $c$ some number, which we will denote by $c(\alpha,m,s)$ to indicate its dependence upon $\alpha$, $m$, and $s$, such that

$$P(\phi_s > c(\alpha,m,s) \mid (\Sigma,M)) \leq \alpha$$

for all $(\Sigma,\Sigma+M) \in C_{s-1}$. For $c(\alpha,m,s)$ we propose the $\alpha$ level critical value for the largest root, $\theta_1$, from amongst the $m-s+1$ roots of $|W_1 - \theta W_2| = 0$, where $W_1 \sim W_{m-s+1}(I,h-s+1,0)$ and $W_2 \sim W_{m-s+1}(I,e,0)$, independently. That is, we take $c(\alpha,m,s)$ such that

$$P(\theta_1 > c(\alpha,m,s)) = \alpha.$$ Justification for this choice of $c(\alpha,m,s)$ will be given in the next chapter.
CHAPTER 3

PROPERTIES OF THE $s^{th}$ LARGEST ROOT TEST

3.1 Introduction

In this chapter we investigate some properties of the $s^{th}$ largest root test presented in the previous chapter. It would be desirable to show that this test is the uniformly most powerful test, but we were unable to do so for general $m$. However, in Section 3.2 we show that for $m = 1$ the test is uniformly most powerful. Also, in Sections 3.3 and 3.4 it is shown that the $s^{th}$ largest root test is an invariant test of $H_0^{(s)}$ against $H_1^{(s)}$ and is the test obtained by the union-intersection principle (see Roy [1953]). Finally, in the last two sections we discuss an important monotonicity property of the roots $\phi_i : i = 1, 2, \ldots, m$, and then use this property in deriving the asymptotic distribution of $\phi_s$.

3.2 The Uniformly Most Powerful Test for $m = 1$

For $m = 1$ the problem reduces to that of the univariate random effects model discussed in Section 1.1. Recall that we have $\bar{x} \sim N(\mu, (\sigma_z^2 + n\sigma_a^2)/gn)$, $u \sim \sigma_Z^2 \chi_e^2$, and

$v \sim (\sigma_z^2 + n\sigma_a^2) \chi_h^2$, independently, where $\mu, \sigma_z^2$, and $\sigma_a^2$ are all unknown, and we wish to test the hypothesis $H_0: \sigma_a^2 = 0$ against $H_1: \sigma_a^2 > 0$.  

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Suppose that for some set of points, \( \gamma' \), in the space of \((\bar{x}, u, v)\), we reject \( H_0 \) whenever the experimental \((\bar{x}, u, v)\) belongs to \( \gamma' \). Let \( \beta(\gamma'; \mu, \sigma^2_z, \sigma^2_{\alpha}) = P[(\bar{x}, u, v) \in \gamma'| \mu, \sigma^2_z, \sigma^2_{\alpha}] \) and require that \( \gamma' \) be such that \( \beta(\gamma'; \mu, \sigma^2_z, 0) = \alpha_0 \). Let \( x = u + v \) and \( y = v/u \), so that \( u = x/(y+1) \) and \( v = xy/(y+1) \).

Then the Jacobian, \( ||J|| \), of \( \bar{x}, u, \) and \( v \) with respect to \( \bar{x}, x, \) and \( y \) is \( ||J|| = || \delta(\bar{x}, u, v)/\delta(\bar{x}, x, y)|| = x/(y+1)^2 \).

Then

\[
\beta(\gamma'; \mu, \sigma^2_z, \sigma^2_{\alpha}) = \iiint_{\gamma'} g_1(u; \sigma^2_z)g_2(v; \sigma^2_z, \sigma^2_{\alpha}) g_3(\bar{x}; \mu, \sigma^2_z, \sigma^2_{\alpha}) du \, dv \, d\bar{x}.
\]

where \( \gamma = \{(\bar{x}, x, y): (\bar{x}, u, v) \in \gamma' \} \) and where, independently,

\[
\begin{align*}
u & \sim \sigma^2_z \chi_1^2, \\
v & \sim (\sigma^2_z + n\sigma^2_{\alpha}) \chi_1^2, \\
\bar{x} & \sim N(n, (\sigma^2_z + n\sigma^2_{\alpha})/gn),
\end{align*}
\]

so that

\[
f(x, y; \sigma^2_z, \sigma^2_{\alpha}) = f(x, y) = \frac{x^{\frac{k}{2}(e+h)-1} \exp[-x/2(\sigma^2_z + n\sigma^2_{\alpha})]}{(2(\sigma^2_z + n\sigma^2_{\alpha}))^{\frac{k}{2}(e+h)} \Gamma(k (e+h))} \cdot \frac{(1+n\sigma^2_{\alpha}/\sigma^2_z)^{\frac{k}{2}e} \cdot \Gamma(y)^{-\frac{k}{2}(e+h)} \cdot \exp[-x\sigma^2_z/2\sigma^2_z (\sigma^2_z + n\sigma^2_{\alpha}) (y+1)]}{B(\frac{k}{2}e, \frac{k}{2}h)}.
\]

and \((x, y)\) is independent of \( \bar{x} \). We note that when \( \sigma^2_{\alpha} = 0 \), \( x \) and \( y \) are independent; that is,

\[
f(x, y; \sigma^2_z, 0) = f_1(x; \sigma^2_z) f_2(y) = f_1(x) f_2(y)
\]
where
\[ x \sim \sigma^2 \chi^2 \varepsilon + h, \]
\[ y \sim (h/e) F^h. \]

Letting \( \gamma(x, \overline{x}) = \{y: (\overline{x}, x, y) \in \gamma\} \), we can write
\[
\beta(\gamma'; u, \sigma^2, 0) = \int \int \int f(x, y) f_0(\overline{x}) \, dy \, dx \, d\overline{x}.
\]
\[
= \int \int f_1(x) f_0(\overline{x}) \int f_2(y) \, dy \, dx \, d\overline{x}.
\]
Putting
\[ h(x, \overline{x}, \sigma^2) = h(x, \overline{x}) = \int_{\gamma(x, \overline{x})} f_2(y) \, dy, \]
we see that
\[ \beta(\gamma'; u, \sigma^2, 0) = \int \int f_1(x) f_0(\overline{x}) h(x, \overline{x}) \, dx \, d\overline{x}. \]
When \( \sigma^2 = 0 \), \( (x, \overline{x}) \) is sufficient for \( (\sigma^2, u) \). Further, \( \{f_1(x) f_0(\overline{x}): -\infty < u < \infty, \sigma^2 > 0\} \) is a complete family (see, for example, Lehmann [1959:130]). Thus, since \( \beta(\gamma'; u, \sigma^2, 0) = \alpha_0 \), we must have \( h(x, \overline{x}) = \alpha_0 \).

Now let \( \gamma_* = \{(\overline{x}, u, v): y = v/u > c\} \) where \( c \) is some constant. Then with \( q = (q_1, q_2)' \) where \( q_1 \sim (\sigma^2 + \sigma^2) \chi^2 e + h \)
and \( q_2 \sim N(u, (\sigma^2 + \sigma^2)/\sigma^2) \), independently,
\[
[\beta(\gamma_*; u, \sigma^2, \sigma^2) - \beta(\gamma'; u, \sigma^2, \sigma^2)](1 + \frac{\sigma^2}{\sigma^2})^{-\frac{1}{2}} e
\]
\[ = E(d(q; \sigma^2, \sigma^2)), \]
where the expectation is with respect to the distribution of \( q \).
Here
\[ d(q; \sigma_z^2, \sigma_\alpha^2) = \int_f^\gamma f_2(y) Q(y, q_1) dy - \int_{\gamma} f_2(y) Q(y, q_1) dy, \]
where \( \gamma() = \gamma(q_1, q_2), \gamma() = \gamma(q_1, q_2) \), and
\[ Q(y, q_1) = \exp\left[-q_1 \sigma_z^2 / 2 \sigma_z^2 (\sigma_z^2 + \sigma_\alpha^2) (y + 1)\right]. \]

Therefore,
\[ d(q; \sigma_z^2, \sigma_\alpha^2) = \int_f^\gamma (\gamma() - \gamma()) f_2(y) Q(y, q_1) dy - \int_{\gamma} (\gamma() - \gamma()) f_2(y) Q(y, q_1) dy. \]

Since
\[ Q(y, q_1) \geq Q(c, q_1) \quad \text{when } y \in \gamma() - \gamma(), \]
\[ Q(y, q_1) \leq Q(c, q_1) \quad \text{when } y \in \gamma() - \gamma(), \]
we find that
\[ d(q; \sigma_z^2, \sigma_\alpha^2) \geq Q(c, q_1) \left[ \int_f^\gamma (\gamma() - \gamma()) f_2(y) dy - \int_{\gamma} (\gamma() - \gamma()) f_2(y) dy \right] \]
\[ = Q(c, q_1) \left[ \int_f^\gamma f_2(y) dy - \int_{\gamma} f_2(y) dy \right] \]
\[ = Q(c, q_1)[\sigma_0 - \sigma_0] = 0. \]

Thus,
\[ E(d(q; \sigma_z^2, \sigma_\alpha^2)) \geq 0, \]
so that
\[ \beta(\gamma'; \mu, \sigma_z^2, \sigma_\alpha^2) \geq \beta(\gamma'; \mu, \sigma_z^2, \sigma_\alpha^2). \]

Therefore, amongst all critical regions of size \( \alpha_0 \) the critical region which rejects \( H_0 \) when \( v/u > c \) is uniformly most powerful in a test of \( H_0: \sigma_\alpha^2 = 0 \) against \( H_1: \sigma_\alpha^2 > 0 \). That is, the critical region \( \phi > c \), where \( \phi \) is the only root of \( (v - \phi u) = 0 \), is uniformly most powerful.
3.3 An Invariance Property

Consider the group of transformations \( G = \{ g_K : K(m \times m) \text{ is nonsingular} \} \), where \( g_K(E,H) = (KEK',HKH') \). Since 
\[ E \sim W_m(\Sigma,e,0) \text{ and } H \sim W_m(\Sigma+M,h,0) \], it follows that 
\[ KEK' \sim W_m(KKEK',e,0), KHK' \sim W_m(KKEK'+KMK',h,0) \], and rank 
\( (KM') = \text{rank} \ (M) \). Thus, the problem of testing the hypothesis \( H_0(s) : \text{rank} \ (M) \leq s-1 \) against \( H_1(s) : \text{rank} \ (M) = s \) is invariant under the group \( G \).

We will need the following definition.

Definition 3.3.1: Let \( X \) be a space and \( G, \) a group of transformations on \( X \). A function \( T(x) \) on \( X \) is said to be a maximal invariant with respect to \( G \) if 
\[ \text{a) } T(g(x)) = T(x) \text{ for all } x \in X \text{ and } g \in G; \]
\[ \text{b) } T(x_1) = T(x_2) \text{ implies } x_1 = g(x_2) \text{ for some } g \in G. \]

We will also need the following well-known result (see, for example, Lehmann [1959:216]).

Lemma 3.3.2: Let \( X \) be a space, let \( G \) be a group of transformations on \( X \), and let \( T(x) \) be a maximal invariant with respect to \( G \). A function \( f(x) \) is invariant with respect to \( G \) if and only if \( f(x) \) is a function of \( T(x) \).

Now consider the roots, \( \phi_1 > \phi_2 > \ldots > \phi_m \), of 
\[ |H-\phi E| = 0 \] and the roots, \( \theta_1 > \theta_2 > \ldots > \theta_m \), of 
\[ |KHK'-\theta KEK'| = 0, \] where \( K \) is nonsingular. Clearly 
\[ |KHK'-\theta KEK'| = 0 \]
implies 
\[ |K| \ |H-\theta E| \ |K'| = 0 \]
so that 
\[ |H-\theta E| = 0, \]
and hence, \( \theta_i = \phi_i: i = 1, 2, \ldots, m \). Suppose now that
\( \theta_i = \phi_i: i = 1, 2, \ldots, m \) are the roots of \( |H_1 - \Theta E_1| = 0 \) and
\( |H_2 - \phi E_2| = 0 \), respectively, where \( E_1, E_2, H_1, \) and \( H_2 \) are all positive definite, symmetric matrices. Then there exist nonsingular matrices \( K_1 \) and \( K_2 \) such that
\[
E_1 = K_1 K_1', \quad H_1 = K_1 \phi K_1',
\]
\[
E_2 = K_2 K_2', \quad H_2 = K_2 \phi K_2',
\]
where \( \phi = \text{diag}(\phi_1, \phi_2, \ldots, \phi_m) \). It then follows that
\[
g_{K_2 K_1^{-1}}(E_1, H_1) = (K_2 K_1^{-1} E_1 K_1' K_2 K_2', K_2 K_1^{-1} H_1 K_1' K_2 )
\]
\[
= (K_2 K_1^{-1} K_1' K_2 K_2', K_2 K_1^{-1} K_1' K_2 K_2 K_1 \phi K_1' K_2 )
\]
\[
= (K_2 K_2', K_2 \phi K_2')
\]
\[
= (E_2, H_2),
\]
where \( g_{K_2 K_1^{-1}} \in G \) since, clearly, \( K_2 K_1^{-1} \) is nonsingular. So by Definition 3.3.1 \( \{ \phi: |H - \phi E| = 0 \} \) is the maximal invariant with respect to \( G \). The \( s \)-th largest root, \( \phi_s \), is clearly a function of \( (\phi_1, \phi_2, \ldots, \phi_m) \), and hence, by Lemma 3.3.2 the test statistic \( \phi_s \) is an invariant test statistic for testing the hypothesis \( H_0(s) \) against the hypothesis \( H_1(s) \).

### 3.4 The Union-Intersection Principle

Suppose that in testing \( H_0^{(m)}: \text{rank} (M) \leq m-1 \) against \( H_1^{(m)}: \text{rank} (M) = m \), we adopt the rule
\[
R(m:m): \text{reject } H_0^{(m)} \quad \text{if } \phi_m > c(\alpha, m, m).
\]
Here \( \phi_1 > \phi_2 > \ldots > \phi_m > 0 \) are the roots of \( |H - \phi E| = 0 \),
E ~ W_m(E,e,0) and H ~ W_m(E+M,h,0), independently, and
c(α,m,m) is chosen such that P(ϕ_m > c(α,m,m) | H_0(m)) ≤ α.
Consider now testing H_0(s): rank (M) ≤ s-1 against H_1(s):
rank (M) = s. The hypothesis H_0(s) is true if and only if
the hypothesis F H_0(s): rank (FMF') ≤ s-1 is true for all
F ε S(m,s), where S(m,s) is the class of all (s×m) matrices
of rank s. Similarly, the hypothesis H_0(s) is false if and
only if the hypothesis F H_0(s) is false, and the hypothesis
F H_1(s): rank (FMF') = s is true, for at least one, and in fact
all F ε S(m,s). Hence, we could think of H_0(s) as
FεS(m,s) F H_0(s) and H_1(s) as FεS(m,s) F H_1(s) and reject H_0(s)
if (E,H) ε Y = FεS(m,s) Y(F), where Y(F) is the rejection
region appropriate to a test of the hypothesis F H_0(s). The
sizes of Y(F): F ε S(m,s) should be such as to produce a
desired overall error of the first kind of the desired size.
This procedure is known as the union-intersection procedure.

