Compound Markov counting processes and their applications to modeling infinitesimally over-dispersed systems

Carles Bretó\textsuperscript{a,}\textsuperscript{*}, Edward L. Ionides\textsuperscript{b}

\textsuperscript{a} Departamento de Estadística and Instituto Flores de Lemus, Universidad Carlos III de Madrid, C/Madrid 126, 28903, Madrid, Spain
\textsuperscript{b} Department of Statistics, University of Michigan, 1085 South University Avenue, Ann Arbor, MI 48109-1107, United States

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Abstract

We propose an infinitesimal dispersion index for Markov counting processes. We show that, under standard moment existence conditions, a process is infinitesimally (over-)equi-dispersed if, and only if, it is simple (compound), i.e. it increases in jumps of one (or more) unit(s), even though infinitesimally equi-dispersed processes might be under-, equi- or over-dispersed using previously studied indices. Compound processes arise, for example, when introducing continuous-time white noise to the rates of simple processes resulting in Lévy-driven SDEs. We construct multivariate infinitesimally over-dispersed compartment models and queuing networks, suitable for applications where moment constraints inherent to simple processes do not hold.

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1. Introduction

Markov counting processes (MCPs from this point onward) are building blocks for models which are heavily used in biology (in the context of compartment models) and engineering...
A counting process is a continuous-time, non-decreasing, non-negative, integer-valued stochastic process. The counting process is said to count events each of which has an associated event time. A counting process is simple if, with probability 1, there is no time at which two or more events occur simultaneously. A process which is not simple is called compound. Simplicity is a convenient, and therefore widely adopted, property for both the theory and applications of counting processes [9]. However, we will show that simple MCPs are severely limited in the range of possible relationships between the mean and variance of their increments (i.e., their dispersion) and hence in their capability for fitting data. Previous approaches to negotiating this difficulty have centered on sacrificing the Markov property rather than simplicity. However, there are theoretical and practical attractions to the alternative strategy of maintaining the Markov property while allowing for simultaneous events. The main goal of this paper is to present a systematic investigation of infinitesimally over-dispersed compound MCPs. A second goal of this paper is to propose the use of an infinitesimal dispersion index for counting processes, as an alternative to previous non-infinitesimal indices [6].

Previous investigations of the dispersion of stochastic processes have focused on randomization of parameters. Examples include the Poisson gamma mixture [18], the Cox process [7,8,33,9], stochastic parameters for continuous-time Markov chains [11] and for non-Markovian processes [34], and mean-reverting Ornstein–Uhlenbeck birth–death rates [28,35]. However, all of these different approaches to randomization result in the end in simple processes, which will be shown to suffer from infinitesimal equi-dispersion. Compound counting processes have been studied in the literature on batch processes [30], but we are not aware of a previous investigation of infinitesimal dispersion in this context. To our knowledge, the first general class of infinitesimally over-dispersed MCPs was proposed by Bretó et al. [4], where over-dispersion was achieved by introducing white noise in the rates of a multivariate process constructed via simple death processes. Here, we generalize the model of [4] by defining a class of compound MCPs using Lévy-driven stochastic differential equations to introduce continuous-time white noise in the Kolmogorov equations for simple MCPs. Section 4 presents an application of this class regarding the study of infectious disease dynamics, a field in which models based on discrete-state Markov processes are central to current understanding [25]. Recent advances in statistical inference methodology [23,1,22] have permitted fitting models based on general compound MCPs to data [4,20]. At least in this context, the substantial scientific consequences of adequately modeling over-dispersion in stochastic processes are consistent with the widely recognized importance of over-dispersion for drawing correct inferences from integer-valued regression models [29].

An advantage of considering infinitesimal moments of MCPs is the connection with Markov processes specified as the solution to stochastic differential equations, which may be used as large sample approximations to MCPs. Exact simulation of MCPs is especially relevant when dealing with small counts. In infectious disease applications, small counts arise at the start of an epidemic, which is a critical period for identifying and controlling the disease transmission. Exact simulation of MCPs can be computationally demanding for processes with a very large number of events. In these cases, it is standard to use approximations which are more affordable computationally. To this end, both Euler–Maruyama time discretizations of MCPs and diffusion approximations have been proposed [4,20,23,26,28,35,12]. Since such approximations are inappropriate for small counts, several algorithms have been proposed in which two simulation methods are used, an exact one for small counts and a faster, approximate one for larger counts [19]. In order to use combined algorithms of this type, it is necessary
to choose a diffusion approximation to the MCP. Diffusions are defined in a straightforward way and naturally characterized by their infinitesimal mean and variance [24]. Requiring that the MCP and the proposed diffusion approximation have common infinitesimal moments gives a natural approach for such an approximation, giving further motivation for the study of infinitesimal moments of MCPs. However, these infinitesimal moments have not been studied in the context of counting processes, perhaps because, as we will show, in the case of simple MCPs the infinitesimal variance is constrained to be equal to the infinitesimal mean. Instead, interest has focused on dispersion properties of increments of counting processes over fixed time windows, which we call integrated dispersion to distinguish it from infinitesimal dispersion. Integrated dispersion has undoubtedly an interest of its own, in particular if the chosen integration window has specific practical relevance. However, integrated dispersion may give a distorted representation of a process in the same way as discretizing a continuous-time process at different resolutions might give very different pictures. In particular, we show that all of integrated over-, equi- and under-dispersion may occur for infinitesimally equi-dispersed processes. By contrast, infinitesimal dispersion provides an intuitive and theoretically attractive measure which has already proven its worth in the study of real-valued Markov processes.

In Section 2 we investigate the infinitesimal moments of simple and compound MCPs, and compare them with previously studied measures of integrated dispersion. In Section 3 we propose several novel over-dispersed compound MCPs. Section 4 demonstrates an application of these MCPs to construct infinitesimally over-dispersed models of disease transmission, motivating the investigation of a general multivariate framework developed further in a technical report [5].

2. Dispersion of Markov counting processes

One can study dispersion in the context of non-Markovian processes, but several considerations have led us to focus on the Markov case here. Firstly, there is less room for debate over the definition of appropriate measures of dispersion for Markov processes. Secondly, the extensively studied theory of Markov chains [3] allows us to avoid explicitly discussing measure-theoretic issues while being guaranteed that there are no difficulties concerning the existence and construction of the processes in question. Thirdly, our later goal of studying over-dispersed Markov counting processes clearly does not necessitate a complete investigation of non-Markovian possibilities.

Let \( \{N(t) : t \in \mathbb{R}^+\} \) be a time homogeneous Markov counting process, which we will refer to as \( \{N(t)\} \). Defining \( \Delta N(t) = N(t + h) - N(t) \), the transition rates are written as

\[
q(n, k) \equiv \lim_{h \downarrow 0} \frac{P(\Delta N(t) = k | N(t) = n)}{h}
\]

where \( t, h \in \mathbb{R}^+ \) and \( k, n \in \mathbb{N} \) with \( k \geq 1 \). The rate of leaving state \( n \) or (infinitesimal) rate function is written as

\[
\lambda(n) \equiv \lim_{h \downarrow 0} \frac{1 - P(\Delta N(t) = 0 | N(t) = n)}{h}.
\]

In the Markov chain literature, the transition rates are also known as the local characteristics of the transition semigroup [3]. In the point process literature, \( \lambda(n) \) is the intensity of the process and \( q(n, k) / \sum_{k \geq 1} q(n, k) \) is the batch-size distribution of the simultaneous points [9]. We restrict ourselves to stable and conservative processes for which \( \lambda(n) = \sum_{k \geq 1} q(n, k) < \infty \) for all \( n \). Markov processes satisfying these conditions form a very general class, and the MCP is then
characterized by its transition rates [3]. We also restrict ourselves to time homogeneous processes to add clarity to the concepts, results and proofs. However, these can be readily generalized to the non-homogeneous case, for which the transition rates also depend on time.

