

BOUNDED LENGTH CONFIDENCE INTERVALS FOR FINITE POPULATIONS

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SUMMARY

Consider an urn which has N_K balls, of which M_K are white and labeled by numbers. The first part of this paper deals with sequential bounded length confidence intervals for the mean value of the white balls. The stopping rules are similar to those of Chow and Robbins (1965), but since almost sure convergence is ruled out, the observations are dependent, and M_K, N_K may not be known, different techniques are required. Theoretical considerations and a Monte-Carlo experiment show that many observations can be saved by taking the finiteness of the population into account. The second part of the paper deals with the median of the white balls; the sample median is "linearized" along the lines of Bahadur (1966). This result not only solves the problem at hand but provides a quick proof of the asymptotic normality of a sample quantile from a finite population. Many extensions of both parts are mentioned. Examples involving banking and accounting are given.

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1. INTRODUCTION

This paper is concerned with sequential confidence intervals of fixed width when sampling from a finite population. Two important examples have actually occurred in the business world. The first involves a large bank which wants to build a branch in the suburbs; government regulations (among other things) require the bank to determine the average deposit and total amount of deposits of *its* customers who live within a certain distance of the proposed location.- The second example involves a hospital which for a number of years has been undercharging some of its Medicare customers for thermometers; the hospital asks its accountant to determine how many of its customers have been erroneously billed so it can collect from the Medicare authorities.

In both of these examples, what is required is a confidence interval for a parameter of a subset (of unknown size) of a finite population. The confidence interval should be of bounded length, because "too long" an interval is clearly undesirable. In the first example, too long an interval might not convince the government (or the board of directors) of the need for a branch bank; in the second, the hospital loses money as the lower bound of the confidence interval gets smaller.

This paper will first concentrate on the mean of the population, deferring until Section 5 a discussion of the above examples. The literature on sequential confidence intervals of fixed length includes work by Chow and Robbins (1965), Gleser (1965), Starr (1966), Sen and Ghosh (1970), Geertsema (1970), Srivastava (1967) and Robbins, Simons and Starr (1967). This theory has been applied to ranking and selection by Robbins, Sobel and Starr (1968), Srivastava (1966),

Geertsema (1972), and Carroll (1974a), (1974b). In all of these papers, the interest has been in population parameters and the samples have been i.i.d. The dependence of the random variables in this paper and the interest not in the population mean but the mean associated with a particular finite set of entities requires different stopping rules and techniques. It will be shown that explicitly taking the finiteness of the population into account results in a large savings in sample size.

To fix notation, assume that at each stage $K = 1, 2, \dots$ there are N_K balls, of which M_K are white and $N_K - M_K$ are red. These balls have been assigned numbers x_{K1}, \dots, x_{KN_K} with the red balls being assigned the number zero (0). Let $\xi_{K1}, \dots, \xi_{KN_K}$ be a random permutation of $\{x_{Ki} : i = 1, \dots, N_K\}$ and let $\eta_{K1}, \dots, \eta_{KM_K}$ be the white balls as arranged by this permutation. Define

$$\mu_K = M_K^{-1} \sum_{i=1}^{M_K} \eta_{Ki} \quad \sigma_K^2 = M_K^{-1} \sum_{i=1}^{M_K} (\eta_{Ki} - \mu_K)^2 .$$

The goal is to find sequential fixed width confidence intervals for μ_K using stopping rules which take less than N_K observations. Suppose that from a sample of size n exactly m white balls $\eta_{K1}, \dots, \eta_{Km}$ are chosen; for a given width d_K , the intervals will take the form

$$I_{Km} = \left(m^{-1} \sum_{i=1}^m \eta_{Ki} - d_K, m^{-1} \sum_{i=1}^m \eta_{Ki} + d_K \right) .$$

Assuming $d_K \rightarrow 0$ as $K \rightarrow \infty$, the goal is to find stopping rules $M(K)$ which for a given $\alpha > 0$ satisfy

$$(1.1) \quad \lim_{K \rightarrow \infty} P\{\mu_K \in I_{KM(K)}\} = 1 - \alpha .$$

Certainly some structure must be placed on the values given the white balls; in fact, assume that

$$(1.2) \quad \mu_K \rightarrow \mu, \quad \sigma_K^2 \rightarrow \sigma^2 (> 0), \quad M_K/N_K \rightarrow p \quad (0 < p < 1).$$

At the end of Section 2, the case $p = 1$ is discussed.

In Section 2, the major results for the mean are presented. The case N_K known (which both examples usually satisfy) is worked out in detail. Of special interest throughout the section is the use of the notion of strong convergence in probability which corresponds (for finite populations) to almost sure convergence. An elementary proof of asymptotic efficiency is given which basically relies on two useful integral convergence results (contrast with Chow and Robbins (1965)). It is also shown that it is better to ignore the red balls except in the estimation of M_K . If both M_K and N_K are unknown, sequential estimates of M_K are given and shown to still solve the problem. When $N_K = M_K$, i.e., one is interested in the whole population, the results can be applied. It is shown that the rules result in considerable savings in sample size when compared to rules that ignore N_K when it is large.

In Section 3, the interest shifts to the median. By tying together a number of results, the median is "linearized" along the lines of Bahadur (1966). This result yields a new, much simpler proof of a result of Rosen (1964) concerning the asymptotic normality of sample quantiles. Thus, some of the applications of Bahadur's result (1966) for the i.i.d. case may also be made for the finite case.

The results of a Monte-Carlo study are given in Section 4. It seems that the rules presented here perform quite well for moderate population sizes and moderate values of the interval length d_K . In Section 5 a discussion of the examples will be given.