Note that we will reject H_0(s): rank (M) ≤ s-1 if for
some F ε S(m,s), we reject F H_0(s): rank (FMF') ≤ s-1. Let
ϕ_1F > ϕ_2F > ... > ϕ_sF > 0 be the roots of |FHF' - FEF'| = 0,
where, clearly, FEF' ~ W_s(FEF',e,0) and FHF' ~ W_s(FHF'
+ FMF',h,0), independently. Then by the rule R(s:s) we
reject F H_0(s) if ϕ_sF > c(α',s,s), where α' is chosen to give
the desired overall error of the first kind of the desired
size. Hence, we will reject H_0(s) if for some F ε S(m,s),
ϕ_sF > c(α',s,s), or equivalently, if max_{FεS(m,s)} ϕ_sF > c(α',s,s).
We need the following results, the first two of which can be found in Bellman [1970:115].

Lemma 3.4.1: Let \( A(m \times m) \) be a symmetric matrix. Then the smallest latent root of \( A \) may be defined as follows:

\[
ch_m(A) = \min_{u' u = 1} u' Au,
\]
where \( u \) is a \((m \times 1)\) vector.

The next result is well known as the Poincaré separation theorem.

Lemma 3.4.2: Let \( A(m \times m) \) be a symmetric matrix. Then for any matrix \( F(s \times m) \) such that \( FF' = I \)

\[
ch_j(A) \geq ch_j(FAF') \geq ch_{m-s+j}(A)
\]
for \( j = 1, 2, \ldots, s \).

We need Lemma 3.4.2 to prove the following lemma.

Lemma 3.4.3: Let \( A(m \times m) \) be a symmetric matrix. Then

\[
\max_{F:FF'=I} \min_{u' u = 1} u' FAF'u = ch_s(A),
\]  
(3.4.1)

where \( F \) is a \( s \times m \) matrix, and \( u \) is a \( m \times 1 \) vector.

Proof: Since \( A \) is symmetric, there exists an orthogonal matrix \( P(m \times m) \) such that \( P' AP = \Lambda = \text{diag}(ch_1(A), ch_2(A), \ldots, ch_m(A)) \), and hence, for any \( F \) such that \( FF' = I \)

\[
\min_{u' u = 1} u' FAF'u = \min_{u' u = 1} u' \tilde{F} \tilde{F}'u,
\]
where \( \tilde{F} = FP \) and \( \tilde{F}' = FPP'F' = FF' = I \). Then we can rewrite (3.4.1) as

\[
\max_{F:FF'=I} \min_{u' u = 1} u' FAF'u.
\]
Let $F_*(s \times m)$ be the matrix with $(F_*)_{i i} = 1$ for all $i$, and $(F_*)_{i j} = 0$ for all $i \neq j$. Then
\[
\max \min_{F : F F' = I} u' F A F' u \geq \min_{u' u = 1} u' F_* A F_* u = \text{ch}_s(A).
\]

Now by Lemma 3.4.2, for any $F$ such that $F F' = I$, we know that
\[
\min_{u' u = 1} u' F A F' u \leq \text{ch}_s(A),
\]
so that
\[
\max_{F : F F' = I} \min_{u' u = 1} u' F A F' u \leq \text{ch}_s(A).
\]

Therefore, it follows that
\[
\max_{F : F F' = I} \min_{u' u = 1} u' F A F' u = \text{ch}_s(A).
\]

We have seen that the union-intersection principle leads to the rule which rejects $H_0^{(s)}$: rank $(M) \leq s - 1$ in favor of $H_1^{(s)}$: rank $(M) = s$ if $\max_{F \in \mathcal{S}(m, s)} \phi_F > c(\alpha; s, s)$. Note that
\\
with $T(m \times m)$ and $\tilde{T}(s \times m)$ such that $T T' = E$ and $\tilde{T} = F T$, then for fixed $F \in \mathcal{S}(m, s)$
\\
implies
\\
$|F F F' - \phi F E F' F'| = 0$
\\
or
\\
$|\tilde{T} T^{-1} H T^{-1} F' - \phi F T^{-1} F' T F'| = 0.$
\\
Since $\tilde{F}$ is of rank $s$, so also is $\tilde{F} \tilde{F}' (s \times s)$, and thus, there exists a nonsingular matrix $S(s \times s)$ such that $S \tilde{F} \tilde{F}' S' = I$. 

So with \( \hat{F} = SF \) we find that (3.4.2) implies
\[
|\hat{F}^{-1}HT^{-1}F' - \phi I| = 0,
\]
and clearly, \( \hat{F}' = S\hat{F}'S' = I \). Hence, it follows that
\[
\max_{F \in S(m,s)} \phi_{SF} = \max_{F:FF' = I} \min\{\phi: |FT^{-1}HT^{-1}F' - \phi I| = 0\}
\]
\[
= \max_{F:FF' = I} \min u'FT^{-1}HT^{-1}F'u,
\]
with the final equality due to Lemma 3.4.1. Now using Lemma 3.4.3 and the fact that the latent roots of \( T^{-1}HT^{-1} \) are the roots of \( |H - \phi E| = 0 \), we observe that \( \max_{F \in S(m,s)} \phi_{SF} = \phi_s' \) and thus, the union-intersection principle leads to the rule which rejects \( H_0^{(s)} \) if \( \phi_s > c(\alpha', s, s) \).

3.5 A Monotonicity Property of the Power Function

The test procedure developed in the previous sections depends on the latent roots, \( \phi_1, \phi_2, \ldots, \phi_m \), of the random matrix \( HE^{-1} \). The distribution of these roots (see James [1964]), and hence the power function of our test procedure, depends upon the latent roots of the corresponding population matrix \( (\Sigma + M) \Sigma^{-1} \) as parameters. Let \( \delta_1 \geq \delta_2 \geq \ldots \geq \delta_m \geq 1 \) be the latent roots of \( (\Sigma + M) \Sigma^{-1} \), and note that with \( T \) defined such that \( \Sigma = TT' \)
\[
|(\Sigma + M) \Sigma^{-1} - \delta I| = 0
\]
implies
\[
|M - (\delta - 1) \Sigma| = 0,
\]
so that \( |T^{-1}MT^{-1} - (\delta-1)I| = 0 \).

Since \( \Sigma \) is nonsingular, \( T \) is also nonsingular, and so the rank of \( T^{-1}MT^{-1} \) is the same as the rank of \( M \). Hence, \( M \) has rank of at most \( s-1 \) if and only if \( \delta_s = 1 \), and testing the hypothesis \( H_0^{(s)}: \text{rank} (M) \leq s - 1 \) against \( H_1^{(s)}: \text{rank}(M) = s \) is equivalent to testing the hypothesis \( H_0^{(s)}: \delta_s = 1 \) against \( H_1^{(s)}: \delta_s > 1 \). A desirable property of the test statistic \( \phi_s \) would be that it stochastically increases in \( \delta_s \), and thus, that the power function increases monotonically in \( \delta_s \). In this section we not only show that \( \phi_s \) stochastically increases in \( \delta_s \), but also that it stochastically increases in each \( \delta_i: i = 1, 2, \ldots, m \). This more general result will be utilized in the following section.

We will first prove the result for the largest latent root, \( \phi_1 \). That is, we will show that \( \phi_1 \) stochastically increases in \( \delta_i: i = 1, 2, \ldots, m \).

**Lemma 3.5.1**: The test with the acceptance region

\[ \phi_1 = c h_1 (HE^{-1}) \leq c \]

has power function which is monotonically increasing in each population root \( \delta_i \).

The proof of Lemma 3.5.1 involves the following three results, the first of which is due to Anderson [1955].

**Lemma 3.5.2**: Let \( Y \sim N_m(0, \Sigma_1) \) and \( U \sim N_m(0, \Sigma_2) \), where \( \Sigma_2 - \Sigma_1 \) is nonnegative definite. If \( \omega \) is a convex set, symmetric about the origin, then \( P(Y \in \omega) \geq P(U \in \omega) \).
Lemma 3.5.3: Let the random vectors \(\mathbf{Y}_1, \mathbf{Y}_2, \ldots, \mathbf{Y}_n\) and the matrix \(U\) be mutually independent, the distribution of \(\mathbf{Y}_i\) being \(N_m(0, \Sigma)\): \(i = 1, 2, \ldots, n\). Let the set \(\omega\), in the space of \(\{\mathbf{Y}_1, \mathbf{Y}_2, \ldots, \mathbf{Y}_n, U\}\), be convex and symmetric in each \(\mathbf{Y}_i\) given the other \(\mathbf{Y}_i\)'s and \(U\). Denote by \(P_{\Sigma_i}(\omega)\) the probability of the set \(\omega\) when \(\Sigma = \Sigma_i\). Then whenever \(\Sigma_2 - \Sigma_1\) is nonnegative definite, \(P_{\Sigma_1}(\omega) \geq P_{\Sigma_2}(\omega)\).

Proof: Since \(\Sigma_1\) and \(\Sigma_2\) are symmetric and \(\Sigma_1 \in P_m\) and \(\Sigma_2 \in \bigcup_{j=0}^{m} P_j\), it follows that there exists a nonsingular matrix \(K\) such that \(KE_1K' = I\) and \(KE_2K' = \Delta = \text{diag}(\delta_1, \delta_2, \ldots, \delta_m)\).

Since it is assumed that \(\Sigma_2 - \Sigma_1 \in \bigcup_{j=0}^{m} P_j\), we know that \(\delta_i \geq 1: \ i = 1, 2, \ldots, m\). Then \(\mathbf{Y}_i^* = KY_i \sim N_m(0, I)\) if \(\Sigma = \Sigma_1\), and \(\mathbf{Y}_i^* = KY_i \sim N_m(0, \Delta)\) if \(\Sigma = \Sigma_2\). Let \(\omega^* = \{\mathbf{Y}_1^*, \mathbf{Y}_2^*, \ldots, \mathbf{Y}_n^*, U: (\mathbf{Y}_1, \mathbf{Y}_2, \ldots, \mathbf{Y}_n, U) \in \omega\}\), then \(P_{\Sigma_1}(\omega) = P_{\Gamma}(\omega^*)\) and \(P_{\Sigma_2}(\omega) = P_{\Delta}(\omega^*)\). So without loss of generality we can take \(\Sigma_1 = I\) and \(\Sigma_2 = \Delta\). Let

\[
\Delta_i = \text{diag}(\theta_1, \theta_2, \ldots, \theta_i-1, 1, \theta_i+1, \ldots, \theta_m),
\]

\[
\Delta_i^* = \text{diag}(\theta_1, \theta_2, \ldots, \theta_i-1, \delta_i, \theta_i+1, \ldots, \theta_m),
\]

\(R_i = \{\mathbf{Y}_i: (\mathbf{Y}_1, \mathbf{Y}_2, \ldots, \mathbf{Y}_n, U) \in \omega; \mathbf{Y}_j: j \neq i \text{ and } U \text{ fixed}\}\), where \(\theta_j \in \{1, \delta_j\}: j \neq i\). Then from Lemma 3.5.2 it follows that

\[
P_{\Delta_i}(R_i | \mathbf{Y}_j: j \neq i, U) \geq P_{\Delta_i^*}(R_i | \mathbf{Y}_j: j \neq i, U). \quad (3.5.1)
\]

Multiplying both sides of the inequality (3.5.1) by the joint
density of the temporarily fixed variables and integrating with respect to them, we obtain
\[ P_{\Delta_i}(\omega) \geq P_{\Delta_i}^*(\omega). \]

Then by induction we have
\[ P_{\Gamma}(\omega) \geq P_{\Delta}(\omega), \]
or equivalently,
\[ P_{\Sigma_1}(\omega) \geq P_{\Sigma_2}(\omega). \]

Finally, the third result we need is due to Das Gupta, Anderson, and Mudholkar [1964].

Lemma 3.5.4: For any symmetric matrix \( B(m \times m) \) the region
\[ \omega = \{ A(m \times n): \text{ch}_1(AA'B) \leq c \} \] is convex in \( A \).

Proof (Lemma 3.5.1): Recall that \( H \sim W_m(\Sigma+M,h,0) \) and \( E \sim W_m(\Sigma,e,0). \) Since the problem is invariant under transformations \( g_j(E,H) = (KEK',KHK'), \) we may assume, without loss of generality, that \( \Sigma + M = \Delta = \text{diag}(\delta_1,\delta_2,\ldots,\delta_m) \) and \( \Sigma = I. \) Then we can write \( H = YY', \) where \( Y = (Y_1,Y_2,\ldots,Y_h) \) and \( Y_i \sim N_m(0,\Delta): i = 1,2,\ldots,h, \) independently. So the acceptance region can be written as \( \{Y: \text{ch}_1(YY'E^{-1}) \leq c\}. \) From Lemma 3.5.4 it follows that the acceptance region is convex in \( Y, \) and clearly we see that the acceptance region is also symmetric in each of the column vectors of \( Y. \) Note that the vectors \( Y_1,Y_2,\ldots,Y_h \) and \( E \) are mutually independent, and the distribution of \( Y_i \) is \( N_m(0,\Delta). \) The result now follows from Lemma 3.5.3.

The main result of this section follows from a result due to Anderson and Das Gupta [1964].
Lemma 3.5.5: Suppose $V \sim W_m(\Sigma_1, v, 0)$ and $U \sim W_m(\Sigma_2, u, 0)$, independently. Let $\lambda_1 \geq \lambda_2 \geq \ldots \geq \lambda_m$ be the latent roots of $UV^{-1}$, and let $\omega$ be a set in the space of $\lambda_1, \lambda_2, \ldots, \lambda_m$ such that when a point $(\lambda_1, \lambda_2, \ldots, \lambda_m)$ is in $\omega$, so is every point $(\lambda_1^*, \lambda_2^*, \ldots, \lambda_m^*)$ for which $\lambda_i^* \leq \lambda_i$: $i = 1, 2, \ldots, m$. Then the probability of the set $\omega$ depends on $\Sigma_1$ and $\Sigma_2$ only through the latent roots of $\Sigma_2 \Sigma_1^{-1}$ and is a monotonically decreasing function of each of the latent roots of $\Sigma_2 \Sigma_1^{-1}$.

Clearly, the set $\omega = \{(\phi_1, \phi_2, \ldots, \phi_m): \phi_s \leq c\}$ satisfies the conditions of Lemma 3.5.5, so it follows that the probability of the set $\omega$ is monotonically decreasing in each of the latent roots $\delta_1, \delta_2, \ldots, \delta_m$ of $(\Sigma + M) \Sigma^{-1}$. In other words, the power function of the $s$th largest root test is a monotonically increasing function of $\delta_i$: $i = 1, 2, \ldots, m$.

We now know that as $\delta_s \to \infty$, $P(\phi_s > c)$ increases monotonically. We will show that actually, as $\delta_s \to \infty$, $P(\phi_s > c) \to 1$, and hence, for sufficiently large values of $\delta_s$ the probability of rejecting $H_0(s)$: $\delta_s = 1$ will be arbitrarily close to one. Recall that there exists a nonsingular matrix $K$ such that $KEK' \sim W_m(I, e, 0)$ and $KK' \sim W_m(\Lambda, h, 0)$. Let $K_1(m \times m)$ be such that

$K_1(m \times m) = \text{diag}(\alpha k_1, \alpha k_2, \ldots, \alpha k_s, 1, \ldots, 1)$.

Note that $K_1 KK'K_1' \sim W_m(K_1 \Lambda K_1', h, 0)$ and

$K_1 \Lambda K_1' = \text{diag}(\alpha^2 k_1^2 \delta_1, \alpha^2 k_2^2 \delta_2, \ldots, \alpha^2 k_s^2 \delta_s, \delta_{s+1}, \ldots, \delta_m)$,

so that as $\alpha \to \infty$, $\alpha^2 k_i^2 \delta_i \to \infty$, and hence $\chi_1(K_1 \Lambda K_1') \to \infty$, for
\[ i = 1, 2, \ldots, s. \] Thus, we need to show that
\[ P(\text{ch}_s(K_1KH^1K(KEK')^{-1}) > c) \to 1 \] as \( \alpha \to \infty \). The following lemma provides the necessary result.

