Testing the Number of Components in Normal Mixture Regression Models

Hiroyuki Kasahara*  
Vancouver School of Economics  
University of British Columbia  
hkasahar@mail.ubc.ca

Katsumi Shimotsu  
Faculty of Economics  
University of Tokyo  
shimotsu@e.u-tokyo.ac.jp

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Abstract

Testing the number of components in finite normal mixture models is a long-standing challenge because of its non-regularity. This paper studies likelihood-based testing of the number of components in normal mixture regression models with heteroscedastic components. We construct a likelihood-based test of the null hypothesis of \( m_0 \) components against the alternative hypothesis of \( m_0 + 1 \) components for any \( m_0 \). The null asymptotic distribution of the proposed modified EM test statistic is the maximum of \( m_0 \) random variables that can be easily simulated. The simulations show that the proposed test has very good finite sample size and power properties.

Key words: asymptotic distribution; modified EM test; likelihood ratio test; local MLE; normal mixture models; number of components

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