Measures of dispersion which have previously been considered for counting processes include the variance to mean ratio \( V[N(t)]/E[N(t)] \) (for example in [16]) and the difference \( V[N(t)] − E[N(t)] \) (in [6]). We will define the integrated dispersion index of \( \{N(t)\} \) as

\[
D_{N}(n_{0}, t) = \frac{V[N(t) − N(0)|N(0) = n_{0}]}{E[N(t) − N(0)|N(0) = n_{0}]}.
\]

(2)

Usually \( n_{0} \) is assumed to be 0 in which case \( D_{N} \) corresponds to the standard dispersion index defined as a ratio. Note however that (1) defines \( \{N(t)\} \) in infinitesimal terms. This suggests the infinitesimal dispersion index which we define as

\[
D_{dN}(n) = \frac{\lim_{h \downarrow 0} h^{-1}V[N(t+h) − N(t)|N(t) = n]}{\lim_{h \downarrow 0} h^{-1}E[N(t+h) − N(t)|N(t) = n]} \equiv \frac{\sigma_{dN}^{2}(n)}{\mu_{dN}(n)},
\]

(3)

as an alternative to \( D_{N} \). The numerator and denominator of (3) are the standard definitions of the infinitesimal variance and infinitesimal mean respectively [24]. We say that \( \{N(t)\} \) is infinitesimally equi-dispersed at \( N(t) = n \) if \( D_{dN}(n) = 1 \) and infinitesimally over-dispersed if \( D_{dN}(n) > 1 \). Correspondingly, we say that \( \{N(t)\} \) is integrally equi-dispersed when \( D_{N}(n_{0}, t) = 1 \) and integrally over-dispersed when \( D_{N}(n_{0}, t) > 1 \).

To investigate sufficient conditions for infinitesimal equi-dispersion, we start by considering expressions for the moments of the increments of a process \( \{N(t)\} \):

\[
E[\Delta N(t)|N(t)] = 0^{r} P(\Delta N(t) = 0|N(t)) + \sum_{k=2}^{\infty} k^{r} P(\Delta N(t) = k|N(t))
\]

\[
+ \lim_{h \downarrow 0} \frac{E[\Delta N^{r}(t)|N(t)]}{h} = \lim_{h \downarrow 0} \frac{P(\Delta N(t) = 1|N(t))}{h} + \lim_{h \downarrow 0} \sum_{k=2}^{\infty} \frac{k^{r} P(\Delta N(t) = k|N(t))}{h}.
\]

(4)

It is straightforward that the difference between any two infinitesimal or integrated moments comes from terms in the sum corresponding to increments of size larger than 1, i.e. to simultaneous events. In Theorem 1, we obtain sufficient conditions for infinitesimal equi-dispersion by requiring orderliness in the sense of Daley and Vere-Jones [9, page 47], i.e. \( P(\Delta N(t) \geq 2) = o(h) \), and finding circumstances under which the \( h \) limit can be exchanged with the limit of the infinite sum in (4). We use the dominated convergence theorem to show that the limits commute under standard moment existence assumptions for a univariate simple MCP, which is therefore equi-dispersed. For example, the Poisson process and counting processes associated with linear birth and death processes are all infinitesimally equi-dispersed. This is true despite the well-known results that the birth and death counting processes are integrally over- and under-dispersed respectively (see Table D1 [5] for more details).

The moment existence conditions that we use in our results concern the total number of jumps that a MCP \( \{N(t)\} \) makes in an interval \([t, t + \bar{h}]\]. Specifically, define a stochastic bound of the infinitesimal rate function \( \lambda(N(s)) \) by

\[
\bar{A}(t) = \sup_{t \leq s \leq t+\bar{h}} \lambda(N(s)).
\]

(5)
Here, we suppress the dependence of $\tilde{\Lambda}(t)$ on $\tilde{h}$. Now consider the following two properties:

**P1.** For each $t$ and $n$ there is some $\tilde{h} > 0$ such that $E[\tilde{\Lambda}(t)|N(t) = n] < \infty$.

**P2.** For each $t$ and $n$ there is some $\tilde{h} > 0$ such that $V[\tilde{\Lambda}(t)|N(t) = n] < \infty$.

Properties P1 and P2 require that the MCP does not have explosive behavior, and in particular they hold for any uniform MCP (i.e., a MCP for which $q(n, k) \equiv q(k)$) in which the jumps are bounded by some $k_0$ (i.e., when $q(n, k) = 0$ for all $k > k_0$). P1 and P2 also hold for the simple, linear birth process and for the counting process associated with the simple, linear death process (as defined in Propositions 6 and 5 respectively).

**Theorem 1 (Sufficient Condition for Markov Infinitesimal Equi-dispersion).** Let $\{N(t)\}$ be a simple, time homogeneous, stable and conservative Markov counting process. Supposing (P1), the infinitesimal mean is the same as the infinitesimal rate. Supposing (P2), the infinitesimal variance is also the same as the infinitesimal rate, and therefore $\{N(t)\}$ is infinitesimally equi-dispersed.

A proof of Theorem 1 is given in Appendix A. This theorem demonstrates that simpleness is a sufficient criterion for infinitesimal equi-dispersion of univariate MCPs. The necessity of simpleness for infinitesimal equi-dispersion is presented in a technical report [5], together with extensions to multivariate processes. Here, we continue with an extension of Theorem 1 to mixed Markov counting processes, where the transition rates are allowed to depend on a random variable. Such mixtures provide a standard way to generate over-dispersion in categorical data models. In the context of point processes, the mixed Poisson process in Daley and Vere-Jones [9] (called a Pólya process by Snyder and Miller [33]) is constructed as a Poisson process with rate $M$ conditional on the mixing random variable $M$. An immediate result of this mixing is that the resulting process is integrally over-dispersed. It is straightforward to generalize this notion to simple mixed MCPs. We construct a mixed simple MCP by first defining a collection $\{N_M(t), m \in \mathbb{R}\}$ of MCPs where $\{N_m(t)\}$ is a simple MCP with rate function $\lambda(n, m)$. A mixing random variable $M$ then defines a mixed simple MCP by setting $\{N(t)\} = \{N_M(t)\}$. We say that $\{N(t)\}$ is stable and conservative if $\{N_m(t)\}$ is stable and conservative for all $m$. We write $\Lambda(n) \equiv \lambda(n, M)$ for the stochastic rate function of the mixed MCP. It may be surprising that such mixtures of simple MCPs remain infinitesimally equi-dispersed, as we show in Theorem 2. Mixed MCPs are non-Markovian but the measures of dispersion defined in (2) and (3) can still be computed and discussed. For non-Markovian processes, conditioning on the entire past history in (3) could also be considered. For mixed MCPs the conditions P1 and P2 need only the minor modification that $\lambda(n)$ is replaced by $\Lambda(n) = \lambda(n, M)$. Specifically, we define the stochastic bound $\tilde{\Lambda}^*(t) = \sup_{t \leq s \leq t+\tilde{h}} \Lambda(N(s))$ and set

**P1*.** For each $t$ and $n$ there is some $\tilde{h} > 0$ such that $E[\tilde{\Lambda}^*(t)|N(t) = n] < \infty$.

**P2*.** For each $t$ and $n$ there is some $\tilde{h} > 0$ such that $V[\tilde{\Lambda}^*(t)|N(t) = n] < \infty$.

In the context of mixed MCPs, P1* or P2* implies that the mean rate function is finite for each $n$, $E[\Lambda(n)] < \infty$, so the tails of the additional randomness resulting from $M$ are required to be not too heavy. A proof of Theorem 2 follows a similar approach to Theorem 1 and is available in a technical report [5].

**Theorem 2 (Sufficient Condition for Mixed Markov Infinitesimal Equi-dispersion).** Let $\{N(t)\}$ be a time homogeneous, stable and conservative mixed simple MCP, constructed as above with a mixing random variable $M$. Supposing (P1*), the infinitesimal mean is the same as the average
Theorem 3 formally states that processes subordinate to simple (and hence equi-dispersed) MCPs are equivalent to solutions of \( \lambda(n) \) arising from white noise in the rate function of the MCP, in Kolmogorov’s backward differential system by the stochastic process \( \{\lambda(n, \eta(t))\} \) (see Appendix B for a formal definition). However, by taking \( \{\eta(t)\} \) to be a suitable white noise process, we differ from \([28,35]\) by constructing processes which will be shown to be unconditionally Markov. The consideration of non-white noise is no doubt appropriate in some applications, but white noise provides a relatively simple extension to infinitesimally equi-dispersed processes controlled by a single parameter for the magnitude of the noise. Staying within the class of Markov processes also facilitates both theoretical and numerical analysis of the resulting models.