2. CONFIDENCE INTERVALS FOR THE MEAN

The first steps of this section will be to present results analagous to Theorem 1 of Anscombe (1952) using simple weak convergence techniques. These will be used to show (1.1). Then two integral convergence results will be given for use in showing that the stopping rules are asymptotically efficient. Next the stopping rules will be discussed in detail when N_K is known. Finally, knowledge of N_K will be dispensed with. The following Lemmas are central to the results of this paper, and do not seem to have appeared previously.

Lemma 2.1. Let r_K be an integer valued random variable based on $\xi_{K1}, \dots, \xi_{KN_K}$ for which

(i) $r_K/M_K \rightarrow q$ in probability ($0 < q < 1$)

(ii) $\max\{M_K^{-1/2} |x_{Ki}| : i = 1, \dots, N_K\} \rightarrow 0$.

Then

$$\sigma_K^{-1} (r_K^{-1} - M_K^{-1})^{-1/2} \left\{ r_K^{-1} \sum_{i=1}^{r_K} \eta_{Ki} - \mu_K \right\} \xrightarrow{L} \phi,$$

where ϕ is the standard normal distribution.

Proof: If r_K is a sequence of constants the Lemma follows from Theorem 24.1 of Billingsley (1968) (see also Rosen (1964)). If r_K is a random variable, one applies to this a modification of Theorem 17.1 of Billingsley (1968), replacing Brownian motion by the tied-down Wiener process.

Lemma 2.2. Let n_K be a sequence of integers such that $n_K \rightarrow \infty$ and $n_K/M_K \rightarrow 0$. Suppose r_K is as in Lemma 2.1 with $r_K/n_K \rightarrow 1$ in probability. Letting $[\cdot]$ denote the greatest integer function, if for $t > 0$

$$(2.1) \quad \sigma_K^{-1} ([tn_K]^{-1} - M_K^{-1})^{-1/2} \left\{ [tn_K]^{-1} \sum_{i=1}^{[tn_K]} \eta_{Ki} - \mu_K \right\} \xrightarrow{L} \Phi,$$

then

$$\sigma_K^{-1} (r_K^{-1} - M_K^{-1})^{-1/2} \left\{ r_K^{-1} \sum_{i=1}^{r_K} \eta_{Ki} - \mu_K \right\} \xrightarrow{L} \Phi.$$

Proof: The proof is similar to that of Lemma 2.1 but uses results of Kallenberg (1974) rather than Theorem 24.1 of Billingsley (1968).

Conditions under which equation (2.1) holds may be found in Hajek (1960), Madow (1948) or Taga (1964). It is interesting to note that both of the above Lemmas may be shown using Theorem 3.1 below (which modifies Anscombe's (1952) Theorem 1).

The following Lemmas will be useful in discussing the asymptotic efficiency of the stopping rules. Their proofs are straightforward and are omitted.

Lemma 2.3. Let $\{X_K\}$ be random variables with probability measures $\{P_K\}$. If $|X_K| \leq c < \infty$ and $X_K \rightarrow 1$ in probability,

$$\int X_K dP_K \rightarrow 1.$$

Lemma 2.4. Let $\{X_K, Y_K\}$ be random variables with probability measures $\{P_K\}$. If $0 \leq X_K \leq Y_K$, $Y_K \rightarrow d$ and $X_K \rightarrow c$ both in probability ($d > 0, c > 0$), then

$$\int X_K dP_K \rightarrow c \quad \text{if} \quad \int Y_K dP_K \rightarrow d .$$

For notational convenience define $\bar{\eta}_{Km} = m^{-1} \sum_{i=1}^m \eta_{Ki}$ and $s_{mK}^2 = m^{-1} \sum_{i=1}^m (\eta_{Ki} - \bar{\eta}_{Km})^2 + m^{-1}$.

If X_1, X_2, \dots are i.i.d. random variables with mean μ and variance σ^2 , Chow and Robbins (1965) proposed the stopping rule (with

$$t_n^2 = n^{-1} \sum_{i=1}^n (X_i - \bar{X}_n)^2 + n^{-1})$$

$$(2.2) \quad N(d) = \text{first integer } n \geq (bt_n/d)^2 ,$$

where $\Phi(b) - \Phi(-b) = 1 - \alpha$. In analogy with (2.2) if M_K were known one might use

$$(2.3) \quad M_1(K) = \text{first time } m(\geq 5) \text{ white balls have been drawn} \\ \text{and } m(1 - m/M_K)^{-1} \geq (bs_{mK}/d_K)^2 .$$

Naturally $M_1(K) \leq M_K$ and one stops if M_K white balls have been drawn. Since M_K is known, $M_1(K)$ ignores red balls.

If M_K is unknown (which is the usual case) and if, when taking a sample of size n from $\xi_{K1}, \dots, \xi_{KN_K}$ exactly m white balls are drawn, a convenient estimate of M_K (closely related to the maximum likelihood estimate) is $\hat{M}_{Kn} = mN_K/n$. In this case, the stopping rule becomes

$$(2.4) \quad M_2(K) = \text{first time } m(\geq 5) \text{ white balls have been drawn and} \\ m(1 - m/\hat{M}_{Kn})^{-1} \geq (bs_{mK}/d_K)^2 , \text{ where } n \text{ is the total number of} \\ \text{balls drawn.}$$

The statement of the main result, Theorem 2.1, is natural in light of the results of Chow and Robbins (1965). The proof depends on a number of Lemmas.