**Lemma 3.5.6:** Let \( V \sim W_m(\Sigma_1, v, 0) \) and \( U \sim W_m(\Sigma_2, u, 0) \), independently, and let
\[ K_1(m \times m) = \text{diag}(ak_1, ak_2, \ldots, ak_s, 1, \ldots, 1). \]
Then \( P(\text{ch}_s(K_1UK_1V^{-1}) > c) + 1 \) as \( \alpha \to \infty \).

**Proof:** Let
\[ U = \begin{pmatrix} U_{11} & U_{12} \\ U_{21} & U_{22} \end{pmatrix}, \quad V = \begin{pmatrix} V_{11} & V_{12} \\ V_{21} & V_{22} \end{pmatrix}, \]
where \( U_{11} \) is \( s \times s \), \( U_{21} \) is \( (m-s) \times s \), \( U_{12} \) is \( s \times (m-s) \), and \( U_{22} \) is \( (m-s) \times (m-s) \). Similarly, define \( V_{11}, V_{21}, V_{12} \), and \( V_{22} \). Let \( F^* \) be the \( s \times m \) matrix with \( (F^*)_ii = 1: i = 1, 2, \ldots, s \) and \( (F^*)_{ij} = 0: i \neq j \), and let
\[ K_2(s \times s) = \text{diag}(k_1, k_2, \ldots, k_s). \]
Recall from Section 3.4 that
\[ \text{ch}_s(K_1UK_1V^{-1}) = \max_{F \in S(m, s)} \min_{\lambda} \{ \lambda : |FK_1UK_1F^* - \lambda FVF^*| = 0 \} \]
\[ \geq \min_{\lambda} \{ \lambda : |F^*K_1UK_1F^* - \lambda FVF^*| = 0 \} \]
\[ = \min_{\lambda} \{ \lambda : |\alpha^2 K_2 U_{11} K^2_2 - \lambda V_{11}| = 0 \} \]
\[ = \alpha^2 \text{ch}_s(K_2U_{11}K^2_2V^{-1}). \]
Thus,
\[ P(\text{ch}_s(K_1UK_1V^{-1}) > c) \geq P(\alpha^2 \text{ch}_s(K_2U_{11}K^2_2V^{-1}) > c) \]
\[ = P(\text{ch}_s(K_2U_{11}K^2_2V^{-1}) > c/\alpha^2), \]
and $K_2U_{11}K_2'V_{11}^{-1}$ is positive definite with probability one, so that
\[
\lim_{\alpha \to \infty} P(\chi^2_s(K_1UK_1'V_1^{-1}) > c) = \lim_{\alpha \to \infty} P(\chi^2_s(K_2U_{11}K_2'V_{11}^{-1}) > c/\alpha^2) = P(\chi^2_s(K_2U_{11}K_2'V_{11}^{-1}) > 0) = 1.
\]

3.6 The Limiting Distribution of $\phi_s$

We have seen that the likelihood ratio test for testing the hypothesis $H_0^{(s)}$: $\text{rank}(M) \leq s - 1$ against $H_1^{(s)}$: $\text{rank}(M) = s$ is based on the $s^{th}$ largest root, $\phi_s$. However, if $\phi_s$ is to be used as a test statistic, it is necessary to compute the significance level, $\alpha$, where
\[
\alpha = \sup_{H_0^{(s)}} P(\phi_s > c | H_0^{(s)}).
\]

With $\delta_1 \geq \delta_2 \geq \ldots \geq \delta_m$ as the latent roots of $(\Sigma + M)\Sigma^{-1}$ the null hypothesis can be written $H_0^{(s)}$: $\delta_s = 1$, or more precisely, $H_0^{(s)}$: $\delta_1 \geq \delta_2 \geq \ldots \geq \delta_{s-1} \geq 1$, $\delta_s = \delta_{s+1} = \ldots = \delta_m = 1$. We will write $\phi_{s:m}(\delta_1, \delta_2, \ldots, \delta_m)$ to indicate that $\phi_s$ is the $s^{th}$ largest root of $m$ roots and depends on the population roots $\delta_1, \delta_2, \ldots, \delta_m$. Then we may write $\alpha$, the significance level, as
\[
\alpha = \sup_{\delta_1 \geq \delta_2 \geq \ldots \geq \delta_{s-1} \geq 1} P(\phi_{s:m}(\delta_1, \delta_2, \ldots, \delta_{s-1}, 1, \ldots, 1) > c).
\]

But we saw in the previous section that $\phi_s$ is stochastically increasing in each $\delta_i$: $i = 1, 2, \ldots, m$. It then follows that
\[ a = P(\Phi_{s:m}(\infty, \infty, \ldots, \infty, 1, \ldots, 1) > c), \]

where \( \Phi_{s:m}(\infty, \infty, \ldots, \infty, 1, \ldots, 1) \) denotes the random variable which has the limiting distribution of \( \Phi_{s:m}(\delta_1, \delta_2, \ldots, \delta_{s-1}, 1, \ldots, 1) \) as \( \delta_i \to \infty: i = 1, 2, \ldots, s-1 \). So the problem at hand is to determine the distribution of \( \Phi_{s:m}(\infty, \infty, \ldots, \infty, 1, \ldots, 1) \).

Recall that \( E \sim W_m(\Sigma, e, 0) \), \( H \sim W_m(\Sigma+M, h, 0) \), and there exists a matrix \( K \) such that \( KEK' = I \) and \( K(\Sigma+M)K' = \Delta = \text{diag}(\delta_1, \delta_2, \ldots, \delta_m) \). If we define \( \tilde{E} \) and \( \tilde{H} \) as

\[
\tilde{E} = \Delta^{-1/2}KEK'\Delta^{-1/2} \sim W_m(\Delta^{-1}, e, 0),
\]

\[
\tilde{H} = \Delta^{-1/2}KHK'\Delta^{-1/2} \sim W_m(I, h, 0),
\]

where \( \Delta^{-1/2} = \text{diag}(\delta_1^{-1/2}, \delta_2^{-1/2}, \ldots, \delta_m^{-1/2}) \), then clearly \( \Phi_{s:m}(\delta_1, \delta_2, \ldots, \delta_m) = \text{ch}_s(HE^{-1}) = \text{ch}_s(\tilde{HE}^{-1}) \). Hence, if we let

\[ \tilde{E}_n \sim W_m(\Delta_n^{-1}, e, 0), \]

where \( \Delta_n = \text{diag}(n\delta_1, n\delta_2, \ldots, n\delta_{s-1}, 1, \ldots, 1) \), then we need to find the limiting distribution of \( \text{ch}_s(\tilde{HE}_n^{-1}) \) as \( n \to \infty \). Since we can write \( \tilde{E}_n = Y_nY_n' \), where \( Y_n = (Y_1^{(n)}, Y_2^{(n)}, \ldots, Y_e^{(n)}) \) and \( Y_i \sim N_m(0, \Delta_n^{-1}) : i = 1, 2, \ldots, e \), independently, we can restate the problem as that of determining the limiting distribution of \( \text{ch}_s(\tilde{H}(Y_nY_n')^{-1}) \). Consider the following elementary result.

**Lemma 3.6.1**: If \( u_n \sim N(0, 1/n) \), then \( u_n \overset{d}{\to} u \),

where \( u \) is a degenerate random variable with all of its probability at zero.

We also need the following results, the first of which is well known as the continuity theorem (see, for example, Breiman [1968:236]).
Lemma 3.6.2: Let \( x_1, x_2, x_3, \ldots \) be a sequence of random vectors. Then \( x_n \xrightarrow{d} x \) if and only if

\[
\lim_{n \to \infty} E[\exp(i x_n' t)] = E[\exp(i x' t)]
\]

for all \( t \) where \( i = \sqrt{-1} \).

**Lemma 3.6.3:** Suppose that as \( n \to \infty \), \( x_j^{(n)} \xrightarrow{d} x_j \), \( j = 1, 2, \ldots, m \), and suppose \( \{x_1^{(n)}, x_2^{(n)}, \ldots, x_m^{(n)}\} \) are mutually independent for all \( n \). Then

\[
x^{(n)} = \begin{bmatrix} x_1^{(n)} \\ x_2^{(n)} \\ \vdots \\ x_m^{(n)} \end{bmatrix} \xrightarrow{d} \begin{bmatrix} x_1 \\ x_2 \\ \vdots \\ x_m \end{bmatrix} = x.
\]

**Proof:** Note that it follows from Lemma 3.6.2 that

\[
\lim_{n \to \infty} E[\exp(i x_j^{(n)}' t_j)] = E[\exp(i x_j' t_j)].
\]

Also, because of independence,

\[
E[\exp(i x^{(n)}' t)] = E[\exp(i \sum_{j=1}^{m} x_j^{(n)}' t_j)]
\]

\[
= \prod_{j=1}^{m} E[\exp(i x_j^{(n)}' t_j)],
\]

so

\[
\lim_{n \to \infty} E[\exp(i x^{(n)}' t)] = \prod_{j=1}^{m} \lim_{n \to \infty} E[\exp(i x_j^{(n)}' t_j)]
\]

\[
= \prod_{j=1}^{m} E[\exp(i x_j' t_j)].
\]
The result now follows from Lemma 3.6.2.

From Lemma 3.6.1 and Lemma 3.6.3 we observe that

\[ Y_n \overset{d}{\to} Y \text{ with} \]

\[ Y = \begin{pmatrix} Y_1 \\ Y_2 \end{pmatrix}, \]

where the elements of \( Y_1 \) \(((s-1)\times e)\) are all equal to zero with probability one, and \( Y_2 = (Y_{21}, Y_{22}, \ldots, Y_{2e}) \) with

\[ Y_{2i} \sim N_{m-s+1}(0, I) \text{: } i = 1, 2, \ldots, e, \text{ independently}. \]

Consider the following result, the proof of which can be found in Ostrowski [1973:334].

**Lemma 3.6.4:** Let \( A(n \times n) \) and \( B(n \times n) \) be two matrices, and suppose the latent roots of \( A \) and \( B \) are \( \lambda_i \) and \( \lambda'_i \): \( i = 1, 2, \ldots, n \), respectively. Put

\[ N = \max_{1 \leq i \leq n, 1 \leq j \leq n} (|a_{ij}|, |b_{ij}|), \]

and

\[ \delta = \frac{1}{nN} \sum_{i=1}^{n} \sum_{j=1}^{n} |a_{ij} - b_{ij}|. \]

Then to every root \( \lambda'_i \) of \( B \) there belongs a certain root \( \lambda_i \) of \( A \) such that we have

\[ |\lambda'_i - \lambda_i| \leq (n+2)N^{1/n} \delta. \]

Further, for a suitable ordering of \( \lambda_i \) and \( \lambda'_i \) we have

\[ |\lambda_i - \lambda'_i| \leq 2(n+1)^{2}N^{1/n} \delta. \]
Lemma 3.6.5, Corollary: If \( A \) is an \( n \times n \) matrix, then for each \( i \) \( \text{ch}_i(A) \) is a continuous function of the elements of \( A \).

Lemma 3.6.6, Corollary: Let \( A \) be an \( n \times n \) matrix and \( B, \) an \( n \times p \) matrix. Then the roots of the equation

\[
|A-\lambda BB'| = 0
\]  

are continuous functions of the elements of \( A \) and \( B \) except at \( B \) such that \( |BB'| = 0 \).

Proof: Let \( \lambda_i : i = 1, 2, \ldots, n \) be the roots of (3.6.1). Then when \( |BB'| \neq 0 \), it follows that these roots are also the latent roots of \( A(BB')^{-1} \). So, from Lemma 3.6.5, for each \( i \) \( \lambda_i \) is a continuous function of the elements of \( A(BB')^{-1} \). But clearly, when \( |BB'| \neq 0 \), the elements of \( A(BB')^{-1} \) are continuous functions of the elements of \( A \) and \( B \). Hence, for each \( i \) \( \lambda_i \) is a continuous function of \( A \) and \( B \) except when \( |BB'| = 0 \).

We need one final result involving the limiting distribution of a function of random vectors (see Mann and Wald [1943]).

Lemma 3.6.7: Let \( x_n \xrightarrow{d} x \), and let \( g(x) \) be a Borel measurable function such that the set \( R \) of discontinuity points of \( g(x) \) is closed and \( P(x \in R) = 0 \). Then

\[
g(x_n) \xrightarrow{d} g(x).
\]

Now recall that we seek the limiting distribution of \( \text{ch}_s(\tilde{H}(Y_nY_n')^{-1}) \). In order to use Lemma 3.6.7 it is necessary to show that \( \text{ch}_s(\tilde{H}(YY')^{-1}) \) is continuous with
probability one under the distribution of $(\tilde{H}, Y)$. Now with

$$\tilde{H} = \begin{pmatrix} \tilde{H}_{11} & \tilde{H}_{12} \\ \tilde{H}_{21} & \tilde{H}_{22} \end{pmatrix},$$

where $\tilde{H}_{11}$ is $(s-1) \times (s-1)$, $\tilde{H}_{12}$ is $(s-1) \times (m-s+1)$, $\tilde{H}_{21}$ is $(m-s+1) \times (s-1)$, and $\tilde{H}_{22}$ is $(m-s+1) \times (m-s+1)$, the roots under the distribution of $(\tilde{H}, Y)$ are the solutions to

$$\left| \begin{pmatrix} \tilde{H}_{11} & \tilde{H}_{12} \\ \tilde{H}_{21} & \tilde{H}_{22} \end{pmatrix} - \phi \begin{pmatrix} (0) & (0) \\ (0) & Y_2Y_2' \end{pmatrix} \right| = 0. \quad (3.6.2)$$

Since $\tilde{H}$ is nonsingular with probability one, we may put

$$\tilde{H}^{-1} = G = \begin{pmatrix} G_{11} & G_{12} \\ G_{21} & G_{22} \end{pmatrix},$$

so (3.6.2) can be written

$$\left| I_m - \phi \begin{pmatrix} (0) & G_{12}Y_2Y_2' \\ (0) & G_{22}Y_2Y_2' \end{pmatrix} \right| = 0,$$

or

$$\left| I_{s-1} - \phi G_{12}Y_2Y_2' \\ (0) I_{m-s+1} - \phi G_{22}Y_2Y_2' \right| = 0.$$

Thus, it must be true that

$$\left| I_{m-s+1} - \phi G_{22}Y_2Y_2' \right| = 0,$$

or

$$G_{22}^{-1} - \phi Y_2Y_2' = 0. \quad (3.6.3)$$

Then we see that with probability one $\text{ch}_1(\tilde{H}(YY')^{-1})$, $\text{ch}_2(\tilde{H}(YY')^{-1})$, $\ldots$, $\text{ch}_{s-1}(\tilde{H}(YY')^{-1})$ are undefined, and
ch_s(\(\hat{H}(YY')^{-1}\)) is now the largest solution to (3.6.3); that is, since YY' is of rank m-s+1 with probability one, there are only m-s+1 solutions to \(|\hat{H}-\psi YY'| = 0\). It can be shown (see, for example, Graybill [1969:165]) that \(G_{22} = (\hat{H}_{22} - \hat{H}_{21} \hat{H}_{11}^{-1} \hat{H}_{12})^{-1}\), since \(\hat{H}_{22} - \hat{H}_{21} \hat{H}_{11}^{-1} \hat{H}_{12}\) is nonsingular with probability one, so that (3.6.3) can be written

\[ |\hat{H}_{22} - \hat{H}_{21} \hat{H}_{11}^{-1} \hat{H}_{12} - \phi Y_2 Y'_2| = 0. \]

Clearly, \(Y_2 Y'_2\) is also nonsingular with probability one, and hence by Lemma 3.6.6 \(ch_s(\hat{H}(YY')^{-1})\) is continuous with probability one under the distribution of \((\hat{H}, Y)\). The set of discontinuity points, \(\mathcal{R}\), is closed, since \(\mathcal{R} = \{(\hat{H}, Y): |Y_2 Y'_2| = 0\}\).