The noise process \( \{\eta(t)\} \) could enter \( \lambda(n) \) additively or multiplicatively. Given the non-negativity constraint on the infinitesimal rate functions, multiplicative non-negative noise is a simple and convenient choice. We refer to white noise, \( \{\xi(t)\} \equiv \{dL(t)/dt\} \), as the derivative of an integrated noise process \( \{L(t)\} \) which has stationary independent increments. Note that we do not necessarily require that the mean of \( L(t) \) is zero. Although \( \{\xi(t)\} \) may not exist, in the sense that \( \{L(t)\} \) may not have differentiable sample paths, \( \{\xi(t)\} \) can nevertheless be given formal meaning \([24,4]\). Restricting \( \{\xi(t)\} \) to non-negative white noise, the family of increasing Lévy processes provides a rich class from which to choose the integrated noise \( \{L(t)\} \). Multiplicative unbiased noise is achieved by requiring \( E[\Delta L(t)] = t \), in which case \( \lim_{h \downarrow 0} E[\Delta L(t)]/h = 1 \).

From an alternative perspective, in the context of the general theory of Markov processes, random time change or subordination of an initial process is a well established tool for obtaining new processes. Following Sato \([31]\), let \( \{M(t)\} \) (the directing process) be a temporally homogeneous Markov process and \( \{L(t)\} \) (the subordinator) be an increasing Lévy process. Any temporally homogeneous Markov process \( \{N(t)\} \) identical in law to \( \{M \circ L(t)\} \equiv \{M(L(t))\} \) is said to be subordinate to \( \{M(t)\} \) by the subordinator \( \{L(t)\} \).

Theorem 3 formally states that processes subordinate to simple (and hence equi-dispersed) MCPs are equivalent to solutions of Lévy-driven stochastic differential equations resulting from introducing unbiased multiplicative Lévy white noise in the deterministic Kolmogorov backward differential system of the directing process. This gives us a license to interpret noise on the rate of a MCP as subordination of the MCP to a Lévy process. This guarantees, under the very general condition of continuity of the transition probabilities of the directing process \( \{M(t)\} \),
that the resulting subordinate process will remain Markovian [13, page 347]. In Section 3.1, we obtain exact results when investigating concrete examples of over-dispersion by exploiting this connection between gamma white noise in the rates and gamma subordinators. To preserve the flow of the main themes of this paper, the technical details involved in the link between subordination and stochastic rates, including definitions of the quantities in Theorem 3 and the proof, are deferred to Appendix B.

Theorem 3 (Lévy White Noise and Subordination). Consider the simple, time homogeneous, stable and conservative Markov counting process \( \{M_\lambda(t)\} \) defined by the rate function \( \lambda(m) \). Let \( \{L(t)\} \) be a non-decreasing, Lévy process with \( L(0) = 0 \) and \( E[L(t)] = t \). Let \( \{M_\lambda \xi(t)\} \) be the process resulting from introducing unbiased, non-negative, multiplicative, Lévy white noise \( \{\xi(t)\} \equiv \{dL(t)/dt\} \) in the rate of \( \{M_\lambda(t)\} \), defined as the solution to the Lévy-driven Kolmogorov backward differential system in (B.3). Then, if this solution exists and is unique,

\[
M_\lambda \xi(t) \sim M_\lambda \circ L(t) \sim M_\lambda \left( \int_0^t \xi(u) \, du \right).
\]

3.1. Processes subordinate to simple MCPs obtained from gamma subordinators

A convenient candidate for the non-negative continuous-time noise is gamma noise. In this case, the integrated noise process \( L(t) = \Gamma(t) \) is a Gamma process defined to have independent, stationary increments with \( \Gamma(t) - \Gamma(s) \sim \text{Gamma}(\lfloor t-s \rfloor / \tau, \tau) \). Here, \( \text{Gamma}(a, b) \) is the gamma distribution with mean \( ab \) and variance \( ab^2 \). In Sections 3.1.1–3.1.3, we study the inclusion of gamma noise in the rates of three widely used infinitesimally equi-dispersed processes: the Poisson process, linear birth process and linear death process.

Following the convention for naming of subordinate processes [31], we will place the name of the original process first, followed by the name of the driving subordinating noise. We have chosen to study in detail the Poisson, linear birth and linear death processes because they are basic blocks widely used for building more complex, multi-process models, such as compartmental models used in population dynamics and queuing networks in engineering. What makes these three processes fundamental is that they capture in the simplest way, i.e. linearly, the most common possibilities in real applications—namely, events that by occurring “kill” the potential for future events (death process, or negative feedback); events that “reproduce” meaning that their occurrence fuels that of future events (birth process, or positive feedback); and events which occur independently of the events which have already happened (Poisson, or immigration process, or no feedback). For these processes we provide three results: their first two moments about the mean, which show they are indeed infinitesimally over-dispersed; the distribution of the counting process, which allows for exact, direct simulation of the counting process; and a closed form for the transition rates, which fully characterize the processes and may be used for exact simulation of the event times of the point process and for indirect, exact simulation of the counting process by aggregation.

3.1.1. The Poisson gamma process

We construct an infinitesimally over-dispersed Poisson process. This is a special case of the general compound Poisson process [9], which can be constructed as independent jumps from an arbitrary distribution occurring at the times of a Poisson process. Our alternative construction, derived through introducing white noise on the rate, has an advantage that it can be applied
(as we show) not just to Poisson processes but also to more general univariate and multivariate processes.

**Proposition 4 (Poisson Gamma Process).** Let \( \{M(t)\} \) be a MCP with \( q(m, 1) = \alpha \) and \( q(m, k) = 0 \) for \( k > 1 \), i.e. a time homogeneous Poisson process with rate \( \alpha \). Let \( \{\xi(t)\} \equiv \{d\Gamma(t)/dt\} \) be continuous-time gamma noise, where \( \Gamma(t) \sim \text{Gamma}(t/\tau, \tau) \) with \( \tau \) parameterizing the magnitude of the noise. Define the subordinate process \( \{N(t)\} = \{M(\Gamma(t))\} \), which can be interpreted via **Theorem 3** as a Poisson process with a stochastic rate \( \alpha \xi(t) \). \( \{N(t)\} \) is a compound infinitesimally over-dispersed MCP with increment probabilities

\[
    P(\Delta N(t) = k|N(t) = n) = \frac{G(\tau^{-1}h + k)}{k!G(\tau^{-1}h)} p^{-1} \tau^{-1}h (1 - p)^k, \quad \text{for } k \in \mathbb{N},
\]

where \( p = (1 + \tau \alpha)^{-1} \) and \( G \) is the gamma function. The transition rates are \( q(n, k) = (\tau k)^{-1}(1 - p)^k \) for \( k \geq 1 \). The intensity is \( \lambda(n) = (1 + \tau \alpha) \ln(1 + \tau \alpha) \). The infinitesimal moments are \( \mu_{dN}(n) = \alpha \) and \( \sigma_{dN}^2(n) = \alpha (1 + \tau \alpha) \) with infinitesimal dispersion \( D_{dN}(n) = 1 + \tau \alpha \).

3.1.2. The binomial gamma process

Here, we consider multiplicative gamma noise on the rate of a linear death process. This process has been proposed as a model for biological populations [4], although it was defined as the limit of discrete-time stochastic processes rather than as the solution to the Lévy-driven Kolmogorov differential system of (B.3). It is standard to define death processes as decreasing processes; however our general framework constructs counting processes which are necessarily increasing. Thus, we count cumulative deaths rather than recording the size of the remaining population.

**Proposition 5 (Binomial Gamma Process).** Let \( \{M(t)\} \) be a MCP with \( q(m, 1) = \delta(d_0 - m)I\{m \geq d_0\} \) and \( q(m, k) = 0 \) for \( k > 1 \), i.e. the counting process associated with a linear death process having individual death rate \( \delta \in \mathbb{R}^+ \) and initial population size \( d_0 \in \mathbb{N} \). Let \( \{\xi(t)\} \equiv \{d\Gamma(t)/dt\} \) be continuous-time gamma noise, where \( \Gamma(t) \sim \text{Gamma}(t/\tau, \tau) \) with \( \tau \) parameterizing the magnitude of the noise. Define \( \{N(t)\} = \{M(\Gamma(t))\} \), which corresponds to a death process with a stochastic rate \( \delta \xi(t) \) via **Theorem 3**. \( \{N(t)\} \) is a compound infinitesimally over-dispersed MCP with increment probabilities

\[
    P(\Delta N(t) = k|N(t) = n) = \binom{d_0 - n}{k} \sum_{j=0}^{k} \binom{k}{j} (-1)^{k-j} (1 + \delta \tau(d_0 - n - j))^{-h \tau^{-1}},
\]

for \( k \in \{0, \ldots, d_0 - n\} \) and transition rates

\[
    q(n, k) = \binom{d_0 - n}{k} \sum_{j=0}^{k} \binom{k}{j} (-1)^{k-j+1} \tau^{-1} \ln(1 + \delta \tau(d_0 - n - j)),
\]

for \( k \in \{1, \ldots, d_0 - n\} \) with \( n < d_0 \). The intensity is \( \lambda(n) = (1 + \delta \tau(d_0 - n)) \) and the infinitesimal moments and dispersion are

\[
    \mu_{dN}(n) = (d_0 - n) \tau^{-1} \ln(1 + \delta \tau),
\]

\[
    \sigma_{dN}^2(n) = \mu_{dN}(n) + (d_0 - n) \tau^{-1} \left[ (d_0 - n - 1) \ln \left( \frac{(1 + \delta \tau)^2}{1 + 2\delta \tau} \right) \right],
\]
Proposition 5
that the binomial gamma process is infinitesimally over-dispersed
Hence, \( \{N(t)\} \) is infinitesimally over-dispersed for \( N(t) < d_0 - 1 \) and equi-dispersed for \( N(t) = d_0 - 1 \).