Theorem 2.1. Suppose that for some $\delta > 0$, $d_K M_K^{1-\delta} \rightarrow \infty$ and that

$$(i) \quad M_K^{-1} \sum_{i=1}^{M_K} (\eta_{Ki} - \mu_K)^p \rightarrow \mu_p \quad (\text{finite}), \quad p = 3, 4$$

$$(ii) \quad \left(1 + M_K d_K^2 / (b\sigma_K)^2\right)^{-1} \rightarrow \psi \quad (0 \leq \psi < 1).$$

Then for $i = 1, 2$

$$(2.5) \quad P\{\mu_K \in I_{KM_i}(K)\} \rightarrow 1 - \alpha \quad (\text{"consistency"})$$

$$(2.6) \quad M_i(K) \left(1 - M_i(K)/M_K\right)^{-1} / (b\sigma_K/d_K)^2 \rightarrow 1 \quad \text{in probability, i.e.,}$$

$$M_i(K)/M_K \rightarrow \psi \quad \text{in probability}$$

$$(2.7) \quad \left(M_K^{-1} + (b\sigma/d_K)^{-2}\right) EM_i(K) \rightarrow 1 \quad (\text{"efficiency"}).$$

Chow and Robbins (1965) were able to obtain results analogous to (2.5) and (2.6) by showing that $t_n^2 \rightarrow \sigma^2$ almost surely. Since the probability space changes for each K here, almost sure convergence of s_{mK}^2 to σ^2 is ruled out. Also, convergence in probability is not strong enough to get (2.6) even. Some type of convergence in between is needed; the following seems to work:

Definition 2.1. (Rosen (1964)) A sequence X_{K1}, \dots, X_{KN_K} of random variables converges strongly to μ if for any $\epsilon > 0$, there are K_0, n_0 such that

$$(2.8) \quad \sup_{K \geq K_0} \Pr\{|X_{Kn} - \mu| > \epsilon \text{ for some } n \geq n_0\} < \epsilon.$$

Denote this by $X_{Kn} \rightarrow \mu$ (s.p.). Note that it implies convergence in probability

Lemma 2.5. If the conditions (1.2) hold and if (i) of Theorem 2.1 holds, then

$$\bar{\eta}_{Km} \rightarrow \mu \text{ (s.p.)}, s_{mK}^2 \rightarrow \sigma^2 \text{ (s.p.) and } M_K^{-1} \hat{M}_{Kn} \rightarrow 1 \text{ (s.p.) .}$$

Proof: From Lemma 4.2 of Rosen (1964), for any $\epsilon > 0$ and any

$m = 1, 2, \dots, M_K$,

$$(2.9) \quad \Pr\{\max_{j \geq m} |\bar{\eta}_{Kj} - \mu_K| \geq \epsilon\} \leq 2\sigma_K^2(m^{-1} - M_K^{-1})/\epsilon^2 .$$

Since $\mu_K \rightarrow \mu$, this gives $\bar{\eta}_{Km} \rightarrow \mu$ (s.p.). Now, $s_{mK}^2 = m^{-1} \sum_{i=1}^m (\eta_{Ki} - \mu_K)^2 + (\bar{\eta}_{Km} - \mu_K)^2 + m^{-1}$; applying (2.9) to the first term and using the fact that $(\bar{\eta}_{Km} - \mu_K)^2 \rightarrow 0$ (s.p.) yields $s_{mK}^2 \rightarrow \sigma_K^2$ (s.p.). Finally, $M_K^{-1} \hat{M}_{Kn} =$

$(N_K/M_K)n^{-1} \sum_{j=1}^n z_{Kj}$, where $z_{Kj} = 1$ if ξ_{Ki} is white and 0 otherwise. Since $EM_K^{-1} \hat{M}_{Kn} = 1$, applying (2.9) completes the proof.

The next step in proving Theorem 2.1 is to show that $M_i(K) \rightarrow \infty$ in probability ($i = 1, 2$).

Lemma 2.6. Under the conditions of Theorem 2.1, $M_i(K) \rightarrow \infty$ in probability ($i = 1, 2$).

Proof: Since $s_{mK}^2 \geq m^{-1}$ and $d_K \rightarrow 0$, the result is obvious for $M_1(K)$.

For $M_2(K)$, it suffices to show that

$$P\left\{\hat{M}_{Kn} \leq M_K^{1/2} \text{ for some } m \geq 5\right\} = P\left\{\hat{M}_{Kn} \leq M_K^{1/2} \text{ some } 5 \leq m \leq M_K^{1/2}\right\} \rightarrow 0 .$$

Since $\hat{M}_{Kn} = mN_K/n \leq M_K^{1/2}$ implies there are at most m successes in $mN_K/M_K^{1/2}$ trials, from (2.9),

$$P\left\{\hat{M}_{Kn} \leq M_K^{1/2} \text{ some } 5 \leq m \leq M_K^{1/2}\right\} \leq P\left\{\left(5N_K/M_K^{1/2}\right)^{-1} \sum_{i=1}^{5N_K/M_K^{1/2}} z_{Ki} \leq (5N_K/M_K)^{-1}\right\} \rightarrow 0.$$

Proof of Equations (2.5) and (2.6): By Lemma 2.6, $s_{M_i(K)K}^2 \rightarrow \sigma^2$ in probability. Thus, since $d_K M_K^{1-\delta} \rightarrow \infty$, $M_K - M_i(K) \rightarrow \infty$ in probability. A proof analogous to that of Chow and Robbins (1965) yields (2.6) using strong convergence in probability. Since by (2.6) $(b\sigma/d_K)(M_i(K)^{-1} - M_K^{-1})^{1/2} \rightarrow 1$ in probability, apply Lemma 2.1 (if $\psi > 0$) or Lemma 2.2 (if $\psi = 0$) completes the proof.