Note also that as is well known (see, for example, Anderson [1958:85]) \(\hat{H}_{22} - \hat{H}_{21} \hat{H}_{11}^{-1} \hat{H}_{12} \sim W_{m-s+1}(I, h-s+1, 0)\). Therefore, from Lemma 3.6.7 since \((\hat{H}, Y_n) \xrightarrow{d} (\hat{H}, Y)\), it follows that \(\phi_{s:m}(\infty, \infty, \ldots, \infty, 1, \ldots, 1) \sim \phi_{1:m-s+1}(1, 1, \ldots, 1)\),

where \(\phi_{1:m-s+1}(1, 1, \ldots, 1)\) denotes the distribution of the largest root of \(|W_1 - \psi W_2| = 0\), where \(W_1 \sim W_{m-s+1}(I, h-s+1, 0)\), and \(W_2 \sim W_{m-s+1}(I, e, 0)\), independently.

So in testing \(H_0(s): \text{rank } (M) \leq s-1\) against \(H_1(s): \text{rank } (M) = s\) we choose as our critical value \(c(\alpha, m, s)\), where \(P(ch_1(W_1 W_2^{-1}) > c(\alpha, m, s)) = \alpha\). By so doing we will guarantee that

\[ \sup_{H_0(s)} P(\phi_{s:m}(\delta_1, \delta_2, \ldots, \delta_m) > c(\alpha, m, s)| H_0(s)) = \alpha. \]

Charts and tables of the distribution of the largest root, \(\delta_1\), of \(|W_1 - \psi (W_1 + W_2)| = 0\) are available (see, for example,
Morrison [1976:379], Pillai [1965,1967]). These may be used to calculate $c(\alpha,m,s)$, since $\theta_1 = \phi_1/(1+\phi_1)$, where $\phi_1$ is the largest root of $|W_1-\phi W_2| = 0$.

In order to determine the rank of $M$, a sequential test procedure is used. To illustrate this procedure, we will return to the example presented in Section 2.3. Recall that $D = \text{diag}(142.729, 29.6669, .91847, .625404)$, $h = 20$, $e = 105$, so that $\phi_1 = 27.1865$, $\phi_2 = 5.65084$, $\phi_3 = .174947$, and $\phi_4 = .119125$. First we consider testing the hypothesis $H_0^{(4)}$: rank $(M) \leq 3$ against $H_1^{(4)}$: rank $(M) = 4$. The null hypothesis, $H_0^{(4)}$, is rejected if $\phi_4 > c(.05,4,4)$, where $c(.05,4,4) = 17F(17,105,.05)/105$, and $F(17,105,.05)$ is the constant for which $P(F(17,105) > F(17,105,.05)) = .05$ if $F(17,105) \sim F_{105}$. Thus, $c(.05,4,4)$ is approximately equal to .28, and clearly, $\phi_4 = .119125 < .28$, so that we do not reject $H_0^{(4)}$. Since $H_0^{(4)}$ is not rejected, we now consider testing the hypothesis $H_0^{(3)}$: rank $(M) \leq 2$ against $H_1^{(3)}$: rank $(M) = 3$. The null hypothesis, $H_0^{(3)}$, is rejected if $\phi_3 > c(.05,4,3)$. Using the charts mentioned earlier we find that $c(.05,4,3)$ is approximately equal to .36. Since $\phi_3 = .174947 < .36$, we do not reject $H_0^{(3)}$ and so next consider testing the hypothesis $H_0^{(2)}$: rank $(M) \leq 1$ against $H_1^{(2)}$: rank $(M) = 2$. We find that $c(.05,4,2)$ is approximately equal to .42, and therefore, since $\phi_2 = 5.65084 > .42$, we reject $H_0^{(2)}$ and conclude that the rank of $M$ could very reasonably be taken as two.
The procedure above is open to objections on the grounds that the significance level for the test criterion has not been adjusted to take into account the fact that a sequence of hypotheses is being tested, with each one dependent on the previous ones not being rejected. The mathematical complications involved in controlling the overall error make such an adjustment virtually impossible to carry out.
MAXIMIZATION OF THE LIKELIHOOD FUNCTION
WHEN \( \Sigma = \sigma^2 I \)

4.1 The Likelihood Function

Suppose the vectors \( x_{ij}^{(m \times 1)}: i = 1, 2, \ldots, g; j = 1, 2, \ldots, n \)
can be modeled by

\[
x_{ij} = \mu + Lf_i + z_{ij}, \tag{4.1.1}
\]

wherein \( \mu^{(m \times 1)} \) is a fixed but unknown vector, \( L^{(m \times p)} \)
is a fixed but unknown matrix, \( f_i \sim N_p(0, I): i = 1, 2, \ldots, g, \)
and \( z_{ij} \sim N_m(0, \sigma^2 I): i = 1, 2, \ldots, g; j = 1, 2, \ldots, n. \) We assume
that the set of random vectors \( \{f_1, f_2, \ldots, f_g, z_{11}, \ldots, z_{gn}\} \)
are mutually independent. Thus, \( x_{ij} \sim N_m(\mu, V) \) with

\( V = LL' + \sigma^2 I. \) For any orthogonal matrix \( P^{(p \times p)} \) it follows
that \( V = LL' + \sigma^2 I = LP(LP)' + \sigma^2 I, \) so that, while \( LL' \) is
unique, \( L \) is not unique. In this section we will derive the
likelihood function for \( \mu, LL', \) and \( \sigma^2. \)

By methods identical to those presented in Section 2.1
it can be shown that \( (\overline{x}_{..}, E, H) \) is sufficient for \( (\mu, \sigma^2, nLL') \)
where

\[
\overline{x}_{..} = \frac{1}{g} \sum_{i=1}^{g} \sum_{j=1}^{n} x_{ij}/gn \sim N_m(\mu, (1/gn)(\sigma^2 I + nLL')),
\]

\[
E = \frac{1}{g} \sum_{i=1}^{g} \sum_{j=1}^{n} (x_{ij} - \overline{x}_{..}) (x_{ij} - \overline{x}_{..})' \sim W_m(\sigma^2 I, e, 0),
\]

75
\[ H = n \sum_{i=1}^{g} (\overline{x}_i, x_i) \sim W_m (\sigma^2 I + nLL', h, 0), \]

and \( e = g(n-1); h = g-1 \). In addition, if we let \( c \) denote a constant, we find that the density of \( E \) can be written

\[
\begin{align*}
\text{f(E)} &= c |E|^{\frac{1}{2}(e-m-1)} \exp\left[-\frac{1}{2} \text{tr} (\sigma^2 I)^{-1} E \right] \\
&= c |E|^{\frac{1}{2}(e-m-1)} \exp\left[-\left( \frac{1}{2} \sum_{i=1}^{m} e_{ii} \right) / 2 \sigma^2 \right] \\
&= g_1 \left( \sum_{i=1}^{m} e_{ii} ; \sigma^2 \right) g_2 (E).
\end{align*}
\]

Hence, from the set \( \{e_{11}, e_{12}, \ldots, e_{m,m-1}, e_{mm} \} \) \( b = \text{tr} E = \sum_{i=1}^{m} e_{ii} \) is sufficient for \( \sigma^2 \).

We may assume, then, that we have, independently,

\( \overline{x} \), \( b \), and \( H \) where

\[
\begin{align*}
\overline{x} &\sim N_m (\mu, (1/gn)(\sigma^2 I + nLL')) , \\
b/\sigma^2 &\sim \chi^2_\beta, \\
H &\sim W_m (\sigma^2 I + nLL', h, 0),
\end{align*}
\]

and \( \beta = mg(n-1) \). The problem is to estimate \( \mu \), \( \sigma^2 \), and \( LL' \), or equivalently, to estimate \( \mu \), \( \sigma^2 \), and \( M \) where \( M = nLL' \).

We have seen that \( L \) is not uniquely defined and so if \( \hat{L}L' \) is an estimate of \( LL' \), then any \( \hat{L} \), such that \( \hat{L}L' = \hat{L}L' \), is an estimate of \( L \). The likelihood function of \( (\mu, \sigma^2, M) \) can be expressed as

\[
\begin{align*}
f(\overline{x}, b, H) &= \frac{K_m (I, h)}{|(2\pi/gn) (\sigma^2 I + M |^{\frac{1}{2}} | \sigma^2 I + M |^{\frac{1}{2}} h (2\sigma^2)^{\frac{1}{2}} \beta (\frac{1}{2} \beta \Gamma (\frac{1}{2} \beta) \\
&\times \exp\left[-\frac{1}{2} \text{gn} (\overline{x} - \mu)' (\sigma^2 I + M)^{-1} (\overline{x} - \mu) - \frac{1}{2} b \sigma^2 - \frac{1}{2} \text{tr} (\sigma^2 I + M)^{-1} H \right],
\end{align*}
\]
where, as before,
\[ K_m^{-1}(I,h) = 2^{\frac{1}{2}m} \prod_{j=1}^{m} \Gamma \left( \frac{1}{2} (h-j+1) \right). \]

The logarithm of the likelihood function, omitting a function of the observations, is
\[
-\frac{b}{2\sigma^2} - \frac{1}{2} \ln \sigma^2 - \frac{1}{2} \text{tr} \left( \sigma^2 I + M \right)^{-1} H - \frac{1}{2} h \ln |\sigma^2 I + M| \\
- \frac{1}{2} \ln |\sigma^2 I + M| - \frac{1}{2} \text{tr} \left( \sigma^2 I + M \right)^{-1} \nabla (\bar{x} - \bar{y})' \left( \sigma^2 I + M \right)^{-1} (\bar{x} - \bar{y}).
\]

We seek the solution which maximizes the equation above, or equivalently, the solution which minimizes
\[
b/\sigma^2 + \beta \ln \sigma^2 + \text{tr} \left( \sigma^2 I + M \right)^{-1} H + (h+1) \ln |\sigma^2 I + M| \tag{4.1.2}
+ \text{tr} \left( \sigma^2 I + M \right)^{-1} \nabla (\bar{x} - \bar{y})' \left( \sigma^2 I + M \right)^{-1} (\bar{x} - \bar{y}).
\]

If we ignore the constraints that \( \sigma^2 \) is positive and \( M \) is nonnegative definite and seek the stationary values of (4.1.2) over all possible \((\bar{y}, \sigma^2, M)\), we find, upon taking the partial derivatives of (4.1.2) with respect to \( \sigma^2, M, \) and \( \bar{y} \) and setting them equal to zero, that
\[
-b/\sigma^2 + \beta/\sigma^2 - \text{tr} \left( \sigma^2 I + M \right)^{-1} H (\sigma^2 I + M)^{-1} + (h+1) \text{tr} \left( \sigma^2 I + M \right)^{-1}
- \text{tr} \left( \text{tr} \left( \sigma^2 I + M \right)^{-1} (\bar{x} - \bar{y})' (\bar{x} - \bar{y})' \left( \sigma^2 I + M \right)^{-1} \right) = 0,
\]
\[
- (\sigma^2 I + M)^{-1} H (\sigma^2 I + M)^{-1} + (h+1) (\sigma^2 I + M)^{-1}
- \text{tr} \left( \text{tr} \left( \sigma^2 I + M \right)^{-1} (\bar{x} - \bar{y})' (\bar{x} - \bar{y})' \left( \sigma^2 I + M \right)^{-1} \right) = 0,
\]
\[
\text{tr} \left( \text{tr} \left( \sigma^2 I + M \right)^{-1} (\bar{x} - \bar{y})' (\bar{x} - \bar{y})' \left( \sigma^2 I + M \right)^{-1} \right) = 0,
\]
for which the solutions are
\[
\tilde{\mu} = \bar{x},
\tilde{\sigma}^2 = b/\beta,
\tilde{M} = (h+1)^{-1} H - (b/\beta) I.
\]
Since $M$ is a nonnegative definite matrix, its maximum likelihood estimate must also be nonnegative definite, so the solutions above are the maximum likelihood estimates only if $(h+1)^{-1}H - (b/\beta)I$ is nonnegative definite. Although the solutions for $\mu$ and $\sigma^2$ are the natural unbiased estimates, the solution for $M$ is not since $E(\tilde{M}) = (h+1)^{-1}(hM-\sigma^2I)$.

In addition, we observe that $E(\tilde{M})$ is also not necessarily nonnegative definite.

Using the principle of marginal sufficiency referred to in Chapter 2, we see that $(b,H)$ is marginally sufficient for $(\sigma^2,M)$. Hence, we choose to use the marginal likelihood function of $(\sigma^2,M)$ instead of the likelihood function of $(\mu,\sigma^2,M)$. The marginal likelihood function of $(\sigma^2,M)$ can be expressed as

$$f(b,H) = \frac{K_m(I,h)}{|\sigma^2I+M|^{\frac{1}{2}h}(2\sigma^2)^{\frac{1}{2}\beta}I^{\frac{1}{2}\beta}} b^{\frac{1}{2}\beta-1} |H|^{\frac{1}{2}(h-m-1)}$$

$$\times \exp[-b/2\sigma^2 - \frac{1}{2}tr(\sigma^2I+M)^{-1}H].$$

The logarithm of the likelihood, omitting a function of the observations, is

$$-b/2\sigma^2 - \frac{1}{2}\beta \ln \sigma^2 - \frac{1}{2}tr(\sigma^2I+M)^{-1}H - \frac{1}{2}H \ln |\sigma^2I+M|,$$

and we seek the solution which maximizes this equation, or equivalently, the solution which minimizes

$$b/\sigma^2 + \beta \ln \sigma^2 + tr(\sigma^2I+M)^{-1}H + H \ln |\sigma^2I+M|.$$

Again, if we ignore the constraints that $\sigma^2$ is positive and $M$ is nonnegative definite and seek the stationary value of $$(4.1.3)$$ over all possible $(\sigma^2,M)$, we find, upon taking
the partial derivatives of (4.1.3) with respect to \( \sigma^2 \) and \( M \) and setting them equal to zero, that

\[
-b/(\sigma^2)^2 + \beta/\sigma^2 - \text{tr}(\sigma^2 I + M)^{-1}H(\sigma^2 I + M)^{-1} + \text{htr}(\sigma^2 I + M)^{-1} = 0,
\]

and

\[
-(\sigma^2 I + M)^{-1}H(\sigma^2 I + M)^{-1} + h(\sigma^2 I + M)^{-1} = (0),
\]

for which the solutions are

\[
\hat{\sigma}^2_* = \frac{b}{\beta},
\]

\[
\hat{M}_* = \frac{1}{h}H - \left(\frac{b}{\beta}\right)I.
\]

Note that these solutions are the natural unbiased estimates of \( \sigma^2 \) and \( M \) and, clearly, \( E(\hat{M}_*) = M \) is nonnegative definite. Hence, we choose to continue our work with the marginal likelihood function of \((\sigma^2, M)\). Since \( M \) is nonnegative definite, the solutions above are the maximum likelihood estimates only if \( (1/h)H - (b/\beta)I \) is also nonnegative definite. In the next section we will derive maximum likelihood estimates for \( \sigma^2 \) and \( M \) which are valid for all possible \((b, H)\).