We see from Proposition 5 that the binomial gamma process is infinitesimally over-dispersed as long as there is more than one individual alive from the initial population of \( d_0 \) individuals. However, this over-dispersion decreases with the number of remaining individuals, until infinitesimal equi-dispersion is reached, when there is only one individual left.

3.1.3. The negative binomial gamma process

Unlike for the death process, when introducing gamma noise to the birth process we are only able to show the existence of moments imposing a restriction on the parameter space. In particular, the birth rate of the original process imposes an upper bound on the infinitesimal over-dispersion. When this restriction does not hold, the moments of the resulting process do not exist, and hence our dispersion index is not defined. We include the derivations with gamma noise for consistency with the over-dispersed Poisson and death process. Considering a common subordinator for all three processes has the advantage that it leads naturally to multivariate extensions in which over-dispersed univariate processes are combined to construct multivariate models. It would be possible to use other subordinators, such as the inverse Gaussian process, for which the moment generating function is available in closed form.

Proposition 6 (Negative Binomial Gamma Process). Let \( \{M(t)\} \) be a MCP with \( q(m, 1) = \beta m \mathbb{I}[m > 0] \) and \( q(m, k) = 0 \) for \( k > 1 \), i.e. a linear birth process having individual birth rate \( \beta \in \mathbb{R}^+ \). Let \( \{\xi(t)\} \equiv \{d\Gamma(t)/dt\} \) be continuous-time gamma noise, where \( \Gamma(t) \sim \text{Gamma}(t/\tau, \tau) \) with \( \tau \) parameterizing the magnitude of the noise. Define \( \{N(t)\} = \{M(\Gamma(t))\} \), which corresponds to a birth process with a stochastic rate \( \beta \xi(t) \) via Theorem 3. \( \{N(t)\} \) is a compound infinitesimally over-dispersed MCP with increment probabilities

\[
P(\Delta N(t) = k | N(t) = n) = \binom{n+k-1}{k} \left( -1 \right)^{k-j} \left( 1 + \beta \tau (n+k-j) \right)^{-\kappa \tau^{-1}}, \quad \text{for } k \in \mathbb{N},
\]

and transition rates

\[
q(n, k) = \binom{n+k-1}{k} \sum_{j=0}^{k} \binom{k}{j} \left( -1 \right)^{k-j+1} \tau^{-1} \ln \left( 1 + \beta \tau (n+k-j) \right), \quad \text{for } k \geq 1,
\]

for \( n \in \mathbb{N} \). The intensity is \( \lambda(n) = \tau^{-1} \ln (1 + \beta \tau n) \). For \( 2\beta \tau < 1 \), the infinitesimal moments and dispersion are

\[
\mu_d N(n) = n \tau^{-1} \ln \left( \frac{1}{1 - \beta \tau} \right), \quad \sigma_d^2 N(n) = \mu_d N + n \tau^{-1} \left[ (n-1) \ln \left( \frac{(1 - \beta \tau)^2}{1 - 2\beta \tau} \right) \right],
\]

\[
D_d N(n) = 1 + (n-1) \left[ \frac{2 \ln(1 - \beta \tau) - \ln(1 - 2\beta \tau)}{-\ln(1 - \beta \tau)} \right].
\]

Hence, \( \{N(t)\} \) is infinitesimally over-dispersed for \( N(t) > 1 \) and equi-dispersed for \( N(t) = 1 \).
3.1.4. The bivariate binomial gamma process

In some special cases, subordination can enable construction of multivariate over-dispersed MCPs. A simple example of this occurs when a single subordinator is applied to two independent simple MCPs. This corresponds to two processes which are conditionally independent but have the same noise process applied to each rate. Such processes arise in, for example, disease transmission models [26]: if new infections are split into mild and severe cases, then the two processes will suffer the same transition rate variability due to weather and heterogeneous human social aggregation. In Proposition 7, we consider the case of two death processes coupled by sharing a common stochastic per-capita death rate. More generally, one could consider dependent processes with different transition rates and affected by non-identical but correlated noise processes. The proof of Proposition 7 is similar to the proof of Proposition 5, and is available in a technical report [5]. In the statement and proof of the proposition, we implicitly extend the definition given for the transition rate in (1) to the bivariate case. This extension is formalized later in Eq. (11).

**Proposition 7 (Bivariate Binomial Gamma Process).** Let \( \{M_1(t)\} \) and \( \{M_2(t)\} \) be independent MCPs with \( q(m_i, 1) = \delta(d_{i0} - m_i) \mathbb{I}[m_i < d_{i0}] \) and \( q(m_i, k_i) = 0 \) for \( k_i > 1 \) and \( i = 1, 2 \), i.e. the counting processes associated with two independent linear death processes having an equal individual death rate \( \delta \in \mathbb{R}^+ \) and initial population sizes \( d_{i0} \in \mathbb{N} \). Let \( \{\xi(t)\} \equiv \{d\Gamma(t)/dt\} \) be continuous-time gamma noise, where \( \Gamma(t) \sim \text{Gamma}(t/\tau, \tau) \) with \( \tau \) parameterizing the magnitude of the noise. Define \( \{N_i(t)\} = \{M_i(\Gamma(t))\} \), for \( i = 1, 2 \), corresponding to two death processes each having stochastic rate \( \delta \xi(t) \) via Theorem 3. \( \{N_1(t)\} \) and \( \{N_2(t)\} \) are compound infinitesimally over-dispersed MCPs with joint increment probabilities

\[
P(\Delta N_i(t) = k_i | N_i(t) = n_i) = \left(\frac{d_{i0} - n_1}{k_1}\right) \left(\frac{d_{i0} - n_2}{k_2}\right)^{k_1 + k_2 - j} \sum_{j=0}^{k_i} \binom{k_1 + k_2}{j} (-1)^{k_1 + k_2 - j} \times (1 + \delta \tau(d_{i0} + d_{i0} - n_1 - n_2 - j))^{-h \tau^{-1}}
\]

for \( k_i \in \{0, \ldots, d_{i0} - n_i\} \). The transition rates of the bivariate Markov chain \( \{N_1(t), N_2(t)\} \) are

\[
q((n_1, n_2), (k_1, k_2)) = \left(\frac{d_{i0} - n_1}{k_1}\right) \left(\frac{d_{i0} - n_2}{k_2}\right)^{k_1 + k_2 - j} \sum_{j=0}^{k_i} \binom{k_1 + k_2}{j} (-1)^{k_1 + k_2 - j + 1} \times \ln(1 + \delta \tau(d_{i0} + d_{i0} - n_1 - n_2 - j))
\]

for \( n_i < d_{i0} \) and \( k_i \in \{1, \ldots, d_{i0} - n_i\} \). The marginal transition rates, increment probabilities and infinitesimal moments of \( \{N_i(t)\} \) are the same as those of a binomial gamma process. The infinitesimal covariance of \( \{N_1(t)\} \) and \( \{N_2(t)\} \) is

\[
\sigma_{dN_1dN_2}(n_1, n_2) = \lim_{h \downarrow 0} \text{Cov}[N_1(t + h) - N_1(t), N_2(t + h) - N_2(t) | N_1(t) = n_1, N_2(t) = n_2]
\]

\[
= (d_{i0} - n_1)(d_{i0} - n_2)\tau^{-1} \ln \left(\frac{(1 + \delta \tau)^2}{1 + 2\delta \tau}\right) > 0.
\]

3.2. The binomial beta process

An alternative to the subordination construction of Section 3.1 is to define noise on the rate of a continuous-time MCP via a limit of discrete-time processes [4]. Here, we investigate a
specific example of an infinitesimally over-dispersed death process. As we will see in Section 4, infinitesimally over-dispersed death processes play a useful role in constructing over-dispersed multivariate models. An inconvenience of the binomial gamma process is that its infinitesimal moments are a nonlinear system of two equations which, to obtain a desired mean and variance, needs to be solved numerically. A moment-based parameterization allows us to easily change the variability (via the variance) for a fixed location (fixing the mean), facilitating the interpretation of the parameters. In the context of counting processes, such parameterization has the additional advantage that it permits a direct and straightforward comparison with analogous stochastic differential equations. This motivates an alternative over-dispersed death process model, the binomial beta process defined below, which can be easily parameterized in terms of the infinitesimal moments.

