SÉMINAIRE DE PROBABILITÉS (STRASBOURG)

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Séminaire de probabilités (Strasbourg), tome 17 (1983), p. 1-14

http://www.numdam.org/item?id=SPS_1983__17__1_0

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A Transformation from Prediction to Past
of an L^2 -Stochastic Process

by

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1. Introduction

By an L^2 -stochastic process, we understand simply a collection X_t , $-\infty < t < \infty$, of real valued random variables (i.e. measurable functions) on a measure space $(\Omega, \mathcal{F}, P)$: $P(\Omega) = 1$, with $\int X_t^2 dP (= EX_t^2) < \infty$ for each t . In the present paper we will not discuss any "sample path properties," and it will not matter whether P is complete. In fact, we may and shall consider random variables which are equal except on P -null sets as identical. We assume for convenience throughout that $\int X_t dP (= EX_t) = 0$, that the covariance $\Gamma(s, t) = E(X_s X_t)$ is continuous, and finally that for $\lambda > 0$, $\int_0^\infty e^{-\lambda s} \Gamma(s, s) ds < \infty$. Let $H(t)$ denote the Hilbert space closure of $\{X_s, s < t\}$. We note that $X_t \in H(t)$, and that $H(t)$ is, in an obvious sense, left-continuous in t .

The particular class of processes which is our concern are those which are orthogonalizable, in the sense that there exists an L^2 -integral representation

$$1) \quad X_t = \int_{-\infty}^t F(t, u) dY(u) + V_t$$

where Y is an L^2 -valued measure ($E(\Delta_1 Y \Delta_2 Y) = 0$ if $\Delta_1 \cap \Delta_2 = \emptyset$), and also $V_t \in H(-\infty) (= \bigcap_u H(u))$ and $E(V_t(\Delta Y)) = 0$ for all finite Δ . Here we choose $Y(u) - Y(0)$ to be L^2 -left-continuous in u , and the integral 1) does not include any jump in Y at time t . Also, if $d\sigma^2(u) = dEY^2(u)$ ($= E(dY(u))^2$) then $\int_{-\infty}^t F^2(t, u) d\sigma^2(u) < \infty$. If, in addition, the collection $\{V_s, \Delta Y; \Delta, s \leq t\}$ has Hilbert space closure

⁽¹⁾ This work was supported by Contract NSF MCS 80-02600.

$H(t)$ for each t , then we call 1) a Lévy canonical representation. Necessary and sufficient conditions on Γ for such a representation were obtained by P. Lévy [5] and T. Hida [2], among others (in Hilbert space language, the requirement is that X_t have multiplicity at most 1). Here it will suffice to observe that, apparently, all L^2 -processes of any intrinsic interest do satisfy the conditions. From now on, therefore, we assume the existence of a canonical representation 1).⁽²⁾

This canonical representation is of course not unique. For any measurable function $\beta(u) \neq 0$, with β^2 locally $d\sigma^2$ -integrable, we may replace $(F(t,u), dY(u))$ by $(\beta^{-1}(u)F(t,u), \beta(u)dY(u))$. On the other hand, this is the full extent of the nonuniqueness in $dY(u)$. To see this, let $P(Z;H)$ denote the projection of an L^2 -random variable Z onto a closed subspace H . Then, in 1), $\{X(t) - P(X(t); H(t_1)), t_1 < t < t_2\}$ generates the same Hilbert space as $\{Y(t) - Y(t_1), t_1 < t < t_2\}$, because both are orthogonal to $H(t_1)$ and, together with $H(t_1)$, generate $H(t_2)$. Now if Y_1 and Y_2 denote Y for two distinct representations 1) of the same X , with corresponding $d\sigma_1^2$ and $d\sigma_2^2$, then $Y_1(B_1) (= \int_{B_1} dY_1)$ and $Y_2(B_2)$ are orthogonal whenever B_1 and B_2 are disjoint bounded Borel sets. This follows by the above for disjoint finite unions of intervals, hence for each such B_1 it holds for all bounded Borel sets B_2 disjoint from B_1 by L^2 -approximation using $E(Y_2(B_2) - Y_2(B_2'))^2 = d\sigma_2^2(B_2 \Delta B_2')$. Hence, finally, by the monotone class theorem, it is true for all bounded Borel sets B_1 and B_2 disjoint from B_1 . Now we can write $Y_2(-n,n) = \int_{-n}^n f_n(u) dY_1(u)$ for an f_n unique up to $d\sigma_1^2$ -null sets. Then for $B \subset (-n,n)$ we have :