4.2 The Maximum Likelihood Estimates

In this section we seek the maximum likelihood estimates of \( \sigma^2 \) and \( M \) subject to the constraints \( \sigma^2 > 0 \) and \( M \in \bigcup_{j=0}^{\mathcal{S}} U_j \).

Recall that, aside from a constant, the logarithm of the likelihood function of \((\sigma^2, M)\) is

\[
-b/2\sigma^2 - \frac{1}{2}\beta \ln \sigma^2 - \frac{1}{2} \text{tr}(\sigma^2 I + M)^{-1}H - \frac{1}{2} \beta \ln |\sigma^2 I + M|.
\]

We seek the solution which maximizes the equation above, or equivalently, the solution which minimizes

\[
b/\sigma^2 + \beta \ln \sigma^2 + \text{tr}(\sigma^2 I + M)^{-1}H + \beta \ln |\sigma^2 I + M|.
\]
subject to $\sigma^2 > 0$ and $M \in \bigcup_j P_j$. Note that this can be rewritten as

$$\text{tr}(\sigma^2 I)^{-1} \left( \frac{b}{m} I \right) + \frac{2}{m} \ln |\sigma^2 I| + \text{tr}(\sigma^2 I+M)^{-1} H + h \ln |\sigma^2 I+M|.$$  

(4.2.1)

Since $(b/\beta) I$ and $H_* = (1/h)H$ are both symmetric matrices, and $(b/\beta) I \in P_m$ and $H_* \in \bigcup_j P_j$, there exists a nonsingular matrix $K(m \times m)$ such that $K((b/\beta) I) K' = I$ and $K H_* K' = D$ where $D = \text{diag}(d_1, d_2, \ldots, d_m)$ and $d_1 > d_2 > \cdots > d_m > 0$ are the latent roots of $H_* ((b/\beta) I)^{-1} = (\beta/b)H_*$. Then with $\tilde{\sigma}^2 = \beta \sigma^2 / b$ and $\tilde{M} = K M K'$, (4.2.1) can be rewritten

$$\frac{\beta}{m} \text{tr} K'^{-1} (\tilde{\sigma}^2 I)^{-1} K^{-1} + \frac{\beta}{m} \ln |\tilde{\sigma}^2 I| + h \text{tr} K'^{-1} (\tilde{\sigma}^2 I+M)^{-1} K^{-1} D$$

$$+ h \ln |\tilde{\sigma}^2 I+M|$$

$$= \frac{\beta}{m} \left( \text{tr}(\tilde{\sigma}^2 I)^{-1} + \ln |\tilde{\sigma}^2 I| \right) + h \left[ \text{tr}(\tilde{\sigma}^2 I+\tilde{M})^{-1} D + \ln |\tilde{\sigma}^2 I+\tilde{M}| \right]$$

$$+ (\beta/h) \ln |K|^2$$

$$= \phi(\tilde{\sigma}^2 I, \tilde{\sigma}^2 I+\tilde{M}; D, \frac{\beta}{m}, h) - (\frac{\beta}{m} + h) \ln |K|^2,$$

where $\phi$ is the function discussed in Section 2.2. Thus, the problem has been reduced to that of minimizing $\phi(\tilde{\sigma}^2 I, \tilde{\sigma}^2 I+\tilde{M}; D, \frac{\beta}{m}, h)$ subject to $\tilde{\sigma}^2 > 0$ and $\tilde{M} \in \bigcup_j P_j$, or equivalently,

$$(\tilde{\sigma}^2 I, \tilde{\sigma}^2 I+\tilde{M}) \in C_s$$

since $C_s = \{(A,B): A \in P_m, B \in P_m, B-A \in \bigcup_j P_j \}$. Now for fixed $(\tilde{\sigma}^2 I, \tilde{\sigma}^2 I+\tilde{M}) \in C_s$ consider $\phi(P(\tilde{\sigma}^2 I) P', P(\tilde{\sigma}^2 I+\tilde{M}) P'; D, \frac{\beta}{m}, h) = \phi(\tilde{\sigma}^2 I, P(\tilde{\sigma}^2 I+\tilde{M}) P'; D, \frac{\beta}{m}, h)$ for all orthogonal $P$. Note that this is minimized with respect to $P$ when $\text{tr} P(\tilde{\sigma}^2 I+\tilde{M})^{-1} P'D$ is minimized. So from Lemma 2.2.1 it follows that all stationary points, and therefore the absolute minimum, of $\phi(\tilde{\sigma}^2 I, P(\tilde{\sigma}^2 I+\tilde{M}) P'; D, \frac{\beta}{m}, h)$ occur when $P(\tilde{\sigma}^2 I+\tilde{M}) P'$
is diagonal. Hence, in searching for the absolute minimum of \( \phi(\tilde{\sigma}^2 I, \tilde{\sigma}^2 I + \tilde{\Gamma}; D, \frac{\beta}{m}, h) \) over all \((\tilde{\sigma}^2 I, \tilde{\sigma}^2 I + \tilde{\Gamma}) \in C_S \) we may assume that \( \tilde{\sigma}^2 I + \tilde{\Gamma} \) is diagonal. This result also follows immediately from Lemma 2.2.12.

Now with \( V = \text{diag}(v_1, v_2, \ldots, v_m) \) and \( f_i(v_i) = \frac{d_i}{v_i} + \ln v_i \), consider minimizing

\[
\phi(uI, V; D, \frac{\beta}{m}, h) = \beta \left( \frac{1}{u} + \ln u \right) + h \sum_{i=1}^{m} \left( \frac{d_i}{v_i} + \ln v_i \right) \tag{4.2.2}
\]

subject to \((uI, V) \in C_S\). The constraint \((uI, V) \in C_S\) can be equivalently written as

\[
v_i \geq u > 0 \quad \text{for} \quad i = 1, 2, \ldots, m, \tag{4.2.3}
\]

and

\[
v_i = u \quad \text{for} \quad i \in J, \tag{4.2.4}
\]

where \( J \subset \{1, 2, \ldots, m\} \) is a set which has at least \( m - s \) elements. Now

\[
\frac{df_i(v_i)}{dv_i} = \left(1 - \frac{d_i}{v_i}\right)/v_i,
\]

so that the function \( f_i \) decreases monotonically in \( v_i \) for \( v_i \in (0, d_i] \), increases monotonically in \( v_i \) for \( v_i \in [d_i, \infty) \), and is minimized over all \( v_i \in (0, \infty) \) when \( v_i = d_i \). Thus, the unrestricted minimum of (4.2.2) occurs when \( u = 1 \) and \( V = D \). It is evident from the structure of \( f_i \) that if the unrestricted minimum does not satisfy the constraints (4.2.3) and (4.2.4), then the restricted minimum will
occur when \( u = v_1 = v_2 = \ldots = v_k \) for some set of integers \( \{i_1, i_2, \ldots, i_k\} \subseteq \{1, 2, \ldots, m\} \). We need to determine \( k \), the number of integers, and also we need to know exactly which \( k \) integers from amongst the integers 1, 2, \ldots, \( m \) comprise the set \( \{i_1, i_2, \ldots, i_k\} \).

First, we will consider the constraint given by (4.2.3). Let the variable \( r \) be defined in the following manner. If \( 1 < d_1 < d_{m-1} < \ldots < d_1 \), then let \( r = 0 \). If \( d_m < 1 < d_{m-1} < \ldots < d_1 \), then let \( r = 1 \). If \( d_m < \ldots < d_{m-t+1} < 1 < d_{m-t} < \ldots < d_1 \), then let \( r, 1 \leq r \leq t \), be the smallest value for which

\[
d_{m-r} > (\beta+h \sum_{j=m-r+1}^{m} d_j)/(\beta+rh).
\]

Finally, if \( d_m < d_{m-1} < \ldots < d_1 < 1 \), then let \( r, 1 \leq r \leq m-1 \), be the smallest value for which the inequality above is satisfied. If the inequality is not satisfied for any choice of \( r, 1 \leq r \leq m-1 \), then let \( r = m \). Now if \( r = 0 \), the minimum of (4.2.2) subject to (4.2.3) is simply the unrestricted minimum of (4.2.2), and if \( r > 0 \), the minimum of (4.2.2) subject to (4.2.3) is just the minimum of (4.2.2) subject to \( u = v_m = v_{m-1} = \ldots = v_{m-r+1} \) which occurs at

\[
\begin{align*}
u = v_m = \ldots = v_{m-r+1} &= (\beta+h \sum_{j=m-r+1}^{m} d_j)/(\beta+rh), \\
v_i &= d_i \quad \text{for } i = 1, 2, \ldots, m-r.
\end{align*}
\]

Now consider the constraint given by (4.2.4). If \( r \geq m - s \), then the minimum of (4.2.2) subject to (4.2.3)
and (4.2.4) is simply the minimum of (4.2.2) subject to (4.2.3). If \( r < m - s \), the minimum of (4.2.2) subject to (4.2.3) and (4.2.4) is obtained by minimizing (4.2.2) subject to

\[
\begin{align*}
\{ u &= v_{j_1} = v_{j_2} = \ldots = v_{j_{m-s}} & \text{if } r = 0, \\
 u &= v_m = \ldots = v_{m-r+1} = v_{j_1} = \ldots = v_{j_{m-s-r}} & \text{if } r > 0,
\end{align*}
\]

(4.2.5)

where \( \{j_1, j_2, \ldots, j_{m-s-r}\} \subset \{1, 2, \ldots, m-r-1, m-r\} \). We will now show that, in fact, \( j_1 = m-r, j_2 = m-r-1, \ldots, j_{m-s-r} = s+1 \). Note that for \( q = 1, 2, \ldots, m-1 \) (4.2.2) is minimized subject to \( u = v_m = \ldots = v_{m-q+1} \) when

\[
\begin{align*}
\{ u &= v_m = \ldots = v_{m-q+1} = (\beta+h \sum_{j=m-q+1}^{m} d_j)/(\beta+qh), \\
v_j &= d_j & \text{for } j = 1, 2, \ldots, m-q,
\end{align*}
\]

and has a minimal value equal to

\[
(\beta+qh) \ln \left( \frac{\sum_{j=m-q+1}^{m} d_j}{\beta+qh} \right) + (\beta+qh) + h(m-q) + h \sum_{j=1}^{m-q} \ln d_j.
\]

Similarly, (4.2.2) is minimized subject to \( u = v_m = \ldots = v_{m-q+1} = v_i \), where \( i \in \{1, 2, \ldots, m-q-1, m-q\} \), when

\[
\begin{align*}
\{ u &= v_m = \ldots = v_{m-q+1} = v_i = (\beta+h \sum_{j=m-q+1}^{m} d_j + hd_i)/(\beta+(q+1)h), \\
v_j &= d_j & \text{for } j = 1, \ldots, i-1, i+1, \ldots, m-q,
\end{align*}
\]

and has a minimal value equal to

\[
(\beta+(q+1)h) \ln \left( \frac{\sum_{j=m-q+1}^{m} d_j + hd_i}{\beta+(q+1)h} \right) + (\beta+(q+1)h) + h(m-q-1) + h \sum_{\substack{j=1 \\text{to } m-q \\text{if } j \neq i}} \ln d_j.
\]

(4.2.7)
Now subtracting (4.2.6) from (4.2.7), we obtain

\[(\beta + (q+1)h) \ln \left( \frac{\beta + h \sum_{j=m-q+1}^{m} d_j + hd_i}{\beta + (q+1)h} \right) - (\beta + qh) \ln \left( \frac{\beta + h \sum_{j=m-q+1}^{m} d_j}{\beta + qh} \right) \equiv nd_i, \]

(4.2.8)

which is the increase in the minimal value of (4.2.2) due to the additional constraint, \( u = v_i \). Differentiation of (4.2.8) with respect to \( d_i \) yields

\[h \left( \frac{\beta + (q+1)h}{m} \right) \frac{d_i}{\beta + h \sum_{j=m-q+1}^{m} d_j + hd_i} - \frac{h}{d_i}, \]

which is negative when \( d_i < (\beta + h \sum_{j=m-q+1}^{m} d_j)/(\beta + qh) \) and positive when \( d_i > (\beta + h \sum_{j=m-q+1}^{m} d_j)/(\beta + qh) \). Hence, (4.2.8) is an increasing function of \( d_i \) when \( d_i > (\beta + h \sum_{j=m-q+1}^{m} d_j)/(\beta + qh) \), so that if

\[d_{m-q} > (\beta + h \sum_{j=m-q+1}^{m} d_j)/(\beta + qh), \]

choosing \( i = m-q \) will yield

a smaller minimum value than any other choice of \( i < m-q \).

In a similar manner subtracting the unrestricted minimal value of (4.2.2) from the minimal value of (4.2.2) subject to \( u = v_i \) where \( i \in \{1, 2, \ldots, m\} \), we obtain

\[(\beta + h) \ln \left( \frac{\beta + hd_i}{\beta + h} \right) \equiv nd_i, \]

which is an increasing function of \( d_i \) for \( d_i > 1 \). Thus, if \( d_m > 1 \), choosing \( i = m \) will yield a smaller minimum value than any other choice of \( i < m \). Recall that we are investigating the minimum of (4.2.2) subject to (4.2.3) and (4.2.4) when \( r < m - s \). If \( r = 0 \), then \( d_m > 1 \), so that \( m-r = m \) is the
optimal choice for $j_1$. Further, since $d_i > 1$ for $i = 1, 2, \ldots, m$ where $r = 0$, we have

$$
\frac{\sum_{j=m-r+1}^{m} (\beta+q) d_j}{\beta+(q+1)h} < \frac{\sum_{j=m-q+1}^{m} d_j/\beta}{\sum_{j=m-q+1}^{m} d_j/\beta} = \frac{\sum_{j=m-q+1}^{m} d_j}{\sum_{j=m-q+1}^{m}} \quad \text{(4.2.5)}
$$

for $q = 1, 2, \ldots, m-1$, and hence, when $r = 0$ choosing $j_1 = m$, $j_2 = m-1, \ldots, j_{m-s} = s+1$ in (4.2.5) will yield a smaller minimum than any other choice of $\{j_1, j_2, \ldots, j_{m-s}\} \subset \{1, 2, \ldots, m-1, m\}$. Now from the definition of $r$ we see that

$$
d_{m-r} > \frac{\sum_{j=m-r+1}^{m} (\beta+q) d_j}{\beta+(q+1)h} \quad \text{if} \quad 1 \leq r \leq m-1.
$$

In addition, for $q = 1, 2, \ldots, m-2$ if $d_{m-q} > (\beta+q) d_j/\beta + h d_{m-q}$, then

$$
\frac{\sum_{j=m-q+1}^{m} d_j}{\beta+(q+1)h} = \frac{\sum_{j=m-q+1}^{m} d_j}{\beta+(q+1)h} + h d_{m-q}
$$

for $q = 1, 2, \ldots, m-2$ if $d_{m-q} > (\beta+q) d_j/\beta + h d_{m-q}$, then

$$
\frac{\sum_{j=m-q+1}^{m} d_j}{\beta+(q+1)h} = \frac{\sum_{j=m-q+1}^{m} d_j}{\beta+(q+1)h} + h d_{m-q}
$$

Thus, $d_{m-q} > (\beta+q) d_j/\beta + h d_{m-q}$ for $q = r, r+1, \ldots, m-1$.

It then follows that, when $1 \leq r < m-s$, choosing $j_1 = m-r$, $j_2 = m-r-1, \ldots, j_{m-s-r} = s+1$ in (4.2.5) will yield a smaller minimum than any other choice of $\{j_1, j_2, \ldots, j_{m-s-r}\} \subset \{1, 2, \ldots, m-r-1, m-r\}$.