Instead of introducing continuous-time noise to the rates, we consider introducing it directly to the transition probabilities of the death process. Since probabilities must be constrained to the unit interval we need to consider an alternative to gamma noise, and a convenient choice is beta noise. The construction of a beta process as a process with beta independent increments is not, however, straightforward [21]. Our construction of compound processes based on noise introduction consisting in taking limits of discrete-time processes avoids this difficulty. Let \( \{M(t)\} \) be a MCP with \( q(m, 1) = \delta(d_0 - m)\delta(m < d_0) \) and \( q(m, k) = 0 \) for \( k > 1 \), i.e. the counting process associated with a linear death process having individual death rate \( \delta \) and initial population size \( d_0 \in \mathbb{N} \). The increments of \( \{M(t)\} \) are binomially distributed,

\[
M(t + h) - M(t) \mid M(t) \sim \text{Binom}(d_0 - M(t), \pi(h)) \quad \text{for} \quad \pi(h) = 1 - e^{-\delta h}.
\]

We consider a discrete-time process \( \{M_h(t), t \in [0, h, 2h, \ldots]\} \), defined by constructing a sequence of independent, identically distributed random variables \( \Pi_0, \Pi_1, \ldots \) and setting

\[
M_h ((i + 1)h) - M_h(ih) \mid M_h(ih), \Pi_i \sim \text{Binom}(d_0 - M_h(ih), \Pi_i).
\]

To interpret \( \Pi_i \) as noise added to \( \pi(h) \), we require \( E[\Pi_i] = \pi(h) \) and \( \Pi_i \in [0, 1] \). If a finite limit

\[
q(n, k) = \lim_{h \to 0} h^{-1} \left[ P(M_h(h) - M_h(0) = k \mid M_h(0) = n) \right]
\]

exists for each \( n < d_0 \) and \( k \in \{1, \ldots, d_0 - n\} \), with \( \sum_k q(n, k) < \infty \), then we define \( \{N(t)\} \) to be a MCP with these transition rates. The binomial beta process corresponds to the specific choice \( \Pi_i \sim \text{Beta}(a, b) \), the beta distribution having mean \( a/(a + b) \) and variance \( ab/((a + b)^2(a + b + 1)) \), with \( a = c\pi(h) \) and \( b = c(1 - \pi(h)) \). Here, \( c > 0 \) is an inverse noise parameter in the sense that it does not affect the mean of \( \Pi_i \) and the variance \( V[\Pi_i] = \pi(h) (1 - \pi(h)) (c + 1)^{-1} \) is a decreasing function of \( c \). **Proposition 8** shows that this choice leads to a well-defined process and identifies its infinitesimal mean and variance.

**Proposition 8** (Binomial Beta Process). Let \( \{N(t)\} \) be the binomial beta process constructed above, with initial population size \( d_0 \), individual death rate \( \delta \) and noise parameter \( c \). \( \{N(t)\} \) is an infinitesimally over-dispersed compound Markov counting process with transition rates being

\[
q(n, k) = \binom{d_0 - n}{k} \frac{G(k)G(c + d_0 - n - k)}{G(c + d_0 - n)} c^k \delta
\]

for \( n < d_0 \) and \( k \in \{1, \ldots, d_0 - n\} \) and zero otherwise. The infinitesimal mean is \( \mu_{dN}(n) = (d_0 - n)\delta \). The infinitesimal variance is \( \sigma_{dN}^2(n) = (1 + \omega(n)) \mu_{dN}(n) \) where \( \omega(n) = (d_0 - n - 1)(c + 1)^{-1} \). The infinitesimal dispersion is therefore \( D_{dN}(n) = 1 + \omega(n) \), and so the process is
infinitesimally over-dispersed when $N(t) < d_0 - 1$ and, since $\omega(d_0 - 1) = 0$, it is equi-dispersed when $N(t) = d_0 - 1$.

Although the infinitesimal moments of the binomial beta process have a simpler form than those of the binomial gamma process, we no longer obtain an expression for the increment probabilities. Hence, exact simulation of the counts is only possible (with the present results) by aggregation from exact event time simulation based on the transition rates provided.

A similar construction of a negative binomial beta process would follow by adding noise to the individual birth event probability for a sequence of discrete-time birth process, i.e. defining a sequence of random variables with mean $\pi(h) = 1 - e^{-\beta h}$ taking values in the unit interval. As for the binomial beta process, this construction would provide a more convenient parameterization in terms of infinitesimal moments.

4. Markov counting systems and their infinitesimal dispersion

Models for queues, networks of queues, or biological systems may involve multiple interacting counting processes. We discuss such processes in the context of an example drawn from the study of infectious diseases, specifically measles transmission dynamics. This example is presented as a scientific application of the processes developed in Section 3. However, it also motivates a general model for dependent MCPs which we call a Markov counting system. We propose a definition of infinitesimal dispersion for such a system which extends the definition for a MCP. One can go beyond this to extend the formalities of Sections 2 and 3 to these systems, and such a program is described in a technical report [5].

There are two distinct motivations for modeling simultaneous events. Firstly, the process in question may indeed have such occurrences, and such applications arise in modeling production systems and rental businesses [30], physical processes and quantum optics [17] and internet traffic [27]. Secondly, the process may have clusters of event times that are short compared to the scale of primary interest. For example, in some applications only aggregated counts and not event times are available, and in this case any clustering time scale which is shorter than the aggregation time scale may be appropriately modeled by simultaneous events. Modeling disease transmission falls into this latter category. It is hard to imagine having exact event time data, and at sufficiently fine time scales the events of becoming infected, infectious and recovered are not even well defined. However, it is easy to imagine clusters of event times, for example, multiple infections caused by a sneeze on a crowded bus. The conceptual, theoretical and computational convenience of Markov processes has led to their widespread use for modeling disease transmission processes. In the past, a modeling hypothesis where events occur non-simultaneously has been favored. This assumption, which has often been made without much consideration of alternatives, can eliminate the possibility of a good statistical fit to data, since we have shown that simultaneous events are required in order for MCPs and Markov counting systems to obtain the over-dispersion observed in data.

Worldwide, measles remains a leading cause of vaccine-preventable death and disability [14]. Global eradication of this highly infectious disease by intensive vaccination would be difficult but perhaps not impossible [10]. A fundamental class of models for measles transmission places each individual into exactly one of four compartments termed susceptible (S), exposed and carrying a latent infection (E), infected and infectious (I) and recovered or removed (R). Much previous analysis of SEIR models has employed continuous-time Markov chain models in which simultaneous transitions are assumed not to occur. On the basis of the results of Section 2,
as a Markov chain gives a diagrammatic representation of a SEIR model. Fig. 1 with transition rates. One might expect that such models rule out infinitesimal over-dispersion in a multivariate sense. SEIR-type Markov chain models for disease transmission with gamma noise added to the transition rates have been demonstrated to give an improved fit to data [4,20]. Here, we show how these stochastic rate Markov chain models can be constructed and generalized using infinitesimally over-dispersed MCPs.