$$Y_2(-n,n) = \int_B f_n(u) dY_1(u) + \int_{(-n,n)-B} f_n(u) dY_1(u) ,$$

where the first term on the right is orthogonal to $Y_2((-n,n)-B)$. It follows

⁽²⁾ The results below are extended to the general case in [3], with considerable loss of explicitness. The present paper was motivated by a remark of J. L. Doob.

that this term is $Y_2(B)$. Thus, letting $n \rightarrow \infty$ we obtain an f , unique up to $d\sigma_1^2$ -null sets, with $Y_2(B) = \int_B f(u) dY_1(u)$ for all bounded B . This is a relation of the asserted type (of course, we also have the trivial non-uniqueness that $F(t,u)$ may be changed on a $d\sigma^2$ -null set of u for each t , without changing dY).

We can think of 1) as a linear analysis of $X(t)$ in terms of its past evolution $H(s)$, $s \leq t$. The object here is to relate this to the futures $X(t+s)$, $s \geq 0$. Since these cannot be known at time t , we must be content with their prediction in terms of $H(t)$. It is well known from Hilbert space theory that the best prediction of $X(t+s)$, in the sense of minimizing $E(X(t+s) - Y)^2$ over $Y \in H(t)$, is simply

Notation. $R(t+s, t) = P(X(t+s); H(t))$.

2. Statement of the Problem

The problem which we propose to solve here is now to obtain $(F(t,u), dY(u))$ from $R(t+s, t)$ when t, u , and s vary appropriately. Let us note first that the converse problem is very simple. To obtain R we note that there must exist some representation

$$2) \quad R(t+s, t) = \int_{-\infty}^t G(t+s, u) dY(u) + V_s$$

because every element of $H(t)$ is so represented. But $V = P(X(t+s); H(-\infty))$ implies that $V = V_{s+t}$, and then we need only observe that in the decomposition

$$X(t+s) = \left(\int_{-\infty}^t F(t+s, u) dY(u) + V_{s+t} \right) + \int_t^{t+s} F(t+s, u) dY(u)$$

the last term is orthogonal to $H(t)$. Hence we have $G(t+s, u) = F(t+s, u)$ in 2). The problem below is, however, not as simple. Even if X_t is "wide-sense stationary" (i.e. $\Gamma(s, t)$ depends only on $s - t$) the known solution (from [1, XII, Theorem 5.3]) depends on the spectral representation of X_t . Thus it expresses ΔY in the "frequency domain". This does not easily give an expression in the "time domain," as required here (for example, the solution may require derivatives of X , hence it cannot be

expressed in integral form over X_s , $s \leq t$). In any case, the spectral method does not extend to the general process 1)).

Stated more precisely, our problem is this: given $R(t' + s, t')$ for $s \geq 0$ and $t' < t$, in terms of X_u , $u \leq t'$, to construct $F(t', u)$ and $dY(u)$, $u < t$, $t' < t$, for a canonical representation 1). We observe why t' must be introduced -- if $X_{t+s} = X_t$ for all s , then $R(t + s, t) = X_t$ for all s and there is no hope of obtaining either F or dY from this. Actually, our problem has two distinct parts. Since $F(t', u)$ is nonrandom, we seek to determine it, not from observation of $R(\cdot, \cdot)$, but from the covariance of $R(\cdot, \cdot)$. We are assuming that an expression for R in terms of $X(\cdot)$ is known, and we may assume without loss of generality that it is linear in $X(\cdot)$. Therefore, the covariance of R may be calculated from Γ , and our hypothesis justifies its use. On the other hand, Y is "random", and to calculate it in an interval we must use the "observed values" of R , rather than only its covariance.

The same determination problem has been studied by P. Lévy in several papers, but without using R . It is of course possible in theory to determine F and dY directly from Γ and $X_{t'}$, $t' < t$. The direct attempt leads, however, to a singular Fredholm equation for F , which has no unique solution [Lévy, 4]. On the other hand, the corresponding problem with t replaced by a discrete parameter n is not difficult, and is solved in [4, Section 4.1]. It thus appears that with a discrete parameter the canonical representation naturally precedes solution of the prediction problem, while with a continuous parameter it is the other way around.