We can now obtain the minimal solution to (4.2.2) subject to (4.2.3) and (4.2.4). Denoting the minimal solution by $(u_s, v_s)$, we find that if $r \geq m-s$,
\[
\begin{align*}
\begin{cases}
  u_s = v_{s,m-1} = \cdots = v_{s,m-r+1} = \frac{\beta + h}{\sum_{j=m-r+1}^{m} d_j}/(\beta + rh), \\
v_{s,j} = d_j & \text{for } j = 1, 2, \ldots, m-r,
\end{cases}
\end{align*}
\]

and if \( r < m - s \),

\[
\begin{align*}
\begin{cases}
  u_s = v_{s,m-1} = \cdots = v_{s,s+1} = \frac{\beta + h}{\sum_{j=s+1}^{m} d_j}/(\beta + (m-s)h), \\
v_{s,j} = d_j & \text{for } j = 1, 2, \ldots, s.
\end{cases}
\end{align*}
\]

Thus, \( \phi(\sigma^2 I, \sigma^2 I + \tilde{M}; D, \frac{\beta}{m}, h) \) is minimized subject to

\[
\begin{align*}
  (\sigma^2 I, \sigma^2 I + \tilde{M}) & \in \mathcal{C}_s \\
  \tilde{\sigma}^2 & = u_s, \\
  \tilde{M} & = V_s - u_s I.
\end{align*}
\]

The maximum likelihood estimates of \( \sigma^2 \) and \( M \) are, therefore, \( \hat{\sigma}^2 \) and \( \hat{M} \) given by

\[
\begin{align*}
  \hat{\sigma}^2 & = b u_s / \beta, \\
  \hat{M} & = K^{-1}(V_s - u_s I)K^{-1}.
\end{align*}
\]

To illustrate the computation involved in deriving the maximum likelihood estimates, we will again consider the example presented in Section 2.3. Recall that with \( m = 4 \), \( g = 21 \), \( n = 6 \), \( \Lambda = I \), and \( M = \text{diag}(99, 24, 0, 0) \) a matrix \( E \) from the distribution \( W_4(I, 105, 0) \) and a matrix \( H \) from the distribution \( W_4(I+M, 20, 0) \) were generated. With

\[
\beta = mg(n-l) = 420, \ b = \text{tr}E, \ \text{and } H_+ = (1/20)H,
\]

we need to find a nonsingular matrix \( K \) such that \( K((b/\beta)I)K' = I \).
and \( KH_* K' = D \) where \( D \) is a diagonal matrix. Let \( D_1 = \text{diag}(\chi_1(H_*), \chi_2(H_*), \ldots, \chi_m(H_*)) \), and let \( Q \) be the orthogonal matrix for which the \( i \)th column is the characteristic vector of \( H_* \) corresponding to \( \chi_i(H_*). \) Then since \( H_* \) is symmetric, \( P' H_* P = D_1. \) Clearly, \( ((\beta^{\frac{1}{2}}/b^2)P)'((b/\beta)I)((\beta^{\frac{1}{2}}/b^2)P) = P'P = I \) and \( ((\beta^{\frac{1}{2}}/b^2)P)'H_*((\beta^{\frac{1}{2}}/b^2)P) = (\beta/b)D_1. \) Hence, we find that, for our example,

\[
K = \begin{bmatrix}
1.00723 & 0.551967 & -0.00906271 & -0.00104477 \\
0.551796 & -1.00719 & -0.00310948 & 0.0127707 \\
0.00921922 & -0.0261055 & 1.00874 & -0.00010739 \\
-0.000345628 & -0.128084 & -0.00137374 & -1.0087
\end{bmatrix}
\]

and \( D = \text{diag}(94.1065, 34.8845, 1.01721, .618312). \) Note that \( d_4 < d_2 < d_1, \) so that \( r = 1. \) Then simple calculation yields \( u_0 = 6.06506, V_0 = 6.06506I, u_1 = 2.39667, V_1 = \text{diag}(94.1065, 2.39667, 2.39667, 2.39667), u_2 = .984153, V_2 = \text{diag}(94.1065, 34.8845, .984153, .984153), u_3 = u_4 = .982651, V_3 = V_4 = \text{diag}(94.1065, 34.8845, 1.01721, .982651). \) Thus, if we let \( \hat{\sigma}_i^2 \) and \( \hat{M}_i \) denote the maximum likelihood estimates of \( \sigma^2 \) and \( M, \) respectively, subject to the constraints \( \sigma^2 > 0 \) and \( M \in \bigcup_{j=0}^{i} P_j, \) we see that

\[
\hat{\sigma}_0^2 = 5.95987, \\
\hat{M}_0 = \{0\}, \\
\hat{\sigma}_1^2 = 2.3551,
\]
\[ \hat{\mathbf{M}}_1 = \begin{bmatrix} 89.8421 & 4.92338 & -0.808366 & -0.0931905 \\ 0.269803 & -0.0442987 & -0.00510687 \\ 0.00727337 & -0.000838493 & -0.0000966637 \end{bmatrix}, \]

\[ \hat{\sigma}_2^2 = 0.967085, \]

\[ \hat{\mathbf{M}}_2 = \begin{bmatrix} 91.3255 & 3.17993 & -0.826433 & -0.0715582 \\ 33.4811 & 0.0575388 & -0.426237 \\ 0.00770191 & -0.000448497 & 0.0054369 \end{bmatrix}, \]

\[ \hat{\sigma}_3^2 = \hat{\sigma}_4^2 = 0.965608, \]

\[ \hat{\mathbf{M}}_3 = \hat{\mathbf{M}}_4 = \begin{bmatrix} 91.327 & 3.17993 & -0.826136 & -0.0715587 \\ 33.4825 & 0.0574547 & -0.426256 \\ 0.0416617 & -0.000452157 & 0.00543713 \end{bmatrix}. \]

4.3 The Likelihood Ratio Test

Recall that \( C_s = \{ (A,B) : A \in P_m^s, B \in P_m^s, B - A \in U^s P_j \} \), and suppose we know that \((\sigma^2 I, \sigma^2 I + M) \in \Omega = C_s \). We wish to test, say, the null hypothesis that \((\sigma^2 I, \sigma^2 I + M) \in \omega = C_{s-1} \subset C_s \).

The alternative hypothesis, then, is that \((\sigma^2 I, \sigma^2 I + M) \in \Omega - \omega = C_s - C_{s-1} \). Thus, we are testing the hypothesis

\[ H_0^{(s)} : \text{rank}(M) \leq s - 1 \]

against the hypothesis

\[ H_1^{(s)} : \text{rank}(M) = s. \]
We adopt the likelihood approach and look at

\[
\max_{\omega} f(b, H) / \max_{\Omega} f(b, H) = \lambda \in (0, 1].
\]

With \( u_s \) and the matrix \( V_s = \text{diag}(v_{s1}, v_{s2}, \ldots, v_{sm}) \)
given by

\[
\begin{align*}
\begin{cases}
u_s &= v_{sm} = \ldots = v_{s, m-r+1} = (\beta + h \sum_{j=m-r+1}^{m} d_j) / (\beta + rh), \\
v_{sj} &= d_j \\
&\text{for } j = 1, 2, \ldots, m-r,
\end{cases}
\end{align*}
\]

if \( r \geq m - s \), and

\[
\begin{align*}
\begin{cases}
u_s &= v_{sm} = \ldots = v_{s, s+1} = (\beta + h \sum_{j=s+1}^{m} d_j) / (\beta + (m-s)h), \\
v_{sj} &= d_j \\
&\text{for } j = 1, 2, \ldots, s,
\end{cases}
\end{align*}
\]

if \( r < m - s \), the maximum likelihood estimators \( \hat{\sigma}_\Omega^2 \), of \( \sigma^2 \), and
\( \hat{M}_\Omega \), of \( M \), when the parameters are restricted to lie within
\( \Omega \), are given by

\[
\begin{align*}
\begin{cases}
\hat{\sigma}_\Omega^2 &= b u_s / \beta, \\
\hat{M}_\Omega &= K^{-1}(V_s - u_s I)K',
\end{cases}
\end{align*}
\]

where \( K \) is a nonsingular matrix. Similarly, the maximum
likelihood estimators \( \hat{\sigma}_\omega^2 \), of \( \sigma^2 \), and \( \hat{M}_\omega \), of \( M \), when the
parameters are restricted to lie within \( \omega \), are given by

\[
\begin{align*}
\begin{cases}
\hat{\sigma}_\omega^2 &= b u_{s-1} / \beta, \\
\hat{M}_\omega &= K^{-1}(V_{s-1} - u_{s-1} I)K',
\end{cases}
\end{align*}
\]

It should be noted that if \( r \geq m - s + 1 \), then \( V_s = V_{s-1} \) and
\( u_s = u_{s-1} \).
The likelihood ratio, \( \lambda \), is

\[
\lambda = \max_{b, H} f(b, H) / \max_{b, H} f(b, H)
\]

\[
= \exp\left[-\frac{\beta}{2\Sigma^2} - \frac{1}{2} \text{tr} \left( \Sigma^2 I + M \right)^{-1} H \right]
\]

\[
= \max_{b, H} \left( \exp\left[-\frac{\beta}{2\Sigma^2} - \frac{1}{2} \text{tr} \left( \Sigma^2 I + M \right)^{-1} H \right] \right)
\]

\[
= \exp\left[-\frac{\beta}{2u_{s-1}^2} - \frac{1}{2} \text{tr} V_{s-1}^{-1} D \right]
\]

since, if \( r \geq m - s + 1 \)

\[
\beta(u_{s-1}^2 - u_{s}^2) + h \text{tr}(V_{s-1}^{-1} - V_{s}^{-1}) D = \beta(u_{s-1}^2 - u_{s}^2) + h \text{tr}(V_{s-1}^{-1} - V_{s}^{-1}) D = 0,
\]

and if \( r < m - s + 1 \), (4.3.1) becomes

\[
\beta\left(\frac{\beta+(m-s+1)}{m} h - \frac{\beta+(m-s)}{m} h\right) + h \left(\sum_{j=s}^{s-1} d_j \right) = \beta\left(\frac{\beta+(m-s+1)}{m} h - \frac{\beta+(m-s)}{m} h\right) + h \left(\sum_{j=s}^{s+1} d_j \right)
\]

\[
= \beta + (m-s+1)h - (\beta+(m-s))h = 0.
\]
So we have

\[
\lambda = \begin{cases} 
  \frac{d_s^h}{s} \left(\frac{\beta+(m-s+1)h}{\beta+((m-s)h)}\right)^{\frac{1}{2}} \left(\frac{m}{\beta+(m-s)h}\right) \sum_{j=s}^{m} d_j \frac{h}{\beta+((m-s)h)} & \text{if } r < m-s+1, \\
  \frac{1}{l} & \text{if } r \geq m-s+1.
\end{cases}
\]

Putting \( t_s = h d_s / (\beta + \sum_{j=s}^{m} d_j) \), we can rewrite \( \lambda \) as

\[
\lambda = \begin{cases} 
  \left(\frac{\beta+(m-s+1)h}{h}\right)^{\frac{1}{2}} \left(\frac{\beta+(m-s+1)h}{\beta+(m-s)h}\right)^{\frac{1}{2}} \left(\frac{m}{\beta+(m-s)h}\right) t_s^h (1-t_s)^{\frac{1}{2}} \frac{h}{\beta+((m-s)h)} & \text{if } r < m-s+1, \\
  \frac{1}{l} & \text{if } r \geq m-s+1.
\end{cases}
\]

We will now show that \( r < m-s+1 \) if and only if \( t_s > h / (\beta + (m-s+1)h) \). First consider the case in which \( s = m \). Then \( r < m-s+1 = 1 \) if and only if \( d_m > 1 \), and

\[
t_m = h d_m / (\beta + h d_m) = h / (\beta / d_m + h) > h / (\beta + h) \text{ if } d_m > 1, \text{ and}
\]

\[
t_m = h / (\beta / d_m + h) < h / (\beta + h)
\]

if \( d_m < 1 \). Consider now the case in which \( 1 \leq s \leq m-1 \).

Again we want to show that \( r < m-s+1 \) if and only if \( t_s > h / (\beta + (m-s+1)h) \). If \( r = 0 \), clearly

\[
d_{m-i} > \frac{(\beta + \sum_{j=m-i+1}^{m} d_j)}{(\beta + h)},
\]

for \( i = 1, 2, \ldots, m-1 \). Also, if \( 0 < r < m-s+1 \), then
\[ d_{m-r} > (\beta + h \sum_{j=m-r+1}^{m} d_j)/(\beta + rh), \]

and we have seen that this implies that

\[ d_{m-q} > (\beta + h \sum_{j=m-q+1}^{m} d_j)/(\beta + qh), \]

for \( q = r, r+1, \ldots, m-1 \) and, more specifically, for \( q = m-s \).

Hence, if \( r < m-s+1 \),

\[ d_s > (\beta + h \sum_{j=s+1}^{m} d_j)/(\beta + (m-s)h), \]

which implies

\[ \beta + h \sum_{j=s}^{m} d_j < d_s (\beta + (m-s)h) + hd_s, \]

so that

\[ \beta + h \sum_{j=s}^{m} d_j < hd_s (\frac{\beta}{h} + m-s+1), \]

and thus

\[ t_s = \frac{hd_s}{\beta + h \sum_{j=s}^{m} d_j} > \frac{1}{\beta/h + m-s+1} = \frac{h}{\beta + (m-s+1)h}. \]

Also, if \( r \geq m-s+1 \), then it must be true that

\[ d_{m-(m-s)} = d_s \leq (\beta + h \sum_{j=s+1}^{m} d_j)/(\beta + (m-s)h) \]

which implies that

\[ t_s = \frac{hd_s}{\beta + h \sum_{j=s}^{m} d_j} \leq \frac{h}{\beta + (m-s+1)h}. \]
It follows that the likelihood ratio, \( \lambda \), can be written as
\[
\lambda = \begin{cases} 
\left( \frac{\beta + (m-s+1)h}{h} \right)^{\frac{h}{\beta + (m-s+1)h}} \left( \frac{\beta + (m-s+1)h}{\beta + (m-s)h} \right)^{\frac{h}{\beta + (m-s)h}} t_s^{\frac{h}{\beta + (m-s+1)h}} (1-t_s)^{\frac{h}{\beta + (m-s)h}} & \text{if } t_s > \frac{h}{\beta + (m-s+1)h}, \\
1 & \text{if } t_s \leq \frac{h}{\beta + (m-s+1)h}.
\end{cases}
\]

Consider the function \( g(t_s) = t_s^{\frac{h}{\beta + (m-s+1)h}} (1-t_s)^{\frac{h}{\beta + (m-s)h}} (\beta + h(m-s)) \). The derivative of \( g(t_s) \) with respect to \( t_s \) is
\[
t_s^{\frac{h}{\beta + (m-s+1)h}-1} (1-t_s)^{\frac{h}{\beta + (m-s)h}-1} \{ \frac{h}{\beta + (m-s+1)h} \} t_s = 0,
\]
which is negative for \( t_s \in (h/(\beta + (m-s+1)h), 1) \). Thus, \( \lambda \) is a decreasing function of \( t_s \) when \( t_s \in (h/(\beta + (m-s+1)h), 1) \). In addition,
\[
\left( \frac{\beta + (m-s+1)h}{h} \right)^{\frac{h}{\beta + (m-s+1)h}} \left( \frac{\beta + (m-s+1)h}{\beta + (m-s)h} \right)^{\frac{h}{\beta + (m-s)h}} t_s^{\frac{h}{\beta + (m-s+1)h}} (1-t_s)^{\frac{h}{\beta + (m-s)h}} \leq 1,
\]
for \( t_s \in (h/(\beta + (m-s+1)h), 1) \), with equality when \( t_s = h/(\beta + (m-s+1)h) \), so that \( \lambda \) is a decreasing function of \( t_s \).