Proof of Equation (2.7): Define the stopping rule

$$N_K^* = \text{first integer } m \geq \min\{(bs_{mK}/d_K)^2, M_K\}$$

(of course, set $N_K^* \geq 5$). Then $M_i(K) \leq N_K^*$, so that

$$\begin{aligned} M_i(K) (M_K^{-1} + (b\sigma/d_K)^{-2}) &\leq 2(N_K^*/2) (M_K^{-1} + (b\sigma/d_K)^{-2}) \\ &\leq 4(b/d_K)^2 (M_K^{-1} + (b\sigma/d_K)^{-2}) s_{LK}^2, \end{aligned}$$

where $L = N_K^*/2$. Since $0 \leq \psi < 1$ implies that $M_K(b\sigma/d_K)^{-2}$ does not converge to 0, the last term is bounded by cs_{LK}^2 for some constant $c > 0$.

Now, $s_{LK}^2 \rightarrow \sigma^2$ in probability and

$$\begin{aligned} Es_{LK}^2 &\leq E \sup_{m \geq 1} \left\{ \left| m^{-1} \sum_{i=1}^m (\eta_{Ki} - \mu_K)^2 - \sigma^2 \right| + \sigma^2 - (\bar{\eta}_{Km} - \mu_K)^2 \right\} + EL^{-1} \\ &\leq \sigma^2 + E \sup_{m \geq 1} \left| m^{-1} \sum_{i=1}^m (\eta_{Ki} - \mu_K)^2 - \sigma^2 \right| + 1/2. \end{aligned}$$

Now, in general, $E|X| \leq 1 + \sum_{j=1}^{\infty} P\{|X| \geq j\}$, so that by (2.9),

$$Es_{LK}^2 \leq c_* \text{ for some } c_*.$$

By using Lemma 2.4 and equation (2.6), one can show that any subsequence K_1, K_2, \dots must satisfy (2.7), which completes the proof.

As mentioned above, if M_K is known the rule (2.3) completely ignores red balls, while if M_K is unknown, the red balls are needed only to form the estimators \hat{M}_{Kn} . It is tempting to incorporate the red balls more explicitly into the stopping rules by treating them as variables taking on the value 0. The results below show that such rules take at least as many *total* observations (asymptotically) as (2.3) or (2.4) and are more computationally difficult because one must check for stopping after *each* ball is drawn, rather than after a white ball is drawn.

Lemma 2.7. Let r_K be an integer-valued random variable as in Lemma 2.1 or 2.2 (with N_K replacing M_K). Define

$$\sigma_{K2}^2 = N_K^{-1} \sum_{i=1}^{N_K} (\xi_{Ki} - M_K \mu_K / N_K)^2 = (M_K / N_K) \left\{ \sigma_K^2 + (1 - M_K / N_K) \mu_K^2 \right\}$$

$$\sigma_{K3}^2 = N_K^{-1} \sum_{i=1}^{N_K} (\xi_{Ki} - \mu_K z_{Ki})^2 = (M_K / N_K) \sigma_K^2 .$$

Then

$$\frac{(N_K / M_K) \bar{\xi}_{K r_K} - \mu_K}{(N_K / M_K) \sigma_{K2} (r_K^{-1} - N_K^{-1})^{1/2}} \xrightarrow{L} \Phi$$

and

$$\frac{(N_K / \hat{M}_{K r_K}) \bar{\xi}_{K r_K} - \mu_K}{(N_K / M_K) \sigma_{K3} (r_K^{-1} - N_K^{-1})^{1/2}} \xrightarrow{L} \Phi .$$

Note the surprising result that, although σ_{K3}^2 is obtained from estimating

$$M_K, \quad \sigma_{K3}^2 \leq \sigma_{K2}^2 .$$

Proof: The first result is immediate from Lemmas 2.1 and 2.2. For the second,

$$\begin{aligned} (N_K/\hat{M}_{Kr_K})\bar{\xi}_{Kr_K} - \mu_K &= ((N_K/M_K)\bar{\xi}_{Kr_K} - \mu_K) + \mu_K(1 - \hat{M}_{Kr_K}/M_K) \\ &+ (1 - \hat{M}_{Kr_K}/M_K)^2 (N_K\bar{\xi}_{Kr_K}/\hat{M}_{Kr_K}) \\ &+ (1 - \hat{M}_{Kr_K}/M_K) ((N_K/M_K)\bar{\xi}_{Kr_K} - \mu_K) . \end{aligned}$$

The last two terms converge to 0 in probability when multiplied by $(r_K^{-1} - N_K^{-1})^{-1/2}$, and the first two terms equal

$$(N_K/M_K) r_K^{-1} \sum_{i=1}^{r_K} (\xi_{Ki} - \mu_K z_{Ki}) .$$

Because $\sigma_{K3}^2 \leq \sigma_{K2}^2$, it suffices to consider the case M_K unknown. Letting $t_{nK}^2 = n^{-1} \sum_{i=1}^n (\xi_{Ki} - \bar{\xi}_{Kn} z_{Ki})^2$, the natural rule is

$$(2.10) \quad N_{1K} = \text{first integer } n \text{ for which at least 5 white balls have been drawn and } n(1 - n/N_K)^{-1} \geq (bt_{nK} N_K/d_K M_K)^2 .$$