3. A Class of Wide-sense Martingales

The solution to be given here hinges on the following quantities, which may appear a little complicated at first sight, but which are probably as simple as the problem admits.

Definition 1.⁽³⁾ For $\lambda > 0$ and $t \geq 0$, let

$$3) \quad M_\lambda(t) = P_\lambda(t) - P_\lambda(0) + \lambda \int_0^t (X(u) - P_\lambda(u)) du,$$

where $P_\lambda(t) = \lambda \int_0^\infty e^{-\lambda s} R(t+s, t) ds$, and the integrals are in the L^2 -sense on $(\Omega, \mathcal{F}, P)$.

The existence of these integrals follows from our hypotheses on Γ . Indeed, since X_t is L^2 -continuous, $R(t+s, t)$ is L^2 -continuous in s , and $ER^2(t+s, t) \leq \Gamma(t+s, t+s)$. Then $P_\lambda(t) = \mathbb{P}(\lambda \int_0^\infty e^{-\lambda s} X(t+s) ds; H(t))$, where the integral on the right exists because

$$E^{1/2} \left(\int_0^\infty e^{-\lambda s} X(t+s) ds \right)^2 \leq \int_0^\infty e^{-\lambda s} \Gamma^{1/2}(t+s) ds,$$

which is finite by another application of Schwartz' inequality. It follows readily that $P_\lambda(t)$, and also $M_\lambda(t)$, are L^2 -left-continuous in t ,

and L^2 -continuous in λ . It will be shown that, for suitable λ , $M_\lambda(t)$ can serve as $Y(t) - Y(0)$ in 1) for $t \geq 0$. It is clear that $M_\lambda(t) \in H(t)$, and we next show that it has orthogonal increments. This follows immediately from

Theorem 2. For each $\lambda > 0$, $M_\lambda(t)$ is a wide-sense martingale with respect to $H(t)$; i.e. $\mathbb{P}(M_\lambda(t+s); H(t)) = M_\lambda(t)$, $0 \leq t, s$.

Proof. We use the fact that L^2 -integration commutes with projection to write

$$\begin{aligned} & \mathbb{P}(M_\lambda(t_2) - M_\lambda(t_1); H(t_1)) = \\ & \lambda \int_{t_2}^\infty ((e^{-\lambda(v-t_2)} - e^{-\lambda(v-t_1)}) \mathbb{P}(X(v); H(t_1))) dv \\ & - \lambda \int_{t_1}^{t_2} (e^{-\lambda(u-t_1)} - 1) \mathbb{P}(X(u); H(t_1)) du \end{aligned}$$

⁽³⁾ This notation differs slightly from that of [3], where X_t was Gaussian and $P_\lambda(t)$ was right-continuous. Here we use $P_\lambda(t-)$ instead.

$$\begin{aligned}
& - \lambda^2 \int_{t_1}^{t_2} \int_u^{t_2} e^{-\lambda(v-u)} \mathbb{P}(X(v); H(t_1)) dv du \\
& - \lambda^2 \int_{t_1}^{t_2} \int_{t_2}^{\infty} e^{-\lambda(v-u)} \mathbb{P}(X(v); H(t_1)) dv du.
\end{aligned}$$

Combining the first and last terms of this expression, and interchanging order of integration, it becomes simply

$$\begin{aligned}
& \lambda \int_{t_2}^{\infty} (e^{-\lambda(v-t_2)} - e^{-\lambda(v-t_1)}) - \lambda \int_{t_1}^{t_2} e^{-\lambda(v-u)} du \mathbb{P}(X(v); H(t_1)) dv \\
& + \lambda \int_{t_1}^{t_2} (1 - e^{-\lambda(v-t_1)}) - \lambda \int_{t_1}^v e^{-\lambda(v-u)} du \mathbb{P}(X(v); H(t_1)) dv.
\end{aligned}$$

Here both integrands are 0, completing the proof.

