The likelihood approach to statistics as a theory of imprecise probability

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- $\log \frac{\mathit{lik}(P_1)}{\mathit{lik}(P_2)}$ is the *information for discrimination* (or *weight of evidence*) in favor of P_1 against P_2
- in particular, a constant *lik* describes the case of **no information** for discrimination among the probabilistic models in $\mathcal{P}$

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- the choice of a prior *lik* seems better supported by intuition than the choice of a prior probability measure: in particular, a constant *lik* describes the case of no information (**complete ignorance**)

imprecise probability

- the uncertain knowledge about the value $g(P)$ of a function $g : \mathcal{P} \to \mathcal{G}$ is described by the **profile** likelihood function

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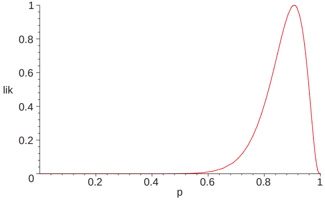
- example: profile likelihood function for the probability p of observing at least 3 successes in the next 5 experiments (Bernoulli trials), after having observed 38 successes in 50 experiments



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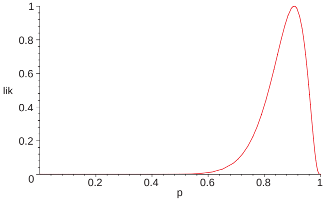

- *normalized* likelihood functions are a possible interpretation of membership functions of fuzzy sets: in this sense, the hierarchical model is a **fuzzy probability** measure, and the above graph shows the membership function of a fuzzy probability value

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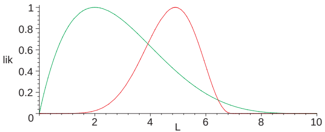

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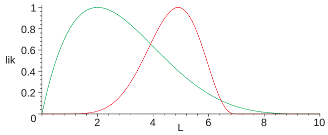

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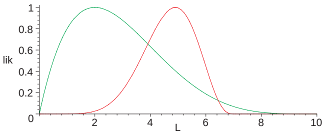

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- the only likelihood-based decision criterion satisfying some basic properties is the **MPL criterion** with $\alpha \in (0, \infty)$:

$$\text{minimize} \quad \sup_{P \in \mathcal{P}} lik(P)^{\alpha} \, L(P, d)$$

comparison of hierarchical and Bayesian models

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  - the imprecise Bayesian model: the ability to **get out** of the state of complete ignorance

hierarchical model as a generalization of IP

- the **imprecise Bayesian model** can be interpreted as a group of precise Bayesian experts deciding by unanimity: experts are excluded from the group only if they gave deterministically wrong forecasts (that is, they assigned probability 0 to the observed event), otherwise they are always considered as fully credible (independently of the quality of their past forecasts)

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- in particular, for the imprecise Bayesian model the state of **complete ignorance** corresponds to a group of experts who are absolutely certain of different things (there is no lack of information: on the contrary, there is plenty of contradictory information), while for the hierarchical model the state of complete ignorance corresponds to the lack of information for evaluating the credibility of these experts

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  - **hierarchical model**:
    profile likelihood functions for $E(X \,|\, \{a, b\})$ when $-\varepsilon \leq E(X) \leq \varepsilon$, for $\varepsilon = 0.001$ and $\varepsilon = 0.01$