Similar to Theorem 2.1, if $(1 + N_K/(b\sigma_{K3} N_K/d_K M_K)^2)^{-1} \rightarrow \psi_2$ ($0 \leq \psi_2 < 1$), and if $I_{Kn} = ((N_K/\hat{M}_{Kn})\bar{\xi}_{Kn} - d_K, (N_K/\hat{M}_{Kn})\bar{\xi}_{Kn} + d_K)$, then (2.5) holds for N_{1K} and $N_{1K}/M_K \rightarrow \psi_2$ in probability. Then, if N_{2K} is the total number of balls chosen using $M_2(K)$,

$$\lim_{K \rightarrow \infty} N_{2K}/N_{1K} = \lim_{K \rightarrow \infty} (M_2(K)/p)/N_{1K} = \psi/\psi_2 = 1 \quad \text{in probability .}$$

Thus one does no worse by using $M_2(K)$. However $M_2(K)$, unlike N_{1K} , is susceptible to the danger that one might exhaust all the white balls without stopping, in which case all N_K balls will be sampled. On the other hand, a

reasonable choice of d_K would make this a rather rare event; even if it occurred, the above result indicates that N_{1K} will be large and may in fact be more time consuming.

Now consider the situation where both N_K and M_K are unknown. The rule (2.4) will be used with a new estimate \bar{M}_{Kn} of M_K ; call this $M_3(K)$. The main step is proving $M_K^{-1} \bar{M}_{Kn} \rightarrow 1$ (s.p.). The usual sequential methods of estimating the size of a population are reviewed in Freeman (1973) and Samuel (1968), the latter presenting five sequential rules. This author has been unable to show that use of the maximum likelihood estimate with any of the rules B - E of Samuel (1968) satisfies $M_K^{-1} \bar{M}_{Kn} \rightarrow 1$ (s.p.). The idea used here is to first take an initial sample, color the white balls so drawn black and replace them (estimates for N_K based on coloring any ball black when chosen may also be developed). One then continues sampling, estimating M_K at each step by an estimator like that in Feller (1968), pages 45 - 46. The problem is to find the initial sample size. Clearly, if a lower bound M_{oK} on M_K is known, the initial sample size might be obtained from (2.3) using a quantity slightly less than M_{oK} .

Lemma 2.8. Assume that $M_K \geq M_{oK}$ (known) and choose $0 < a < 1$. Let A_{oK} be the stopping rule (2.3) with aM_{oK} used and let A_{1K} be the stopping rule (2.3) with aM_{oK} used and s_{mK}^2 replaced by σ_K^2 . Mark the A_{oK} white balls so drawn black and return them. Continue sampling without replacement, defining for $n = 1, 2, \dots$

$$(2.11) \quad \bar{M}_{Kn} = \max\{M_{OK}, A_{OK}^{(WB)}_{Kn}/B_{Kn}\}, \text{ where}$$

$(WB)_{Kn}$ = # of white or black balls drawn in n tries since A_{OK}

B_{Kn} = # of black balls drawn in n tries since A_{OK} .

Then, if \bar{M}_{Kn} is used in rule (2.4) to obtain a stopping rule $M_3(K)$, Theorem 2.1 still holds.

Proof: Since $\bar{M}_{Kn} \geq M_{OK}$ it follows that $M_3(K) \rightarrow \infty$ in probability. That $M_3(K) - A_{OK} \rightarrow \infty$ in probability follows easily. Defining $L(K) = M_3(K) - 1$, it follows that $M_K - M_3(K) \rightarrow \infty$ in probability since

$$\begin{aligned} \bar{M}_{KL(K)} - L(K) &\geq \bar{M}_{KL(K)} L(K) / (bs_{L(K)K}/d_K)^2 \\ &\geq \bar{M}_{KL(K)} (A_{OK} - 1) / (bs_{L(K)K}/d_K)^2 \end{aligned}$$

and since $A_{OK}/A_{1K} \rightarrow 1$, $s_{L(K)K}^2/\sigma_K^2 \rightarrow 1$, both in probability. Now the theorem goes through as before.

The value $a = 1$ for the constant in Lemma 2.8 seems to be impermissible; if $a = 1$ then it is possible that $M_3(K) - A_{OK} \rightarrow \infty$ in probability may not be true. In this case, $M_K^{-1} \bar{M}_{KL(K)} \rightarrow 1$ in probability may not hold, so that (2.6) might fail.

As for the constant a in Lemma 2.8, a reasonable rule is to choose $a = 1/2$ if M_{OK} seems to be a good lower bound (in the sense of being close to M_K), while $a = 3/4$ would seem to be reasonable if M_{OK} is a conservative lower bound.

If no reasonable lower bound on M_K is known (a case which should be somewhat rare) no intuitively obvious initial sample size presents itself. However, if one replaces A_{OK} in Lemma 2.8 by $A_{OK}^* = \text{first integer } m \geq (a_K b_{mK} / d_K)^2$ (where $a_K \rightarrow 0$), then Lemma 2.8 will still hold.

Whether A_{OK} is a good initial sample size is unknown, as is an algorithm for choosing $\{a_K\}$ if M_{OK} is unknown. The procedures given here for estimating M_K when N_K is unknown are in some sense two stage procedures akin to the Stein two sample procedure for the mean (1945), while the sequential methods in Freeman (1973) and Samuel (1968) are analogous to purely sequential estimation procedures. Presumably, if the latter methods yield estimates which converge (s.p.), they will be found to be more efficient.

Multivariate generalizations along the lines of Srivastava (1967) are possible by extending Theorem 3.1 below to multidimensions.

If $M_K = N_K$, i.e., one is interested in the total population rather than a subpopulation, one can use Lemma 2.8.