Returning to 1), it will be convenient to choose $F(t, u)$, for given $dY(u)$, to be continuous in $t \geq u$ for each u . To see that this is always possible, we observe that we have

$$X(t) = \int_{-\infty}^t \left(\frac{dE(X(t)Y(u))}{d\sigma^2(u)} \right) dY(u) + V_t$$

for any Radon-Nikodym derivative of $dE(X(t)Y(u))$ with respect to $d\sigma^2(u)$ on $(-\infty, t)$, where the absolute continuity follows by Schwartz' inequality.

Here it is not difficult to choose

$$\left| \frac{dE(X(t_2)Y(u))}{d\sigma^2(u)} - \frac{dE(X(t_1)Y(u))}{d\sigma^2(u)} \right| \leq E^{\frac{1}{2}}(X(t_2) - X(t_1))^2$$

for all $u \leq t_1 < t_2$. Thus, in fact, we obtain continuity in t , uniformly in u for bounded t .

From now on, we assume that $F(t, u)$ is continuous in t as above. The connection of $M_\lambda(t)$ with the canonical representation 1) is as follows.

Theorem 3. For $\lambda > 0$ and $t \geq 0$ we have

$$M_\lambda(t) = \int_0^t \left(\lambda \int_0^\infty e^{-\lambda s} F(u+s, u) ds \right) dY(u),$$

where the inner integral exists for $d\sigma^2$ -a.e. u , and is in $L^2(d\sigma^2)$.

Proof. Substitution of 2) with $G = F$ into Definition 1 of P_λ gives

$$P_\lambda(t) = \lambda \int_0^\infty e^{-\lambda s} \left(\int_{-\infty}^t F(t+s, u) dY(u) \right) ds + \lambda \int_0^\infty e^{-\lambda s} V_{t+s} ds.$$

We need to interchange order of integration on the right. To justify this, note first that

$$\begin{aligned} & \int_{-\infty}^t \left(\int_0^\infty e^{-\lambda s} F^2(t+s, u) ds \right) d\sigma^2(u) \\ &= \int_0^\infty e^{-\lambda s} E \left(\int_{-\infty}^t F(t+s, u) dY(u) \right)^2 ds \\ &\leq \int_0^\infty e^{-\lambda s} EX^2(t+s) ds, \end{aligned}$$

and the last expression is finite by our hypothesis on Γ . Then it follows from Schwartz' Inequality that the left side of

$$\begin{aligned} & \int_{-\infty}^t \left(\int_0^\infty e^{-\lambda s} |F(t+s, u)| ds \right)^2 d\sigma^2(u) \\ &\leq \lambda^{-1} \int_{-\infty}^t \int_0^\infty e^{-\lambda s} F^2(t+s, u) ds d\sigma^2(u) \end{aligned}$$

is also finite, so that the L^2 -integral $\int_{-\infty}^t \left(\int_0^\infty e^{-\lambda s} F(t+s, u) ds \right) dY(u)$ exists. Clearly it is in the Hilbert space closure of $\{\Delta Y(u); \Delta \subset (-\infty, t]\}$.

But for $v_1 < v_2 \leq t$, by Fubini's Theorem we have

$$\begin{aligned} & E[(Y(v_2) - Y(v_1)) \int_0^\infty e^{-\lambda s} \left(\int_{-\infty}^t F(t+s, u) dY(u) \right) ds] \\ &= \int_{v_1}^{v_2} \left(\int_0^\infty e^{-\lambda s} F(t+s, u) ds \right) d\sigma^2(u) \\ &= E[(Y(v_2) - Y(v_1)) \int_{-\infty}^t \left(\int_0^\infty e^{-\lambda s} F(t+s, u) ds \right) dY(u)], \end{aligned}$$

where the double integral in the middle expression exists by the above inequality.