Since the likelihood ratio test rejects \( H_0(s) \) for small values of \( \lambda \), it equivalently rejects \( H_0(s) \) for large values of \( t_s \). However, the distribution of \( t_s \) is intractable, and so use of \( t_s \) in a test of \( H_0(s) \) versus \( H_1(s) \) is not practical. In the following chapter we present an alternative test statistic for testing \( H_0(s) \) versus \( H_1(s) \).
5.1 Introduction

We have seen that the likelihood ratio test rejects \( H_0^{(s)} \) for sufficiently large values of \( \frac{h d_s}{(\beta + h \sum_{i=s}^m d_i)} \), where \( d_1 > d_2 > \ldots > d_m \) are the solutions to \( |H - d(b/\beta)I| = 0 \).

Let \( \psi_1 > \psi_2 > \ldots > \psi_m \) be the solutions to \( |H - \psi bI| = 0 \), that is, \( \psi_i = \frac{h d_i}{\beta} \) for \( i = 1, 2, \ldots, m \). Then the likelihood ratio test rejects \( H_0^{(s)} \) for sufficiently large values of \( \psi_s / (1 + \sum_{i=s}^m \psi_i) \).

This quantity is an increasing function of \( \psi_s \), so that it would be reasonable to reject \( H_0^{(s)} \) for sufficiently large values of \( \psi_s \). However, the complexity of the null distribution of \( \psi_s \) makes the use of \( \psi_s \) in a test of \( H_0^{(s)} \) versus \( H_1^{(s)} \) impractical. Therefore, in this chapter we present an alternative test statistic for testing \( H_0^{(s)} \) against \( H_1^{(s)} \) and consider the test which rejects \( H_0^{(s)} \) when \( \sum_{i=s}^m \psi_i \) is sufficiently large. In the remainder of this chapter we investigate some properties of this new test. In Section 5.2 it is shown that the test based on \( \sum_{i=s}^m \psi_i \) is an invariant test of \( H_0^{(s)} \) against \( H_1^{(s)} \). In the last two sections we discuss
an important monotonicity property of the roots $\psi_i$: $i = 1,2,\ldots,m$ and use this property in deriving the asymptotic distribution of $\sum_{i=s}^{m} \psi_i$.

5.2 An Invariance Property

Consider the group of transformations $G = \{g_{a,P}: a > 0, P(m \times m) \text{ is such that } PP' = aI\}$, where $g_{a,P}(b,H) = (ab,PHP')$. If $b = \sigma^2 \chi^2$ and $H = \mathbb{W}_m(\sigma^2 I+M,h,0)$, then $ab \sim a\sigma^2 \chi^2$. $PHP' \sim \mathbb{W}_m(a\sigma^2 I+PMP',h,0)$ and $\text{rank}(PMP') = \text{rank}(M)$. Hence, the problem of testing the hypothesis $H_0^{(s)}: \text{rank}(M) < s-1$ against $H_1^{(s)}: \text{rank}(M) = s$ is invariant under the group $G$.

Now consider the roots $\psi_1 > \psi_2 > \ldots > \psi_m$ of $|H-PbI| = 0$ and the roots $\theta_1 > \theta_2 > \ldots > \theta_m$ of $|PHP'-\theta bP| = 0$, where $a > 0$ and $P$ is such that $PP' = aI$. Clearly,

$$|PHP' - \theta abI| = 0$$

implies

$$|PHP' - \theta bPP'| = 0,$$

so that

$$|H - \theta bI| = 0,$$

and thus, $\theta_i = \psi_i$: $i = 1,2,\ldots,m$. Suppose now that $\theta_i = \psi_i$: $i = 1,2,\ldots,m$ are the roots of $|H_1 - \theta b_1 I| = 0$ and $|H_2 - \psi b_2 I| = 0$, respectively, where $b_1 > 0$, $b_2 > 0$, and $H_1$ and $H_2$ are positive definite, symmetric matrices.

There exist orthogonal matrices $Q_1$ and $Q_2$ such that
\[ Q_1(H_1/b_1)Q'_1 = \Psi, \]
\[ Q_2(H_2/b_2)Q'_2 = \Psi, \]
where \( \Psi = \text{diag}(\psi_1, \psi_2, \ldots, \psi_m) \). Take \( a = b_2/b_1 \) and 
\[ P = \sqrt{a} Q'_2 Q_1. \]
It now follows that

(a) \( g_{a, P}(b_1, H_1) = (ab_1, PH_1 P') \)
\[ = (b_2, aQ'_2 Q_1 H_1 Q'_1 Q_2) \]
\[ = (b_2, ab_1 Q'_2 Q_1 (H_1/b_1) Q'_1 Q_2) \]
\[ = (b_2, b_2 Q'_2 \psi_2) \]
\[ = (b_2, b_2 (H_2/b_2)) = (b_2, H_2), \]

(b) \( PP' = (\sqrt{a} Q'_2 Q_1)(\sqrt{a} Q'_2 Q_1)' \)
\[ = aQ'_2 Q_1 Q'_1 Q_2 = aI, \]
and (c) \( a > 0, \)
so that \( g_{a, P} \in G \). Therefore, by Definition 3.3.1
\( \{ \psi : |H - \psi bI| = 0 \} \) is the maximal invariant with respect to 
\( G \). The test statistic \( \sum_{i=s}^{m} \psi_i \) is clearly a function of 
\( \psi_1, \psi_2, \ldots, \psi_m \), and so, by Lemma 3.3.2, the test statistic 
\( \sum_{i=s}^{m} \psi_i \) is an invariant test statistic for testing the 
\( H_0^{(s)} \) against the hypothesis \( H_1^{(s)} \).

5.3 A Monotonicity Property of the Power Function

The test procedure which we have been investigating 
depends on the latent roots \( \psi_1, \psi_2, \ldots, \psi_m \) of the random 
matrix \( H(bI)^{-1} = (\sigma^{-2} H)((b/\sigma^2)I)^{-1} \). If we let \( \theta_1 > \theta_2 > \ldots 
> \theta_m \) be the latent roots of \( \sigma^{-2} H \), then \( \psi_i = \sigma^2 \theta_i / b \):
i = 1, 2, ..., m. The distribution of the roots $\delta_1, \delta_2, ..., \delta_m$ (see, for example, James [1964]) depends upon the latent roots of the corresponding population matrix $I+\sigma^{-2}M$ as parameters. Let $\delta_1 \geq \delta_2 \geq ... \geq \delta_m \geq 1$ be the latent roots of $I+\sigma^{-2}M$, and note that M has rank of at most $s-1$ if and only if $\delta_s = 1$. Thus, testing the hypothesis $H_0^{(s)}: \text{rank}(M) \leq s-1$ against $H_1^{(s)}: \text{rank}(M) = s$ is equivalent to testing the hypothesis $H_0^{(s)}: \delta_s = 1$ against $H_1^{(s)}: \delta_s > 1$. Since we are using $\sum_{i=s}^m \psi_i$ as a test statistic in testing the hypothesis $H_0^{(s)}$ against $H_1^{(s)}$, a desirable property would be that it stochastically increases in $\delta_s$, and hence, the power function increases monotonically in $\delta_s$. In this section we not only show that $\sum_{i=s}^m \psi_i$ stochastically increases in $\delta_s$, but also that it stochastically increases in each $\delta_i: i = 1, 2, ..., m$. This more general result will be utilized in the following section.

We will need the following results from Anderson and Das Gupta [1964].

**Lemma 5.3.1:** Let $X(m \times h) (h \geq m)$ be a random matrix having density

$$f(X; \Sigma, h) = (2\pi)^{-\frac{1}{2}hm} |\Sigma|^{-\frac{1}{2}h} \exp\left(-\frac{1}{2}tr\Sigma^{-1}XX'\right),$$

where $\Sigma$ is positive definite. Let $\lambda_1 \geq \lambda_2 \geq ... \geq \lambda_m$ be the latent roots of $XX'$ and $\omega$ be a set in the space of $\lambda_1, \lambda_2, ..., \lambda_m$ such that when a point $(\lambda_1, \lambda_2, ..., \lambda_m)$ is in $\omega$ so is every point $(\lambda_1', \lambda_2', ..., \lambda_m')$ for which $\lambda_i' \leq \lambda_i: i = 1, 2, ..., m$. Then the probability of the set $\omega$ depends on $\Sigma$ only through
the latent roots of $\Sigma$ and is a monotonically decreasing function of each of the latent roots of $\Sigma$.

**Lemma 5.3.2:** Let $A$ be a positive definite matrix of order $m$, and $D$ and $D_*$ be two diagonal matrices of order $m$ such that $D_* - D$ is positive semidefinite, and $D$ is positive definite. Then

$$
\chi_i(DAD) \leq \chi_i(D_*AD_*) \quad \text{for } i = 1, 2, \ldots, m.
$$

Using these two results, we can now prove the main result of this section.

**Lemma 5.3.3:** Let $X(m \times h)$ be a random matrix having density

$$
f(X; D, h) = (2\pi)^{-\frac{1}{2}hm} |D|^{-\frac{1}{2}h} \exp\left[-\frac{1}{2}trD^{-1}XX'\right],
$$

where $D = \text{diag}(d_1, d_2, \ldots, d_m)$. Let $V(m \times m)$ be a random, positive definite matrix independent of $X$. Let $\omega$ be a set in the space of the latent roots of $XX'V^{-1}$ satisfying the condition stated in Lemma 5.3.1. Then the probability of the set $\omega$ is a monotonically decreasing function of each of the elements of $D$.

**Proof:** Consider $V$ as fixed, and let $V^{-1} = T'T$ where $T$ is nonsingular. Then the density of $W = TX$ is $f(W; TD'T', h)$, and

$$
\chi_i(XX'V^{-1}) = \chi_i(TXX'T') = \chi_i(WW')
$$

for $i = 1, 2, \ldots, m$. Thus, for any fixed $V$, we have

$$
\int_{R(X)} f(X; D, h) dX = \int_{R(W)} f(W; TD'T', h) dW \quad (5.3.1)
$$
where $R(X)$ denotes the region \{X: (ch_1XX'V^{-1}), \ldots, ch_m(XX'V^{-1}) \in \omega \},$ and $R(W)$ denotes the region \{W: (ch_1WW'), \ldots, ch_m(WW') \in \omega \}. Let $D_*$ be a diagonal matrix for which $D_*$ is positive semidefinite. It follows from Lemma 5.3.2 that

$$
ch_i(TD_*T') = ch_i(D^{1/2}(T'T)D^{1/2}) \geq ch_i(D^{1/2}(T'T)D^{1/2}) = ch_i(TDT')
$$

for $i = 1, 2, \ldots, m$. Then from Lemma 5.3.1 and (5.3.1) we have

$$
\int_{R(X)} f(X;D,h)dX \geq \int_{R(X)} f(X;D_*,h)dX
$$

for any fixed $V$. Taking expectations with respect to $V$, we find that

$$
P_D(\omega) \geq P_{D_*}(\omega).
$$

Now recall that we are investigating the test statistic $\sum_{i=1}^{m} \psi_i$. Let $P$ be the orthogonal matrix such that $P(I+\sigma^{-2}M)P' = \Delta = \text{diag}(\delta_1, \delta_2, \ldots, \delta_m)$. Then since $\sigma^{-2}H \sim W_m(I+\sigma^{-2}M, h, 0)$, it follows that $P(\sigma^{-2}H)P' \sim W_m(\Delta, h, 0)$, and we can write $P(\sigma^{-2}H)P' = XX'$, where $X(m \times h)$ has density $f(X; \Delta, h)$ given in Lemma 5.3.1. The latent roots of $\sigma^{-2}H((b/\sigma^2)I)^{-1}$ are the latent roots of $P(\sigma^{-2}H)P'(\sigma^{-2}H)^{-1}$, or equivalently, $XX'((b/\sigma^2)I)^{-1}$. Hence, with $V = (b/\sigma^2)I$, clearly $V$ is independent of $X$, and $\psi_1, \psi_2, \ldots, \psi_m$ are the latent roots of $XX'V^{-1}$. In addition, if $\sum_{i=1}^{m} \psi_i \leq c$ and $\psi_i \leq \psi_1$: $i = 1, 2, \ldots, m$, then $\sum_{i=1}^{m} \psi_i \leq c$, so that the set $\omega = \{i_1, \psi_2, \ldots, \psi_m\}: \sum_{i=1}^{m} \psi_i \leq c$ satisfies the condition of Lemma 5.3.3. So it follows from Lemma 5.3.3 that the probability of the set $\omega$ is a monotonically decreasing function of each of the latent roots.
\( \delta_1, \delta_2, \ldots, \delta_m \) of \( I+\sigma^{-2}M \); in other words, the power function
\[
\sum_{i=1}^{m} \psi_i
\]
of the test based on \( \sum_{i=1}^{m} \psi_i \) is a monotonically increasing function of \( \delta_i \): \( i = 1, 2, \ldots, m \).

We now know that as \( \delta_s \to \infty \) \( P(\Sigma \psi_i > c) \) increases monotonically. We will show that, in fact, as \( \delta_s \to \infty \)
\[
P(\sum_{i=1}^{m} \psi_i > c) \to 1,
\]
and thus, for sufficiently large values of \( \delta_s \) the probability of rejecting \( H_0^{(s)}: \delta_s = 1 \) will be arbitrarily close to unity. Let \( K_1(m \times m) \) be such that
\[
K_1 = \text{diag}(a_{k_1}, a_{k_2}, \ldots, a_{k_s}, 1, \ldots, 1).
\]
Note that
\[
K_1P(\sigma^{-2}H)P'K_1' \sim W_m(K_1\Delta K_1', h, 0),
\]
and
\[
K_1\Delta K_1' = \text{diag}(a^{2k_1^2}\delta_1, a^{2k_2^2}\delta_2, \ldots, a^{2k_s^2}\delta_s, 1, \ldots, 1),
\]
so that as \( \alpha \to \infty \), \( \chi_i(K_1\Delta K_1) = a^{2k_i^2}\delta_i \to \infty \) for \( i = 1, 2, \ldots, s \).

Thus, we need to show that
\[
P(\sum_{i=1}^{m} \chi_i(K_1P(\sigma^{-2}H)P'K_1'((b/\sigma^2)I)^{-1}) > c) \to 1
\]
as \( \alpha \to \infty \). However, clearly,
\[
P(\sum_{i=1}^{m} \chi_i(K_1P(\sigma^{-2}H)P'K_1'((b/\sigma^2)I)^{-1}) > c)
\]
\[\leq P(\chi_s(K_1P(\sigma^{-2}H)P'K_1'((b/\sigma^2)I)^{-1}) > c).
\]
The result now follows from the following lemma.

**Lemma 5.3.4:** Let \( V(m \times m) \) and \( U(m \times m) \) be random matrices independently distributed such that both \( V \) and \( U \) are positive definite with probability one. Let
\[
K_1(m \times m) = \text{diag}(a_{k_1}, a_{k_2}, \ldots, a_{k_s}, 1, \ldots, 1).
\]
Then \( P(\chi_s(K_1UK_1^{-1}) > c) \to 1 \) as \( \alpha \to \infty \).