Finally, all the results of this section and Section 3 below are true if at stage K the white balls are labeled by x_1, \dots, x_{M_K} which are i.i.d. with mean μ and variance σ^2 (naturally, convergence (s.p.) is replaced by convergence almost surely).

3. THE MEDIAN AND OTHER ROBUST ESTIMATORS

The main points of interest in this section include an analogue to Theorem 2.1 and the presentation of a Bahadur type (1966) linearization technique for sample quantiles. The latter gives a quick proof of Rosen's (1964) Theorem

15.1 concerning the asymptotic normality of a sample quantile from a finite population. Only one particular quantile will be considered although the results extend to any quantile. The M_K white balls will have a $[M_K/2]$ order statistic $X_{KM_K}^{(M_K/2)}$, while the $[n/2]$ order statistic based on a sample of size n will be $X_{Kn}^{(n/2)}$. The goal is to find a fixed width confidence interval for the "median" $X_{KM_K}^{(M_K/2)}$. The first step of this section (Theorem 3.1) will be to generalize Theorem 1 of Anscombe (1952); this result, which could have been used to prove Lemmas 2.1 and 2.2, should prove useful in extending the results of this section to other robust estimators. Once Theorem 3.1 is obtained, a generalization of Bahadur's theorem (1966) is given; this representation of $X_{Km}^{(m/2)}$ together with Theorem 3.1 will yield results similar to Lemmas 2.1 and 2.2. The condition (3.1) below is essentially Anscombe's uniform continuity in probability (1952).

The median and other robust estimators of "location" have an obvious appeal as indicators of characteristics of a finite population in that they are not sensitive to a few wild observations. For example, in the banking situation of Section 1 one deposit might be very large and seriously effect the mean. Another appeal of these estimators is that they often have smaller variances than the sample mean; since the rules considered here are monotone functions of the sample variance, this means that the use of robust estimators will in general result in a decrease in the number of observations taken.

Theorem 3.1. Suppose that T_{Kn} is a statistic based on $\eta_{K1}, \dots, \eta_{Kn}$ and that there are constants μ_K, σ_{Kn} such that if $n_K \rightarrow \infty$ as $K \rightarrow \infty$,

$$P\left\{\sigma_{Kn_K}^{-1} (T_{Kn_K} - \mu_K) \leq z\right\} \rightarrow \Phi(z) \quad \text{for all } z .$$

If $r_K/n_K \rightarrow 1$ in probability and satisfies the conditions of Lemmas 2.1 or 2.2, and if for $\epsilon > 0, \gamma > 0$ there is $c > 0, K_0, n_0$ such that for $n \geq n_0$

$$(3.1) \quad \sup_{K \geq K_0} P\left\{\sigma_{Kn}^{-1} |T_{Kn} - T_{Km}| > \epsilon \text{ some } |m - n| < cn\right\} < \gamma ,$$

then

$$P\left\{\sigma_{Kn_K}^{-1} (T_{Kr_K} - \mu_K) \leq z\right\} \rightarrow \Phi(z) \quad \text{for all } z .$$

The proof is much like Theorem 1 of Anscombe (1952); note that the sample mean satisfies (3.1) (by following Anscombe's proof and using (2.9)).

As in (1.2), assume that $\mu_K = X_{KM_K}(M_K/2) \rightarrow \mu$ as $K \rightarrow \infty$. Let F_K be the distribution function of $\eta_{K1}, \dots, \eta_{KM_K}$ and let F_{Kn} be the empirical distribution based on $\eta_{K1}, \dots, \eta_{Kn}$ (see Rosen (1964)). The following result "linearizes" $X_{Kn}(n/2)$.

Lemma 3.1. Assume there is a distribution F_0 which has derivative f_0 (where it exists) and which satisfies the conditions given in Bahadur (1966).

Assume further that

$$n^{1/2} \sup_t |F_K(t) - F_0(t)| \rightarrow 0 \quad \text{as } n, k \rightarrow \infty .$$

Then, if $\ell_{Kn} = n/2 + o(n^{1/2+\delta})$ for some $0 < \delta < 1/4$, the following decomposition holds:

$$n^{1/2} |(X_{Kn}(n/2) - \mu) - f_0^{-1}(\mu) (\ell_{Kn}/n - F_{Kn}(\mu))| \rightarrow 0 \text{ (s.p.)} .$$

Proof: The proof is only a slight modification of the original proof of Bahadur (1966). His equation (6) should be replaced by $a_n \sim n^{-1/2+\delta}$ for some $0 < \delta \leq 1/4$. This will mean that, for example, $n^{1/2} \alpha_{r,n,k} \rightarrow 0$ in his proof. His Lemma 1 becomes $n^{1/2} H_{Kn}(\omega) \rightarrow 0$ (s.p.); this is true since his equation (11) still holds when sampling from a finite population (Hoeffding, (1963), Theorem 4).

Lemma 3.1 provides an easy proof of Theorem 15.1 of Rosen (1964) concerning the asymptotic normality of sample quantiles from a finite population. It also shows (by means of Theorem 3.1) that if $n_K/M_K \rightarrow c < 1$ and $r_K/n_K \rightarrow 1$ in probability then

$$(3.2) \quad 2f'_0(\mu) (r_K^{-1} - M_K^{-1})^{-1/2} (X_{Kr_K}(r_K/2) - X_{KM_K}(M_K/2)) \xrightarrow{L} \Phi .$$

Let $c > 0$. Geertsema (1972) considers the following estimate:

$$(3.3) \quad S_{Kn}^2 = (n/4c^2) \{X_{Kn}(n/2 + cn^{1/2}/2) - X_{Kn}(n/2 - cn^{1/2}/2)\}^2 + n^{-1} .$$

By Lemma 3.1, $s_{Kn}^2 \rightarrow 4^{-1} f_0^{-2}(\mu)$ (s.p.). Using the rule $M_2(K)$ given in (2.4) with s_{Kn}^2 defined by (3.3), one gets:

Theorem 3.2. For the case of the median, Theorem 2.1 still holds, with $\sigma^2 = (4f_0^2(\mu))^{-1}$.