The weighted directed graph in Fig. 1 gives a diagrammatic representation of a SEIR model. The four compartments \( \{S, E, I, R\} \) are represented by boxed nodes. The circled nodes \( \{B, D\} \) are used notationally to discuss flows into and out of the population, representing the biological birth and death of individuals. Arrows are used to indicate the possibility of transitions between nodes, with labels parameterizing the transition rates. The state of the system at time \( t \) is given by the number of individuals in each compartment and is written as \((S(t), E(t), I(t), R(t))\). The standard interpretation of Fig. 1 as a Markov chain [25] has transition rates conditional on \( X(t) = (s, e, i, r) \), using the notation of Eq. (11), given by

\[
Q[(s, e, i, r), (s - 1, e + 1, i, r)] = v_{SE}(i, t) s I \mathbb{1}[s > 0],
\]

\[
Q[(s, e, i, r), (s + 1, e, i, r)] = v_{BS}(t),
\]

\[
Q[(s, e, i, r), (s, e - 1, i + 1, r)] = v_{EI} e I \mathbb{1}[e > 0],
\]

\[
Q[(s, e, i, r), (s, e, i - 1, r + 1)] = v_{IR} i I \mathbb{1}[i > 0],
\]

\[
q[(s, e, i, r), (s - 1, e, i, r)] = v_{SD} s \mathbb{1}[s > 0],
\]

\[
Q[(s, e, i, r), (s, e - 1, i, r)] = v_{ED} e I \mathbb{1}[e > 0],
\]

\[
Q[(s, e, i, r), (s, e, i - 1, r)] = v_{ID} i I \mathbb{1}[i > 0],
\]

\[
Q[(s, e, i, r), (s, e, i, r - 1)] = v_{RD} r \mathbb{1}[r > 0],
\]

and zero otherwise. Here, \( v_{SE}(i, t) = \beta(t)(i + \gamma) \) where \( \beta(t) \) is a seasonally varying constant and \( \gamma \) models an external source of infections. The population birth rate \( v_{BS}(t) \) and per-capita death rate \( v_{SD} = v_{ED} = v_{ID} = v_{RD} \) are considered known from census data. Mortality from measles has become negligible in developed countries and is ignored. The remaining per-capita rate parameters, \( v_{EI} \) and \( v_{IR} \), are treated as constants. Bretó et al. [4] and He et al. [20] proposed introducing gamma noise to \( v_{SE}(i, t) \) by replacing (7) with

\[
Q[(s, e, i, r), (s - k, e + k, i, r)]
\]

\[
= \binom{s}{k} \sum_{j=0}^{k-1} \binom{k}{j} (-1)^{k-j+1} \tau^{-1} \ln (1 + v_{SE}(i, t) \tau(s - j)) \quad \text{for } k = 1, \ldots, s.
\]

This may be interpreted as the transition rate of the binomial gamma process in (6) with remaining population size \( d_0 - n = s \) and with per-capita ‘death’ rate \( \delta = v_{SE}(i, t) \). Here, ‘deaths’ correspond to transitions from \( S \) to \( E \), and at time \( t \) there are \( s \) individuals available.
to make this transition. The magnitude of the noise on the transition rate is parameterized by \( \tau \), and (9) reduces to (7) in the limit as \( \tau \to 0 \). This interpretation of (9) provides a general approach for introducing white noise to rates that depend on time and the states of other compartments. One can first add white noise to an appropriate homogeneous process, as was done in Section 3. Then one can introduce dependencies by making the fixed parameters of the homogeneous process functions of time (e.g., in \( v_{BS}(t) \)), the current state of the system or both (e.g., in \( v_{SE}(i, t) \)). We thereby avoid the consideration of subordination in multivariate and time inhomogeneous settings. Replacing (7) by (9) only affects the infinitesimal properties (mean, variance and dispersion) of the \( SE \) transitions but not those of other transitions. This assertion is checked as part of the formal treatment of the multivariate extension in a technical report \([5]\). As a consequence, the interpretation of the rest of transition rates and parameters remains unaltered by the addition of the infinitesimal variability. Also, the infinitesimal properties of the \( SE \) transition follow directly from the univariate results (already available from Section 3), unaffected by the other transitions or by whether independent additional variability is added to them.

Inference for either the standard model or the over-dispersed version (9) is complicated by the availability of only incomplete observations consisting of biweekly case reports. Modeling these data as the newly infected individuals in the corresponding time period, scaled by a reporting rate and perturbed by a measurement error, gives rise to a partially observed Markov process known as a state space model \([32]\). The likelihood of such a nonlinear state space model may be evaluated and maximized by Monte Carlo methods. He et al. \([20]\) carried out such a procedure for measles data from London, England, and obtained a 95% confidence interval for \( \tau \) of [0.053, 0.10]. Including over-dispersion is therefore mandated for the data, in the context of this model. A specific consequence of failure to include over-dispersion is that parameter estimates are biased toward models that allow increased stochastic variability. In our measles example, the mean infectious and latent periods were estimated to be close to the lower range of previously available estimates based on clinical experiments when over-dispersion was not allowed for. When allowing for over-dispersion, the estimates changed to the upper range \([20]\). The effect of over-dispersion on parameter estimates is a consequence of nonlinearity in the model. For linear models, over-dispersion affects estimates of the uncertainty of parameter estimates but not the estimates themselves \([29]\).

If one wished to add noise to the population birth rate \( v_{BS}(t) \), one could modify the inhomogeneous Poisson process specified in (8) by using the transition rates for the Poisson gamma process of Section 3. If births were modeled as a per-capita rate, rather than on the basis of census data, then the natural simple model would be \( Q \{(s, e, i, r), (s + 1, e, i, r)\} = v_{BS}(t)p\{p > 0\} \) where \( p = s + e + i + r \). To include noise in the rate of this negative binomial process (i.e., linear birth process), one could make use of the negative binomial gamma process. The binomial beta process provides an alternative construction for modeling stochastic rates in (7).

From a biological perspective, mechanisms for over-dispersion in the force of infection could be variations in transmissibility (modulated by temperature or humidity) or variations in contact rates between individuals (due to aggregations such as large sporting events). From a statistical perspective, any misspecification could result in the data requiring over-dispersion when fitting a model. This is an instance of the common statistical issue of distinguishing the extent to which model prediction errors are driven by model misspecification (i.e., imperfect knowledge of the system) versus genuine stochasticity in the system.

To generalize this measles transmission example, let \( C \) be a finite collection of compartments, corresponding to \( C = \{S, E, I, R\} \) in Fig. 1. Let \( A \) be a finite collection of auxiliary nodes,
corresponding to $A = \{B, D\}$ in Fig. 1. The collection of possible transitions consists of pairs of compartments/nodes in $T \subset (C \times C) \cup (C \times A) \cup (A \times C)$ with the prohibition of reflexive transitions of the type $((i, i))$ for $i \in C$. In Fig. 1, $T = \{(B, S), (S, E), (E, I), (I, R), (S, D), (E, D), (I, D), (R, D)\}$.

We consider a collection of counting processes $\{N(t)\} = \{N_{ij}(t) : t \in \mathbb{R}^+, (i, j) \in T\}$ where $\{N_{ij}(t)\}$ counts events of the $ij$ type. We now define a process $\{X(t) : c \in C, t \in \mathbb{R}^+\}$ by

$$X_c(t) = X_c(0) + \sum_{(i.c) \in T} N_{ic}(t) - \sum_{(c,j) \in T} N_{cj}(t).$$

We suppose that $\{X(t), N(t)\}$ is a continuous-time Markov chain defined by the transition rates

$$q(x, k) \equiv Q[(x_1, \ldots, x_c), (x_1 + u_1, \ldots, x_c + u_c)] = \lim_{h \to 0} \frac{P(N(t + h) = n + k, X(t + h) = x + u | X(t) = x, N(t) = n)}{h}$$

where $k = \{k_{ij}, (i, j) \in T\} \in \mathbb{N}^T$ and $u = \{u_c, c \in C\}$ with $u_c = \sum_{(i,c) \in T} k_{ic} - \sum_{(c,j) \in T} k_{cj}$. Our notation for transition rates uses lower case $q$ when the arguments are the states of origin and the increments of the counting processes, following our univariate MCP notation. We use upper case $Q$ when the arguments are the states from which and to which the transition occurs. Note that the rates in (11) are assumed to depend on $x$ but not $n$, and hence $\{X(t)\}$ is itself a Markov chain. We suppose that all other transition rates for $\{X(t), N(t)\}$ are zero. We call $\{X(t)\}$, constructed in this way, a Markov counting system (MCS). Although we have assumed temporal homogeneity when specifying (11), the class of models can readily be extended to include dependence on time. As demonstrated in the measles SEIR example above, it can be convenient to add temporal inhomogeneity after defining stochastic rates in the context of a suitable time homogeneous version of the model.