Thus the integrals may be interchanged, and we have from Definition 1

$$\begin{aligned} \lambda^{-1}M_{\lambda}(t) &= \int_0^t \left(\int_0^{\infty} e^{-\lambda s} F(t+s, u) ds \right) dY(u) \\ &+ \int_0^t \int_0^v (F(v, u) - \lambda \int_0^{\infty} e^{-\lambda s} F(v+s, u) ds) dY(u) dv. \end{aligned}$$

Reasoning similar to the preceding shows that the second term on the right is

$$\int_0^t \int_u^t (F(v, u) - \lambda \int_0^{\infty} e^{-\lambda s} F(v+s, u) ds) dv dY(u),$$

whence the coefficient of $dY(u)$ in $\lambda^{-1}M_{\lambda}(t)$ is

$$\begin{aligned} &\int_0^t e^{-\lambda s} F(t+s, u) ds + \int_u^t (F(v, u) - \lambda \int_0^{\infty} e^{-\lambda s} F(v+s, u) ds) dv \\ &= \int_0^t e^{-\lambda s} F(t+s, u) ds + \int_u^t F(v, u) dv \\ &\quad - \lambda \int_0^{\infty} e^{-\lambda s} \left(\int_u^t F(v+s, u) dv \right) ds. \end{aligned}$$

Now the last term on the right may be integrated by parts for $d\sigma^2$ -a.e. u to become

$$- \int_u^t F(v, u) dv - \int_0^{\infty} e^{-\lambda s} \left(\frac{d}{ds} \int_{u+s}^{t+s} F(w, u) dw \right) ds.$$

Combining the last two expressions yields

$$\lambda^{-1}M_{\lambda}(t) = \int_0^t \left(\int_0^{\infty} e^{-\lambda s} F(u+s, u) ds \right) dY(u),$$

as was to be shown.

We next state two Corollaries, of which the first is now trivial, while the second is immediate but rich in content.

Corollary 4. The incremental process

$$M_{\lambda}(t_2) - M_{\lambda}(t_1) = P_{\lambda}(t_2) - P_{\lambda}(t_1) + \lambda \int_{t_1}^{t_2} (X_u - P_{\lambda}(u)) du,$$

$-\infty < t_1 < t_2 < \infty$, is in $H(t_2)$ and has orthogonal increments. We have

$$M_\lambda(t_2) - M_\lambda(t_1) = \int_{t_1-}^{t_2} \left(\int_0^\infty \lambda e^{-\lambda s} F(u+s, u) ds \right) dY(u)$$

for any Lévy canonical representation 1).

Corollary 5. If X_t is wide-sense stationary, so that we may choose $F(t, u) = F(t - u)$ and $d\sigma^2(u) = \sigma^2 du$ in 1), then

$$M_\lambda(t_2) - M_\lambda(t_1) = (\lambda \int_0^\infty e^{-\lambda s} F(s) ds) (Y(t_2) - Y(t_1)),$$

where dY is a process of wide-sense stationary orthogonal increments. Given a single observation of $M_\lambda(t_2) - M_\lambda(t_1)$ for all $\lambda > 0$ (fixed $t_1 < t_2$ and $\omega \in \Omega$), if it does not vanish identically then it determines F up to a constant factor. If V_t is known to vanish, then Γ is similarly determined.

Proof. The equivalence of wide-sense stationarity with the assertions on F and $d\sigma^2$ is well-known ([1, loc.cit]). The rest is immediate from Theorem 3 and the uniqueness theorem for Laplace transforms.

4. Solution of the Main Problem, and Example.

We return now to the determination of F and dY in the non-stationary case. In practice, the key to our methods is the calculation of $EM_\lambda^2(t)$ from Γ . This follows by a simple formula when R , and hence P_λ , are known. The proof is in [3, Theorem 3.1], and as it is rather intricate we omit the details.

Lemma 6. For $\lambda > 0$ and $t_1 < t_2$, we have

$$EM_\lambda^2(t_2) - EM_\lambda^2(t_1) = EP_\lambda^2(t_2) - EP_\lambda^2(t_1) + 2\lambda \int_{t_1}^{t_2} E(X_u P_\lambda(u) - P_\lambda^2(u)) du.$$

This brings us to the main theorem, which in sense is a proof without a theorem (the content depends on what is meant here by "effectively").

Theorem 7. A canonical pair $(F(t,u), dY(u))$ is determined effectively in an interval $u_1 < u < u_2$ by $E(M_\lambda^2(u) - M_\lambda^2(u_1))$ and $dM_\lambda(u)$, $\lambda > 0$, $u_1 < u < u_2$.

Proof. For notational convenience we take $u_1 = 0$, $u_2 = t$.