Proof: Equations (2.5) and (2.6) follow immediately. For (2.7), one uses Lemma 2.4 with the help of Lemma 3.3 of Geertsema (1970) and Theorem 4 of Hoeffding (1963).

This particular technique of "linearizing" an estimator can probably be applied to other robust estimators, such as M-estimators (Carroll (1974b)) and R-estimators (Antille (1974)).

4. A MONTE-CARLO STUDY

The results given here have been large sample results as $d_K \rightarrow 0$ and $M_K, N_K \rightarrow \infty$. As in Starr (1966) it is of interest to evaluate the performance of the rule $M_2(K)$ for moderate values of d_K, M_K , and N_K . Exact results seem computationally difficult so Monte-Carlo results will be given. It was decided to use $M_K = 100$, $N_K = 1000$ and $\alpha = .05$. The random numbers were generated by the system routine on the IBM 360 machine at the Triangle Universities Computation Center. The $100 = M_K$ white balls were labeled by Uniform (0,1) random variables, Exponential r.v.'s with parameter $\lambda = 1$, standard Normal r.v.'s, Binomial r.v.'s with $n = 10$ and $p = 1/2$, and finally by Poisson r.v.'s with parameter $\lambda = 1$. All these used the North Carolina Educational Computing Service program RANSAM. There were 100 repetitions of the experiment.

The results of these Monte-Carlo experiments are listed in Tables 1 - 5, with the following notation:

P(CD): Proportion of correct coverages

$M_2(K)$: Average number of white balls sampled

\hat{M}_K : Average estimate of $M_K (= 100)$ at stopping

Ratio Ex: The ratio $M_2(K) (1 - M_2(K)/M_K)^{-1} / (1.96\sigma/d_K)^2$, which should be close to one (see (2.6))

Ratio C-R: The ratio of $M_2(K)$ to the expected number of white balls using the Chow-Robbins rule

$N_2(K)$: The average *total* number of balls sampled.

The results of this preliminary Monte-Carlo study are quite encouraging. As Starr (1966) found for the normal case, as d_K decreases, $P(CD)$ first decreases and then increases. In all of the cases except for the Exponential and one value of d_K for the Uniform, the procedures give probabilities which are acceptably close to .95. The results for the Exponential may be affected by the non-robustness of the sample mean. For the applications given in Section 5, M_K and N_K are considerably larger than in this study and the rules should become even better. For practical usage in the normal case for example, the performance will be a function of σd_K^{-1} rather than only d_K^{-1} .

In all the cases studied, the estimates of M_K obtained by \hat{M}_{Kn} at stopping are quite good and seem to improve as d_K decreases. The ratio $M_2(K)/N_2(K)$ is always quite close to .10 as it should be. The column "Ratio Ex" indicates that (2.7) is almost true.

The "Chow and Robbins" type procedure is basically one which sets $M_K = \infty$ as an approximation to saying M_K is large. As expected, the savings in the number of white balls sampled is considerable when compared to the "Chow and Robbins" type procedure. In all the cases studied, if d_K^{-1} is large enough so that $M_2(K) \geq 8$, significant savings are obtained (see the "Ratio C-R" column). The increase in this ratio for smaller values of d_K is simply due to the fact that the "Chow and Robbins" type rule by that time already exhausted all the white balls.

TABLE 1

Monte-Carlo study for Uniform (0,1) random variables

d_K^{-1}	P(CD)	$M_2(K)$	\hat{M}_K	Ratio Ex	Ratio C-R	$N_2(K)$
1	1.00	5.00	123.04	15.84	15.79	49.26
2	1.00	5.00	123.04	3.99	3.95	49.26
3	.99	5.05	120.87	1.82	1.77	49.52
4	.93	5.67	116.15	1.17	1.12	57.45
5	.87	7.33	111.79	1.00	.93	74.85
6	.82	9.45	109.09	.923	.83	97.12
7	.88	12.46	105.77	.928	.80	126.34

TABLE 2

Monte-Carlo study for Exponential random variables with $\lambda = 1$

d_K^{-1}	P(CD)	$M_2(K)$	\hat{M}_K	Ratio Ex	Ratio C-R	$N_2(K)$
1	1.00	5.46	117.94	1.66	1.61	55.53
2	.92	8.70	111.85	.73	.64	88.69
3	.78	16.68	109.34	.71	.55	166.12
4	.76	25.86	106.45	.73	.48	256.91
5	.77	38.12	103.99	.83	.45	377.25
6	.81	49.40	103.56	.90	.49	485.81
7	.87	58.94	102.94	.94	.59	582.74

TABLE 3

Monte-Carlo study for standard Normal random variables

d_K^{-1}	P(CD)	$M_2(K)$	\hat{M}_K	Ratio Ex	Ratio C-R	$N_2(K)$
1	1.00	5.45	118.81	1.34	1.29	54.21
2	.93	12.69	107.98	.88	.75	130.38
3	.87	25.16	105.07	.91	.66	251.63
4	.90	38.40	103.50	.95	.57	382.43
5	.92	51.13	102.63	.99	.51	507.86
6	.93	61.08	101.90	1.01	.61	607.06
7	.93	68.89	102.98	1.02	.69	677.60