We call a MCS simple if $q(x, k) > 0$ only when $k_{ij} = 1$ for some $(i, j) \in T$ and $k_{\ell m} = 0$ for $(\ell, m) \neq (i, j)$. Similarly, we call a MCS compound if $q(x, k) > 0$ only when $k_{ij} > 0$ for some $(i, j) \in T$ and $k_{\ell m} = 0$ for $(\ell, m) \neq (i, j)$. In words, a simple MCS has only single individuals moving between compartments. A compound MCS is one where simultaneous transitions of the same type are allowed, but simultaneous transitions of different types are not allowed. These two MCS types may be defined in terms of transition rates $q_{ij}(x, k) \equiv q(x, 1_{ij}k)$ where $1_{ij}$ is a vector of zeros with a one in the $ij$ position. In general, (11) permits simultaneous events of mixed types, including the bivariate binomial gamma process of Section 3.1.4. Simple MCS models are widely used in science and engineering [15,25]. Compound MCS processes, interpreted as adding white noise to the rate of a simple MCS, can be constructed by writing $q_{ij}(x, k)$ in terms of the processes developed in Section 3, as illustrated above with the SEIR model. Specifically, if $i \in C$ then one could set $q_{ij}(x, k) = q(x_i, k)$ where $x = \{x_c, c \in C\}$ and $q(x_i, k)$ is the transition rate function for the binomial gamma or binomial beta process. An example of this is the replacement of (7) by (9) to add noise to the transmission rate in the SEIR model. When the components of $\{X(t)\}$ have non-negativity constraints (e.g. the SEIR model, where the number of individuals in each compartment must be non-negative at all times), an unbounded process such as the Poisson gamma process or negative binomial gamma process is inappropriate. When new individuals enter the system, either as immigrants or as newborns, then $i \in A$. In the case of immigration it might be appropriate to set $q_{ij}(x, k) = q(k)$ where $q(k)$ is the transition rate function of the Poisson gamma. Alternatively, modeling new arrivals into
the system as a birth process with stochastic rates suggests setting \( q_{ij}(x, k) = q(x_j, k) \) where \( q(x_j, k) \) is the negative binomial gamma transition rate function. Bivariate dependence, with simultaneous events of mixed type, could be constructed by incorporating a process such as the bivariate binomial gamma process of Section 3.1.4.

The discussion of the SEIR example above might serve as a starting point for formalizing a general approach and framework for constructing multivariate systems using simpler lower-dimensional components (including univariate compound MCPs) as ‘building blocks’ whose transition rates can be ‘stacked’ to construct MCS models. Some progress in this direction is obtained in a technical report [5], and here we summarize these results. We show that, using an appropriate extension of conditions (P1) and (P2), a MCS constructed via blocks inherits the infinitesimal behavior of the individual blocks. We define infinitesimal dispersion of a MCS for each pair \((i, j) \in \mathcal{T}\) in terms of the increments of the counting processes \(\{N_{ij}(t)\}\):

\[
\begin{align*}
D_{dX}^{ij}(x) & \equiv \lim_{h \downarrow 0} \frac{h^{-1} V[N_{ij}(t + h) - N_{ij}(t)|\mathcal{X}(t) = x]}{\lim_{h \downarrow 0} h^{-1} E[N_{ij}(t + h) - N_{ij}(t)|\mathcal{X}(t) = x]} \\
& \equiv \frac{\sigma^2_{dX}^{ij}(x)}{\mu_{dX}^{ij}(x)}.
\end{align*}
\]

Theorem D2 in the technical report [5] implies that, under general regularity conditions, (i) a simple MCS is necessarily infinitesimally equi-dispersed for all \((i, j) \in \mathcal{T}\); (ii) a compound MCS is infinitesimally over-dispersed for and only for index pairs \((i, j)\) for which \(q(x, k) > 0\) for some \(k\) with \(k_{ij} > 1\); and (iii) for each pair \((i, j)\), the infinitesimal dispersion \(D_{dX}^{ij}(x)\) is determined only by transition rates involving \(i-j\)-type transitions. In other words, results for the univariate setting of Sections 2 and 3 extend to multivariate systems of counting processes.

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**Appendix A. Proof of Theorem 1**

Let \(\{P(t)\}\) be a conditional Poisson process with event rate \(\tilde{\Lambda}(t)\). All probabilities and expectations in the remainder of this proof are conditional on \(N(t) = n\) (in addition to other conditioning, where appropriate). Then, since \(\Delta N(t)\) is non-negative,

\[
E[\Delta N(t)] = E[\Delta N(t)I[\Delta N(t) > 0]] = E[I[\Delta N(t) = 1] + \Delta N(t)I[\Delta N(t) > 1]]. \tag{A.1}
\]

Now, it is immediate that \(E[I[\Delta N(t) = 1]] = \lambda(n)h + o(h)\). Also, since \(\{N(t)\}\) is simple, \(\{\Delta N(t)\}\) is stochastically smaller than \(\{\Delta P(t)\}\) and

\[
E[I[\Delta N(t) > 1]] \leq E[I[\Delta P(t) > 1]] = E[E[\Delta P(t)I[\Delta P(t) > 1]|\tilde{\Lambda}(t)]]
\]

|
Using (A.1) with $N(t)$ replaced by $P(t)$, noting also that $E\left[\Delta P(t)\right] = h\Lambda(t)$ and $E\left[\Delta P(t) = 1\right]|\Lambda(t) = h\Lambda(t)\exp\left\{-h\Lambda(t)\right\}$, it follows that

$$E\left[\Delta N(t)\mid\Delta N(t) > 1\right] = E\left[h\Lambda(t) - h\Lambda(t)\exp\left\{-h\Lambda(t)\right\}\right] = E\left[h\Lambda(t)\left(1 - \exp\left\{-h\Lambda(t)\right\}\right)\right].$$

It follows by dominated convergence, since $\tilde{\Lambda}(1 - \exp\{-h\Lambda\}) \leq \tilde{\Lambda}$, and by the assumption that $E(\tilde{\Lambda}(t))$ is finite (note that the distribution of $\tilde{\Lambda}(t)$ depends on $h$ and not $t$), that

$$\lim_{h \downarrow 0} \frac{E\left[h\Lambda(t)\left(1 - \exp\left\{-h\Lambda(t)\right\}\right]\right]}{h} = E\left[\lim_{h \downarrow 0} \Lambda(t)\left(1 - \exp\left\{-h\Lambda(t)\right\}\right)\right] = 0.$$

Therefore, $E\left[\Delta N(t)\mid\Delta N(t) > 1\right] = o(h)$ and $E[\Delta N(t)] = \lambda(n)h + o(h)$. Similarly, replacing first by second moments, $E\left[\left(\Delta N(t)\right)^2\mid\Delta N(t) > 1\right] = o(h)$ and $E[\left(\Delta N(t)\right)^2] = \lambda(n)h + o(h)$, since

$$E\left[\left(\Delta N(t)\right)^2\mid\Delta N(t) > 1\right] \leq E\left[\left(\Delta P(t)\right)^2\mid\Delta P(t) > 1\right] = E\left[h\Lambda(t) + h^2\Lambda^2(t) - h\Lambda(t)\exp\{-h\Lambda(t)\}\right] \leq E\left[2h^2\Lambda^2(t)\right] = o(h),$$

where the last line follows by $1 - \exp\{-x\} \leq x$ and $E[\Lambda^2(t)]$ being finite. Equi-dispersion follows from $V[\Delta N(t)] = E\left[\left(\Delta N(t)\right)^2\right] - E[\Delta N(t)]^2 = \lambda(n)h + o(h)$, where $E[\Delta N(t)]^2$ is $o(h)$ by stability of $\{N(t)\}$ which implies $\lambda(n) < \infty$ for all $n$.

