

Contents

Table of Contents	i
Comprehensive List of Definitions, Lemmas, Propositions, Theorems, Corollaries, Examples and Exercises	xxv
Preface	xxvi
I Stochastic Processes in General	2
1 Basics	3
1.1 So, What Is a Stochastic Process?	3
1.2 Random Functions	5
1.3 Exercises	7
2 Building Processes	15
2.1 Finite-Dimensional Distributions	15
2.2 Consistency and Extension	16
3 Building Processes by Conditioning	21
3.1 Probability Kernels	21
3.2 Extension via Recursive Conditioning	22
3.3 Exercises	25
II One-Parameter Processes in General	26
4 One-Parameter Processes	27
4.1 One-Parameter Processes	27
4.2 Operator Representations of One-Parameter Processes	31
4.3 Exercises	31
5 Stationary Processes	34
5.1 Kinds of Stationarity	34

5.2	Strictly Stationary Processes and Measure-Preserving Transformations	35
5.3	Exercises	37
6	Random Times	38
6.1	Reminders about Filtrations and Stopping Times	38
6.2	Waiting Times	39
6.3	Kac's Recurrence Theorem	41
6.4	Exercises	45
7	Continuity	46
7.1	Kinds of Continuity for Processes	47
7.2	Why Continuity Is an Issue	48
7.3	Separable Random Functions	50
7.4	Separable Versions	51
7.5	Measurable Versions	56
7.6	Cadlag Versions	57
7.7	Continuous Modifications	57
7.8	Exercises	59
III	Markov Processes	60
8	Markov Processes	61
8.1	The Correct Line on the Markov Property	61
8.2	Transition Probability Kernels	62
8.3	The Markov Property Under Multiple Filtrations	65
8.4	Exercises	67
9	Markov Characterizations	70
9.1	Markov Sequences as Transduced Noise	70
9.2	Time-Evolution (Markov) Operators	72
9.3	Exercises	76
10	Markov Examples	78
10.1	Probability Densities in the Logistic Map	78
10.2	Transition Kernels and Evolution Operators for the Wiener Process	80
10.3	Lévy Processes and Limit Laws	82
10.4	Exercises	86
11	Generators	88
11.1	Exercises	93
12	Strong Markov, Martingales	95
12.1	The Strong Markov Property	95
12.2	Martingale Problems	96
12.3	Exercises	98

13 Feller Processes	99
13.1 Markov Families	99
13.2 Feller Processes	100
13.3 Exercises	106
14 Convergence of Feller Processes	107
14.1 Weak Convergence of Processes with Cadlag Paths (The Skorohod Topology)	107
14.2 Convergence of Feller Processes	109
14.3 Approximation of Ordinary Differential Equations by Markov Processes	111
14.4 Exercises	113
15 Convergence of Random Walks	114
15.1 The Wiener Process is Feller	114
15.2 Convergence of Random Walks	116
15.2.1 Approach Through Feller Processes	117
15.2.2 Direct Approach	119
15.2.3 Consequences of the Functional Central Limit Theorem	120
15.3 Exercises	121
IV Diffusions and Stochastic Calculus	123
16 Diffusions and the Wiener Process	124
16.1 Diffusions and Stochastic Calculus	124
16.2 Once More with the Wiener Process and Its Properties	126
16.3 Wiener Measure; Most Continuous Curves Are Not Differentiable	127
17 Stochastic Integrals	130
17.1 A Heuristic Introduction to Stochastic Integrals	130
17.2 Integrals with Respect to the Wiener Process	131
17.3 Some Easy Stochastic Integrals, with a Moral	136
17.3.1 $\int dW$	136
17.3.2 $\int WdW$	137
17.4 Itô's Formula	139
17.4.1 Stratonovich Integrals	144
17.4.2 Martingale Characterization of the Wiener Process	144
17.4.3 Martingale Representation	145
17.5 Exercises	146
18 Stochastic Differential Equations	148
18.1 Brownian Motion, the Langevin Equation, and Ornstein-Uhlenbeck Processes	154
18.2 Solutions of SDEs are Diffusions	156
18.3 Forward and Backward Equations	158