TABLE 4

Monte-Carlo study for Binomial random variables with $n = 10$, $p = 1/2$

d_K^{-1}	P(CD)	$M_2(K)$	\hat{M}_K	Ratio Ex	Ratio C-R	$N_2(K)$
1	.88	7.35	114.66	.97	.90	73.93
2	.86	22.55	102.02	.92	.69	227.60
3	.91	41.98	102.30	.99	.57	418.03
4	.93	57.49	101.13	1.01	.57	573.20
5	.94	68.98	101.96	1.02	.69	680.27
6	.96	76.92	101.81	1.03	.77	758.31
7	.97	82.51	101.36	1.03	.83	816.02

TABLE 5

Monte-Carlo study for Poisson random variables with $\lambda = 1$

d_K^{-1}	P(CD)	$M_2(K)$	\hat{M}_K	Ratio Ex	Ratio C-R	$N_2(K)$
1	.97	5.27	117.13	1.54	1.49	53.11
2	.87	11.32	107.23	.91	.80	116.51
3	.87	22.58	101.63	.93	.71	230.69
4	.90	35.24	102.22	.97	.62	351.88
5	.90	46.98	101.52	1.00	.53	469.29
6	.90	56.29	101.75	1.00	.56	560.27
7	.91	64.09	102.14	1.01	.64	633.52

5. EXAMPLES

For the banking problem, confidence intervals for the mean and the median have been discussed. However, the bank sometimes needs a confidence interval for the total amount of deposits $M_K \mu_K$. As will be seen in Lemma 5.2, the length d_K of the confidence interval can no longer converge to 0 without exhausting the white balls.

The first step will be to prove the asymptotic results necessary. Only the case N_K known will be considered since this is true in the applications.

Lemma 5.1. a) Under the conditions of Lemma 2.7,

$$\left\{ N_K \sigma_{K2} (r_K^{-1} - N_K^{-1})^{1/2} \right\}^{-1} (N_K \bar{\epsilon}_{K r_K} - M_K \mu_K) \xrightarrow{L} \Phi .$$

b) Under the conditions of Lemma 2.1 or 2.2, if \hat{M}_{Kr_K} is the estimate of M_K based on r_K white balls,

$$\left\{ N_K \sigma_{K2} (r_K^{-1} - N_K^{-1})^{1/2} \right\}^{-1} (\hat{M}_{Kr_K} \bar{n}_{Kr_K} - M_K \mu_K) \xrightarrow{L} \phi :$$

Proof: Part a) is simply Lemma 2.7. For part b), Lemmas 2.1 and 2.2 will be needed. Suppose that in n total observations, m white balls are drawn. Let $\rho_K = M_K/N_K$, $\beta_K^{-1} = \{M_K^{-1} (r_K^{-1} - N_K^{-1})^{1/2}\}$, and $z_{Ki} = 1$ if ξ_{Ki} is white and 0 otherwise. Then,

$$\beta_K \{ \hat{M}_{Km} \bar{n}_{Km} - M_K \mu_K \} = \beta_K M_K (\bar{n}_{Km} - \mu_K) + \beta_K \mu_K (\hat{M}_{Km} - M_K) + o_\rho(1),$$

where $o_\rho(1)$ means a term converging to zero (0) in probability. Then

$$\beta_K \mu_K (\hat{M}_{Km} - M_K) = \beta_K \mu_K N_K \{ \bar{z}_{Kn} - \rho_K \}$$

$$\begin{aligned} \beta_K M_K (\bar{n}_{Km} - \mu_K) &= \beta_K N_K (\bar{\xi}_{Kn} - \rho_K \mu_K) + \beta_K N_K \bar{\xi}_{Kn} (n \rho_K / m - 1) \\ &= \beta_K N_K (\bar{\xi}_{Kn} - \rho_K \mu_K) + \beta_K N_K \rho_K \mu_K (n/m) (\rho_K - m/n) + o_\rho(1) \\ &= \beta_K N_K (\bar{\xi}_{Kn} - \rho_K \mu_K) + \beta_K N_K \{ \mu_K (\rho_K - \bar{z}_{Kn}) \} + o_\rho(1). \end{aligned}$$

These two facts, together with Lemmas 2.1 and 2.2, yield part b).

In Lemma 5.1, since both numerators have the same (asymptotic) variance, it is better to use something like rule (2.10) rather than (2.4); this is opposite to the conclusion reached as regards the mean.

Lemma 5.2. Suppose that as $K \rightarrow \infty$,

(i) $d_K N_K^{-\delta} \rightarrow \infty$ for some $\delta > 0$.

(ii) $(1 + N_K / (b N_K^2 \sigma_{K2} / (M_K d_K))^2)^{-1} \rightarrow \psi_3$ ($0 \leq \psi_3 < 1$).

Then, if the rule (2.10) is used with t_{nK} replaced by $N_k t_{nK}$, Theorem 2.1 (when appropriately modified in (2.6) and (2.7)) holds for the population total

$M_K \mu_K$.

Note that as $K \rightarrow \infty$, $d_K \rightarrow 0$ is not allowed; in fact, (ii) requires that $d_K/N_K^{1/2} \rightarrow c$ ($0 < c \leq \infty$).

For the hospital example, if $\xi_{Ki} = z_{Ki}$, then $\mu_K = 1$ and $M_K \mu_K = M_K$, so that Lemmas 5.1 and 5.2 may be used.

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