By Corollary 4 we have for any canonical (F_0, dY_0) ,

$$6) \quad EM_\lambda^2(t) = \int_0^t (\lambda \int_0^\infty e^{-\lambda s} F_0(u+s, u) ds)^2 d\sigma_0^2(u).$$

Hence for every $\lambda > 0$ the measure $dEM_\lambda^2(u)$ is absolutely continuous with respect to $d\sigma_0^2(u)$. Our problem is to obtain a linear combination (possibly infinite) $\sum_i c_i M_{\lambda_i}(u)$ to serve as $Y(u)$. In fact, we will determine a λ_0 such that $Y(u) = M_{\lambda_0}(u)$ is possible. However, as a subsequent Example 8 shows, it is sometimes more convenient in practice to use a linear combination rather than fixing λ_0 . The only requirement is that the variance should determine a measure equivalent to $d\sigma_0^2$ as u varies, which is a requirement not depending on the (unknown) $d\sigma_0^2$. Then we will have

$$\sum_i c_i M_{\lambda_i}(u) = \int_0^u \left(\sum_i c_i \int_0^\infty \lambda_i e^{-\lambda_i s} F_0(u+s, u) ds \right) dY_0(u)$$

and hence we can use $d(\sum_i c_i M_{\lambda_i}(u))$ as $dY(u)$ in a new canonical representation.

We next show that, in fact, for all λ excepting a certain countable set the measures $dEM_\lambda^2(u)$ and $d\sigma_0^2$ are equivalent in $(0, t)$. By 6) they are equivalent in $(0, t)$ if and only if

$$7) \quad 0 = d\sigma_0^2\{0 < u < t: \int_0^\infty e^{-\lambda s} F_0(u+s, u) ds = 0\},$$

and we can assume without loss of generality that the Laplace transform exists for all u . Then for each u it can vanish at most on a countable set of λ without making $F_0(u+s, u) = 0$ for all $s \geq 0$, since it is analytic in λ . It follows from this that for any continuous measure $dv(\lambda)$ we have

$$8) \quad 0 = dv\{\lambda : \int_0^\infty e^{-\lambda s} F_0(u+s, u) ds = 0\}$$

except on a $d\sigma_0^2$ -null set of u . Indeed, if $d\sigma_0^2\{0 < u < t: F_0(u+s, u) = 0 \text{ for all } s \geq 0\} \neq 0$, then denoting the set in brackets by A we would have for $0 < t' < t$ $X_{t'} = v_{t'} + \int_{A^c \cap (0, t')^c} F_0(t', u) dY_0(u)$, and it would follow that $\int_{A^c \cap (0, t)} dY_0(u) \notin H(t)$, which contradicts the definition of a canonical representation. From 8) it follows by Fubini's Theorem that 7) holds for all λ except in a dv -null set for every continuous dv . On the other hand, the right side of 7) is upper-semicontinuous in λ because the integral is continuous in λ (so that $d\sigma_0^2$ applied to the complement is lower-semicontinuous). Hence for every $\varepsilon > 0$ the set of λ for which $d\sigma_0^2\{0 < u < t: \int_0^\infty e^{-\lambda s} F_0(u+s, u) ds = 0\} \geq \varepsilon$ is closed and null for every dv . Since every uncountable closed set supports a nontrivial continuous measure (since it contains a monotone image of the Cantor set) the above set must be countable. Letting $\varepsilon \rightarrow 0$, we see that 7) holds outside a countable set of λ .

It remains to "effectively" determine a λ_0 outside this set (which is of course easy in "practical" cases). In any case, we may proceed as follows. We first obtain a measure which is equivalent

to the (as yet unknown) $d\sigma_0^2$ in any one of various ways. For example, $d\left(\int_1^2 EM_\lambda^2(t) d\lambda\right)$ is always such a measure since the exceptional set of λ is erased. Denoting this by $d\sigma_1^2$, we next obtain a Radon-Nikodym

derivative $\frac{dEM_\lambda^2(t)}{d\sigma_1^2(t)}$ which is continuous in λ for all t . By 6) this

will always be continuous along the rationals for $d\sigma_1^2$ -almost-all t , whence we can extend it to all λ by continuity, and use 0 on the exceptional set

(if any). Now, as before, $d\sigma_1^2\{0 < u < t: \frac{dEM_\lambda^2(u)}{d\sigma_1^2(u)} = 0\}$ exceeds any $\varepsilon > 0$ on an

at most countable, closed set. An element not in such a set can be effectively determined by systematically checking all points $0 < \lambda = kN^{-1} \leq N$ until

such an element is found. Hence, choosing $\varepsilon_n \rightarrow 0$, we can determine by induction on n a nested sequence of closed intervals of the complements.