**Proof:** The proof is identical to that of Lemma 3.5.6.
5.4 The Limiting Distribution of \( \sum_{i=s}^{m} \psi_i \)

If \( \sum_{i=s}^{m} \psi_i \) is to be used as a test statistic in the test
of the hypothesis \( H_0^{(s)}: \text{rank}(M) \leq s-1 \) against \( H_1^{(s)}: \text{rank}(M) = s \),
it is necessary to compute the significance level, \( \alpha \), where

\[
\alpha = \sup_{H_0^{(s)}} P\left( \sum_{i=s}^{m} \psi_i > c \mid H_0^{(s)} \right)
\]

Let \( \delta_1 \geq \delta_2 \geq \ldots \geq \delta_m \) be the latent roots of \( I + a^{-2}M \), and recall
that the null hypothesis can be written as \( H_0^{(s)}: \delta_s = 1 \), or
more precisely, \( H_0^{(s)}: \delta_1 \geq \delta_2 \geq \ldots \geq \delta_{s-1} \geq 1, \delta_s = \delta_{s+1} = \ldots = \delta_m = 1 \).

We will write \( \psi_{i:m}(\delta_1, \delta_2, \ldots, \delta_m) \) to indicate that \( \psi_i \) is
the \( i \)th largest root of \( m \) roots and depends on the popu-
lation roots \( \delta_1, \delta_2, \ldots, \delta_m \). Then we may write \( \alpha \), the signif-
icance level, as

\[
\alpha = \sup_{\delta_1 \geq \delta_2 \geq \ldots \geq \delta_{s-1} \geq 1} \left[ P\left( \sum_{i=s}^{m} \psi_{i:m}(\delta_1, \delta_2, \ldots, \delta_{s-1}, 1, \ldots, 1) > c \right) \right]
\]

However, we have seen in the previous section that \( \psi_{i:m} \) is
stochastically increasing in each \( \delta_j \): \( j = 1, 2, \ldots, m \). It
then follows that

\[
\alpha = P\left( \sum_{i=s}^{m} \psi_{i:m}(\infty, \infty, \ldots, \infty, 1, \ldots, 1) > c \right)
\]

where \( \psi_{i:m}(\infty, \infty, \ldots, \infty, 1, \ldots, 1) \) denotes the random variable
which has the limiting distribution of \( \psi_{i:m}(\delta_1, \delta_2, \ldots, \delta_{s-1}, 1, \ldots, 1) \) as \( \delta_j \to \infty \): \( j = 1, 2, \ldots, s-1 \). Hence, we need to deter-
mine the distribution of \( \sum_{i=s}^{m} \psi_{i:m}(\infty, \infty, \ldots, \infty, 1, \ldots, 1) \).
Recall that $b \sim \sigma^2 \chi^2_\beta$ and $H \sim W_m(\sigma^2I+M,h,0)$, and there exists an orthogonal matrix $P$ such that $P(I+\sigma^{-2}M)P' = \Delta = \text{diag}(\delta_1, \delta_2, \ldots, \delta_m)$. If we define $\tilde{B}$ and $\tilde{H}$ as

$$\tilde{B} = (b/\sigma^2)\Delta^{-1},$$

$$\tilde{H} = \Delta^{-1/2}P(\sigma^{-2}H)P'\Delta^{-1/2},$$

where $\Delta^{-1/2} = \text{diag}(\delta_1^{-1/2}, \delta_2^{-1/2}, \ldots, \delta_m^{-1/2})$, then, clearly,

$H \sim W_m(I,h,0)$ and $\psi_\cdot: (\delta_1, \delta_2, \ldots, \delta_m) = \text{ch}_i((\sigma^{-2}H)((b/\sigma^2)I)^{-1}) = \text{ch}_i(\tilde{H}\tilde{B}^{-1})$. Then if we let $\tilde{B}_n = (b/\sigma^2)\Delta_n^{-1}$, where

$\Delta_n = \text{diag}(n\delta_1, n\delta_2, \ldots, n\delta_{s-1}, 1, \ldots, 1)$, we need to find the limiting distribution of $\sum_{i=s}^{m} \text{ch}_i(\tilde{H}\tilde{B}_n^{-1})$ as $n \to \infty$.

We will need the following result.

Lemma 5.4.1: Suppose $v \sim \chi^2_\alpha$. Then

$$x_n(m \times 1) = \begin{bmatrix} c_1v/n \\ c_2v/n \\ \vdots \\ c_{s-1}v/n \\ v \\ \vdots \\ v \end{bmatrix} \xrightarrow{d} \begin{bmatrix} x_1 \\ v \\ \vdots \\ v \end{bmatrix} = x,$$

where $c_1, c_2, \ldots, c_{s-1}$ are constants and $x_1((s-1) \times 1)$ is a degenerate random vector with all of its probability at 0.

Proof: Clearly $x_1$ and $v$ are independent, so the characteristic function of $x$ is
\[ E[\exp(i \mathbf{x}'t)] = E[\exp(i \sum_{j=1}^{m} \mathbf{x}'t_j) \exp(i \mathbf{v} \sum_{j=1}^{m} t_j)] \]
\[ = E[\exp(i \mathbf{x}'t_1)] E[\exp(i \mathbf{v} \sum_{j=1}^{m} t_j)] \]
\[ = E[\exp(i \mathbf{v} \sum_{j=1}^{m} t_j)] \]
\[ = (1 - i 2 \sum_{j=1}^{m} t_j)^{-i\alpha}. \]

Now the characteristic function of \( \mathbf{x}_n \) is
\[ E[\exp(i \mathbf{x}'_n t)] = E[\exp(i(\sum_{j=1}^{s-1} c_j t_j/n + \sum_{j=1}^{m} t_j)\mathbf{v})] \]
\[ = (1 - i 2(\sum_{j=1}^{s-1} c_j t_j/n + \sum_{j=1}^{m} t_j))^{-i\alpha}, \]
so \( \lim_{n \to \infty} E[\exp(i \mathbf{x}'_n t)] = (1 - i 2 \sum_{j=1}^{m} t_j)^{-i\alpha} = E[\exp(i \mathbf{x}'t)]. \)

The result now follows from the continuity theorem (Lemma 3.6.2).

From Lemma 5.4.1 we observe that \( \tilde{B}_n \xrightarrow{d} \tilde{B} \) with
\[ \tilde{B} = \begin{pmatrix} \tilde{B}_1 & 0 \\ 0 & \tilde{B}_2 \end{pmatrix}, \]
where \( \tilde{B}_1 ((s-1) \times (s-1)) = (0) \) with probability one, \( \tilde{B}_2 ((m-s+1) \times (m-s+1)) = \tilde{b} I \), and \( \tilde{B} \sim \chi^2_{m} \). We now need to show that
\[ \sum_{i=s}^{m} c_i (\tilde{H} \tilde{B}^{-1})_i \] is continuous with probability one under the distribution of \((\tilde{H}, \tilde{B})\). Put
\[ \tilde{H} = \begin{pmatrix} \tilde{H}_{11} & \tilde{H}_{12} \\ \tilde{H}_{21} & \tilde{H}_{22} \end{pmatrix}, \]
where $\tilde{H}_{11}$ is $(s-1) \times (s-1)$, $\tilde{H}_{12}$ is $(s-1) \times (m-s+1)$, $\tilde{H}_{21}$ is $(m-s+1) \times (s-1)$, and $\tilde{H}_{22}$ is $(m-s+1) \times (m-s+1)$. Then the roots of interest are the solutions to

$$
\left| \begin{pmatrix} \tilde{H}_{11} & \tilde{H}_{12} \\ \tilde{H}_{21} & \tilde{H}_{22} \end{pmatrix} - \psi \begin{pmatrix} 0 \\ 0 \end{pmatrix} \right| = 0. \quad (5.4.1)
$$

Since $\tilde{H}$ is nonsingular with probability one, we may put

$$
\tilde{H}^{-1} = \bar{G} = \begin{pmatrix} G_{11} & G_{12} \\ G_{21} & G_{22} \end{pmatrix},
$$

so that (5.4.1) can be written

$$
\left| \begin{pmatrix} I_m - \psi \begin{pmatrix} 0 \\ 0 \end{pmatrix} G_{12} \bar{B}_2 \\ 0 \\ G_{22} \bar{B}_2 \end{pmatrix} \right| = 0,
$$

or

$$
\left| \begin{pmatrix} I_{s-1} - \psi G_{12} \bar{B}_2 \\ 0 \\ I_{m-s+1} - \psi G_{22} \bar{B}_2 \end{pmatrix} \right| = 0.
$$

Hence, it must be true that

$$
|I_{m-s+1} - \psi G_{22} \bar{B}_2| = 0,
$$

or

$$
|G_{22}^{-1} - \psi \bar{B}_2| = 0. \quad (5.4.2)
$$

Thus, with probability one $ch_1(\tilde{H}^{-1} \bar{B})$, $ch_2(\tilde{H} \bar{B}^{-1})$, ..., $ch_{s-1}(\tilde{H}^{-1} \bar{B})$ are undefined and $ch_s(\tilde{H}^{-1} \bar{B})$, $ch_{s+1}(\tilde{H} \bar{B}^{-1})$, ..., $ch_m(\tilde{H}^{-1} \bar{B})$ are the solutions to (5.4.2); that is, since $\bar{B}$ is of rank $m-s+1$ with probability one, there are only $m-s+1$
solutions to $|\mathbf{H} - \mathbf{\psi B}| = 0$. Now since $\mathbf{H}_{22} - \mathbf{H}_{21} \mathbf{H}_{11}^{-1} \mathbf{H}_{12}$ is non-singular with probability one, it follows that $G_{22} = (\mathbf{H}_{22} - \mathbf{H}_{21} \mathbf{H}_{11}^{-1} \mathbf{H}_{12})^{-1}$, and so (5.4.2) can be rewritten

$$|\mathbf{H}_{22} - \mathbf{H}_{21} \mathbf{H}_{11}^{-1} \mathbf{H}_{12} - \mathbf{\psi B}_2| = 0.$$ 

Clearly $\mathbf{B}_2$ is also nonsingular with probability one, and thus, by Lemma 3.6.6, $\text{ch}_i(\mathbf{H}\mathbf{B}^{-1})$ is continuous with probability one under the distribution of $(\mathbf{H}, \mathbf{B})$ for $i = s, s+1, \ldots, m$. This implies that $\sum_{i=s}^{m} \text{ch}_i(\mathbf{H}\mathbf{B}^{-1})$ is also continuous with probability one under the distribution of $(\mathbf{H}, \mathbf{B})$.

Note that the set of discontinuity points, $R$, is closed, since $R = \{(\mathbf{H}, \mathbf{B}): |\mathbf{B}_2| = 0\}$, and also recall that $\mathbf{H}_{22} - \mathbf{H}_{21} \mathbf{H}_{11}^{-1} \mathbf{H}_{12} \sim W_{m-s+1}(I, h-s+1, 0)$. Therefore, from Lemma 3.6.7, since $(\mathbf{H}, \mathbf{B}_n) \xrightarrow{d} (\mathbf{H}, \mathbf{B})$, it follows that for $i = s, s+1, \ldots, m$,

$$\psi_{i:m}(\infty, \infty, \ldots, 1, \ldots, 1) \sim \psi_{i-s+1:m-s+1}(1, 1, \ldots, 1),$$

where $\psi_{i-s+1:m-s+1}(1, 1, \ldots, 1)$ denotes the distribution of the $i-s+1$th largest root of $|W - \mathbf{\psi I}| = 0$, with $W \sim W_{m-s+1}(I, h-s+1, 0)$ and $v \sim \chi^2_\nu$, independently. Now if we let $\theta_1 > \theta_2 > \ldots > \theta_{m-s+1}$ be the solutions to $|W - \theta I| = 0$, then we can put $\psi_{i:m}(\infty, \infty, \ldots, 1, \ldots, 1) = \theta_{i-s+1}/\nu$, so that

$$\sum_{i=s}^{m} \psi_{i:m}(\infty, \infty, \ldots, 1, \ldots, 1) = \sum_{j=1}^{m-s+1} \theta_j/\nu = (\text{tr } W)/\nu.$$ 

But $\text{tr } W \sim \chi^2_\nu$, where $\nu = (m-s+1)(h-s+1)$, so

$$\sum_{i=s}^{m} \psi_{i:m}(\infty, \infty, \ldots, 1, \ldots, 1) \sim \frac{\nu}{\beta} F^\nu_\beta.$$
Hence, in testing $H_0^{(s)}$: $\text{rank}(M) \leq s-1$ against $H_1^{(s)}$: $\text{rank}(M) = s$, we choose $\frac{\nu}{\beta} F(\nu, \beta, \alpha)$ as our critical value, where $F(\nu, \beta, \alpha)$ is the constant for which $P(F(\nu, \beta) > F(\nu, \beta, \alpha)) = \alpha$ when $F(\nu, \beta) \sim F_{\beta}$. By so doing we will guarantee

$$\sup_{H_0^{(s)}} P(\sum_{i=s}^{m} \psi_i(m) \delta_1, \delta_2, \ldots, \delta_m) > \frac{\nu}{\beta} F(\nu, \beta, \alpha) | H_0^{(s)}) = \alpha.$$ 

In order to determine the rank of $M$, we will again use a sequential procedure. To illustrate this procedure, we will return to the example presented in Section 4.2.

Recall that $D = \text{diag}(94.1065, 34.8845, 1.01721, .618312)$, $h = 20$, and $\beta = 420$, so that since $\psi_i = \frac{h \delta_i}{\beta}$: $i = 1, 2, 3, 4$, $\psi_1 = 4.4813$, $\psi_2 = 1.6612$, $\psi_3 = .04844$, and $\psi_4 = .029443$.

We will first consider testing the hypothesis $H_0^{(4)}$: $\text{rank}(M) \leq 3$ against $H_1^{(4)}$: $\text{rank}(M) = 4$. We reject the null hypothesis, $H_0^{(4)}$, if $\psi_4 > 17 F(17, 420, .05)/420$. Now $17 F(17, 420, .05)/420$ is approximately equal to .066 and $\psi_4 = .029443 < .066$, so that we do not reject $H_0^{(4)}$ and, instead, consider testing the hypothesis $H_0^{(3)}$: $\text{rank}(M) \leq 2$ against $H_1^{(3)}$: $\text{rank}(M) = 3$. The quantity $36 F(36, 420, .05)/420$ is approximately equal to .122, and clearly $\psi_3 + \psi_4 = .07788 < .122$, so that the null hypothesis, $H_0^{(3)}$, is not rejected. Since $H_0^{(3)}$ is not rejected, we next consider testing the hypothesis $H_0^{(2)}$: $\text{rank}(M) \leq 1$ against $H_1^{(2)}$: $\text{rank}(M) = 2$. We find that $57 F(57, 420, .05)/420$ is approximately equal to .181, and therefore, since
\[ \psi_2 + \psi_3 + \psi_4 = 1.7391 > .181, \] we reject \( H_0^{(2)} \) and conclude that the rank of \( M \) could very reasonably be taken as being two.

Note that this sequential procedure is open to the same objections, regarding the use of the significance level, \( \alpha \), at each step, mentioned earlier in Section 3.6. Again, however, it seems unlikely to cause serious error in practice. If the true rank of \( M \) is \( p \), then there is a small probability, usually less than \( \alpha \), that the rank, \( s \), determined by the sequential procedure will be greater than \( p \). Also, if \( \delta_p \) is sufficiently large, then the probability of \( s \) being less than \( p \) is also small.


BIOGRAPHICAL SKETCH

James Robert Schott was born on January 9, 1955, in Cincinnati, Ohio, where he spent the first twenty-two years of his life. Upon graduating from La Salle High School in June, 1973, he attended Xavier University, which is located in Cincinnati, and received the degree of Bachelor of Science with a major in mathematics in June, 1977.

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I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.

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I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.

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