18.4 Exercises	161
19 Spectral Analysis and White Noise Integrals	163
19.1 Spectral Representation of Weakly Stationary Processes	164
19.2 White Noise	171
19.2.1 How the White Noise Lost Its Color	173
20 Small-Noise SDEs	174
20.1 Convergence in Probability of SDEs to ODEs	175
20.2 Rate of Convergence; Probability of Large Deviations	176
V Ergodic Theory	180
21 The Mean-Square Ergodic Theorem	181
21.1 Mean-Square Ergodicity Based on the Autocovariance	182
21.2 Mean-Square Ergodicity Based on the Spectrum	184
21.3 Exercises	186
22 Ergodic Properties and Ergodic Limits	187
22.1 General Remarks	187
22.2 Dynamical Systems and Their Invariants	188
22.3 Time Averages and Ergodic Properties	191
22.4 Asymptotic Mean Stationarity	194
22.5 Exercises	197
23 The Almost-Sure Ergodic Theorem	198
24 Ergodicity and Metric Transitivity	204
24.1 Metric Transitivity	204
24.2 Examples of Ergodicity	206
24.3 Consequences of Ergodicity	207
24.3.1 Deterministic Limits for Time Averages	208
24.3.2 Ergodicity and the approach to independence	208
24.4 Exercises	209
25 Ergodic Decomposition	210
25.1 Preliminaries to Ergodic Decompositions	210
25.2 Construction of the Ergodic Decomposition	212
25.3 Statistical Aspects	216
25.3.1 Ergodic Components as Minimal Sufficient Statistics	216
25.3.2 Testing Ergodic Hypotheses	218
25.4 Exercises	219

26	Mixing	220
26.1	Definition and Measurement of Mixing	221
26.2	Examples of Mixing Processes	223
26.3	Convergence of Distributions Under Mixing	223
26.4	A Central Limit Theorem for Mixing Sequences	225
27	Asymptotic Distributions [[w]]	227
VI	Information Theory	228
28	Entropy and Divergence	229
28.1	Shannon Entropy	230
28.2	Relative Entropy or Kullback-Leibler Divergence	232
28.2.1	Statistical Aspects of Relative Entropy	233
28.3	Mutual Information	235
28.3.1	Mutual Information Function	235
29	Rates and Equipartition	237
29.1	Information-Theoretic Rates	237
29.2	Asymptotic Equipartition	240
29.2.1	Typical Sequences	243
29.3	Asymptotic Likelihood	244
29.3.1	Asymptotic Equipartition for Divergence	244
29.3.2	Likelihood Results	244
29.4	Exercises	244
30	Information Theory and Statistics [[w]]	246
VII	Large Deviations	247
31	Large Deviations: Basics	248
31.1	Large Deviation Principles: Main Definitions and Generalities	248
31.2	Breeding Large Deviations	252
32	IID Large Deviations	258
32.1	Cumulant Generating Functions and Relative Entropy	259
32.2	Large Deviations of the Empirical Mean in \mathbb{R}^d	262
32.3	Large Deviations of the Empirical Measure in Polish Spaces	265
32.4	Large Deviations of the Empirical Process in Polish Spaces	266
33	Large Deviations for Markov Sequences	268
33.1	Large Deviations for Pair Measure of Markov Sequences	268
33.2	Higher LDPs for Markov Sequences	272

34 The Gärtner-Ellis Theorem	273
34.1 The Gärtner-Ellis Theorem	273
34.2 Exercises	277
35 Large Deviations for Stationary Sequences [[w]]	278
36 Large Deviations in Inference [[w]]	279
37 Freidlin-Wentzell Theory	280
37.1 Large Deviations of the Wiener Process	281
37.2 Large Deviations for SDEs with State-Independent Noise	286
37.3 Large Deviations for State-Dependent Noise	287
37.4 Exercises	288
VIII Measure Concentration [Kontorovich/w]	289
IX Partially-Observable Processes [[w]]	290
38 Hidden Markov Models [[w]]	291
39 Stochastic Automata [[w]]	292
40 Predictive Representations [[w]]	293
X Applications [[w]]	294
XI Appendices [[w]]	296
A Real and Complex Analysis [[w]]	298
A.1 Real Analysis	298
A.2 Complex Analysis	298
B General Vector Spaces and Operators [[w]]	299
C Laplace Transforms [[w]]	303
D Topological Notions [[w]]	305
E Measure-Theoretic Probability [[w]]	306
F Fourier Transforms [[w]]	308
G Filtrations and Optional Times [[w]]	309

<i>CONTENTS</i>	vii
H Martingales [[w]]	311
Bibliography	312