Then any λ_0 in the intersection will satisfy $d\sigma_1^2 \{0 < u < t: \frac{dEM_{\lambda_0}^2(u)}{d\sigma_1^2(u)} = 0\} = 0$.

Consequently, the same equation holds with σ_0^2 in place of σ_1^2 , and $dY(u) = dM_{\lambda_0}(u)$ is a possible choice of dY for a canonical representation 1).

It remains only to determine $F(t, u)$ for known dY , as was

done above Theorem 3. Thus we have $F(t, u) = \frac{dE(X(t)Y(u))}{d\sigma^2(u)}$, which is computed

from Γ , our assumed expression for R , and Lemma 6 (the covariance

$E(M_{\lambda_1}(u)M_{\lambda_2}(u))$ is also in [3] if needed for the case $dY(u) = d(\sum_1 c_i M_{\lambda_i}(u))$).

We remark that, since $F(t, t)$ is not involved in the representation of X_t ,

we should define $F(t, t) = \lim_{r \rightarrow t+} F(r, t)$ in order to obtain the right-continuity

of F in $t \geq u$ for each u .

We conclude with an example which involves a process X_t elsewhere studied by P. Lévy.

Example 8. Suppose that $X_t = \int_0^t (2t - u)dW(u)$, where $W(u)$ is a Wiener

process, Lévy ([4],[5]) has checked that this representation is canonical,

and he also has obtained infinitely many other noncanonical representations

1) of the same process X_t . However, our approach is from the opposite

direction, in the sense that we should begin from the covariance. In this

case, we have easily $\Gamma(s, t) = 3s^2t - \frac{2}{3}s^3$ for $0 \leq s \leq t$, and we take

$X_s = \Gamma = 0$ for $s \leq 0$. We claim next that the predictors (i.e. projections) are given by 0 for $t \leq 0$ and $R(t + s, t) = (1 + 2st^{-1})X_t - 2st^{-2} \int_0^t X_u du$

for $t > 0$. Since our method takes this as starting point, we will not

discuss the derivation, but only remark that such assertions are easily

checked. One need only use Γ and a little integral calculus to show

that $E(X_v(R(t + s, t) - X_{t+s})) = 0$ for $v \leq t$. It follows without

difficulty that for $t > 0$,

$$\begin{aligned}
M_\lambda(t) &= (1 + 2(\lambda t)^{-1})X_t - 2\lambda^{-1}t^{-2} \int_0^t X_u du \\
&\quad - 2 \int_0^t (u^{-1}X_u - u^{-2} \int_0^u X_v dv) du \\
&= (1 + 2(\lambda t)^{-1})X_t - 2(\lambda^{-1}t^{-2} + t^{-1}) \int_0^t X_u du.
\end{aligned}$$

We want to choose a convenient linear combination of $dM_\lambda(u)$ to use as $dY(u)$. We observe that $M_1(t) - M_2(t) = t^{-1}X_t - t^{-2} \int_0^t X_u du$, and it is straightforward to check that $E(M_1(t) - M_2(t))^2 = t$. Thus $Y(t) = M_1(t) - M_2(t)$ is a Wiener process, and we can use it for a canonical representation of X_t if it generates $H(t)$. This must be checked here only if we do not assume a priori that a canonical representation exists. Otherwise it suffices that $d\sigma^2(u)$ be absolutely continuous with respect to du , which is practically obvious. In any case, we can easily solve for X_t in the present case, obtaining $X_t = \int_0^t (M_1(u) - M_2(u))du + t(M_1(t) - M_2(t))$. Now straightforward computation yields $\frac{d}{du} E(X_t(M_1(u) - M_2(u))) = 2t - u$, hence our representation is $X_t = \int_0^t (2t - u)d(M_1(u) - M_2(u))$. Of course, this is entirely equivalent to the original representation of P. Lévy, but here dW is expressed in terms of dX instead of conversely.

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