**Appendix B. Multiplicative Lévy white noise obtained via subordination**

Let $\{M_k(t)\}$ be the simple, time homogeneous, conservative and stable MCP with rate function $\lambda : \mathbb{N} \to \mathbb{R}^+$ of Theorem 3. It will be convenient here to write $M(\lambda(t))$ instead of $M_k(t)$. Write $\pi_{m,m+k}^{M(\lambda)}(h)$ for the integrated increment (or transition) probabilities of $\{M(\lambda(t))\}$, defined as

$$\pi_{m,m+k}^{M(\lambda)}(h) \equiv P(\Delta M(t) = k|\Delta M(t) = m).$$

For $\{M(\lambda(t))\}$, Kolmogorov’s Backward Differential System is satisfied [3], i.e.

$$\frac{d}{dh}\pi_{m,m+k}^{M(\lambda)}(h) = \left[\pi_{m+1,m+k}^{M(\lambda)}(h) - \pi_{m,m+k}^{M(\lambda)}(h)\right]\lambda(m). \quad (B.1)$$

This suggests the following definition of $\{M(\lambda\xi(t))\}$, a simple MCP $\{M(\lambda(t))\}$ with multiplicative continuous-time noise in the rate function, where $\{\xi(t)\} \equiv \{dL(t)/dt\}$ for a non-decreasing, Lévy integrated noise process $\{L(t)\}$ with $L(0) = 0$ and $E[L(t)] = t$, as in Theorem 3. Define the process $\{M(\lambda\xi(t))\}$ by

$$\pi_{m,m+k}^{M(\lambda\xi)}(h) \equiv E\left[\Pi_{m,m+k}^{M(\lambda\xi)}(h)\right]$$

where $\Pi_{m,m+k}^{M(\lambda\xi)}(h)$ is specified, by analogy to (B.1), as the solution to a stochastic differential equation

$$d\Pi_{m,m+k}^{M(\lambda\xi)}(h) = \left[\Pi_{m+1,m+k}^{M(\lambda\xi)}(h) - \Pi_{m,m+k}^{M(\lambda\xi)}(h)\right]\lambda(m) \, dL(h), \quad (B.2)$$

where $\lambda$ is specified, by analogy to (B.1), as the solution to a stochastic differential equation
or, essentially equivalently,

\[ \Pi_{m,m+k}^{M(\lambda \xi)}(h) = \Pi_{m,m+k}^{M(\lambda \xi)}(0) + \int_0^h \left[ \Pi_{m+1,m+k}^{M(\lambda \xi)}(r-) - \Pi_{m,m+k}^{M(\lambda \xi)}(r-) \right] \lambda(m) \, dL(r). \] (B.3)

To give meaning to (B.2) and (B.3), it is necessary to define a stochastic integral. Here, we use the Marcus canonical stochastic integral with Marcus map \( \Phi(u, x, y) = \pi_{m,m+k}^{M(\lambda)}(x + uy) \). The Marcus canonical integral is a stochastic integral developed in the context of Lévy calculus [2]. It is constructed to satisfy a chain rule of the Newton–Leibniz type (unlike the Itô integral). In the case of continuous Lévy processes, the Marcus canonical integral becomes the Stratonovich integral. For jump processes, the Marcus canonical integral heuristically corresponds to approximating trajectories by increasingly accurate continuous piecewise linear functions. We interpret (B.2) as a stochastic version of (B.1). We then think of \( \Pi_{m,m+k}^{M(\lambda \xi)}(h) \) as stochastic transition probabilities, conditional on the noise process, giving rise to deterministic transition probabilities \( \pi_{m,m+k}^{M(\lambda \xi)}(h) \) once this noise is integrated out.

**Proof of Theorem 3 (Lévy White Noise and Subordination).** By definition

\[ \pi_{m,m+k}^{M(\lambda)}(h) \equiv E \left[ \pi_{m,m+k}^{M(\lambda)}(L(h)) \right]. \]

Applying Theorem 4.4.28 of Applebaum [2] with \( f(L(h)) = \Pi_{m,m+k}^{M(\lambda)}(L(h)) \), it follows that \( f \in C^3(\mathbb{R}) \) by smoothness of \( f \) implied by (B.1). Since \( \Pi_{m,m+k}^{M(\lambda)}(0) = 0 \), it also follows that

\[ \Pi_{m,m+k}^{M(\lambda)}(L(h)) = \int_0^h \left[ \Pi_{m+1,m+k}^{M(\lambda)}(L(r-)) - \Pi_{m,m+k}^{M(\lambda)}(L(r-)) \right] \lambda(m) \, dL(r), \]

so \( \Pi_{m,m+k}^{M(\lambda)}(L(h)) \) satisfies (B.3). Given uniqueness and existence of (B.3), we obtain

\[ \pi_{m,m+k}^{M(\lambda)}(L(h)) \sim \Pi_{m,m+k}^{M(\lambda \xi)}(h), \]

and hence \( \pi_{m,m+k}^{M(\lambda \xi)}(h) = \pi_{m,m+k}^{M(\lambda \xi)}(h) \). \( \square \)

**Appendix C. Properties of certain compound Markov counting processes**

We describe the main steps in the proofs of Propositions 4–6 and 8. Additional algebraic details are available in a technical report [5].

**Proof of Proposition 4 (Poisson Gamma Process).** It is a standard result that if \( \alpha \Delta \Gamma(t) \) follows a gamma distribution with mean \( \alpha h \) and variance \( \alpha^2 \tau h \) then the distribution of the increment of \( \Delta N(t) = N(t+h) - N(t) = M(\Gamma(t+h)) - M(\Gamma(t)) \) is negative binomial with probability mass function

\[ P(\Delta N(t) = k | N(t) = n) = \frac{G(\tau^{-1}h + k)}{k!G(\tau^{-1}h)} \tau^{-1}h \beta^{-1} \left( 1 - \beta \right)^k, \] (C.1)

where \( \beta = (1 + \tau \alpha)^{-1}. \) The transition rates follow by a Taylor series expansion about \( h = 0, \) noting that \( G(n+1) = k^{-1}n + o(n). \) The infinitesimal moments follow directly from the moments of the negative binomial representation in (C.1). \( \square \)
Proof of Proposition 5 (Binomial Gamma Process). Since \( \{N(t)\} \) is the counting process associated with a conditional linear death process, the increment process is binomial with parameters size \( d_0 - n \) and event probability \( \Pi(t) = 1 - e^{-b\Delta t} \), i.e. \( P(\Delta N(t) = k|N(t) = n, \Delta t) = \binom{d_0 - n}{k} \Pi(t)^k (1 - \Pi(t))^{d_0 - n - k} \) for \( k \in \{0, 1, \ldots, d_0 - n\} \). We integrate out the continuous-time gamma noise, making use of the multinomial theorem as follows:

\[
P(\Delta N = k|N(t) = n) = \int_0^\infty \binom{d_0 - n}{k} \left[ 1 - e^{-x}\right]^k \left[ e^{-x}\right]^{d_0 - n - k} \frac{x^{a-1}e^{-xb}b^a}{G(a)} \, dx
\]

\[
= \binom{d_0 - n}{k} \int_0^\infty \left[ \sum_{j=0}^k \binom{k}{j} (-e^{-x})^{k-j} \right] e^{-x(d_0 - n - k)} \frac{x^{a-1}e^{-xb}b^a}{G(a)} \, dx
\]

\[
= \binom{d_0 - n}{k} \sum_{j=0}^k \binom{k}{j} (-1)^{k-j} \frac{b^a}{(b + d_0 - n - j)^a} \int_0^\infty \frac{x^{a-1}e^{-x(b+d_0+n-j)}(b+d_0-n-j)^a}{G(a)} \, dx
\]

\[
= \binom{d_0 - n}{k} \sum_{j=0}^k \binom{k}{j} (-1)^{k-j} (1 + \delta\tau(d_0 - n - j))^{-\tau-1}
\]

for \( k \in \{0, \ldots, d_0 - n\} \), with \( a = h\tau^{-1} \) and \( b = \delta^{-1}\tau^{-1} \). The transition probabilities follow by applying the Taylor series expansion \( (1 + \delta\tau\ell)^{-\tau-1} = 1 - \tau^{-1} \ln(1 + \delta\tau\ell)h + o(h) \). The integrated moments can be written as

\[
E[\Delta N(t)|N(t) = n] = (d_0 - n)E[\Pi(t)|N(t) = n]
\]

\[
V[\Delta N(t)|N(t) = n] = V[(d_0 - n)\Pi(t)|N(t) = n] + E[(d_0 - n)\Pi(t)(1 - \Pi(t))|N(t) = n]
\]

Recalling that \( \Pi(t) = 1 - e^{-\delta\Delta t(t)} \), and making use of the moment generating function \( E[\exp(z\delta\Delta t(t))] = (1 - z\delta\tau)^{-\tau-1}h \) for \( z\delta\tau < 1 \) and \( h, \lambda, \tau > 0 \), results in a closed form expression for (C.2) and (C.3). The infinitesimal moments follow by taking a Taylor expansion around \( h = 0 \). □

Proof of Proposition 6 (Negative Binomial Gamma Process). Since \( \{N(t)\} \) is a conditional linear birth process, the increment process is negative binomial with parameters being the number of failures \( n \) and the failure probability \( \Pi(t) = e^{-b\Delta t} \), i.e.,

\[
P(\Delta N(t) = k|N(t) = n, \Delta t) = \binom{n+k-1}{k} \Pi(t)^n (1 - \Pi(t))^k,
\]

for \( k \in \mathbb{N} \). Following a calculation similar to that in the proof of Proposition 5, with \( a = h\tau^{-1} \) and \( b = \delta^{-1}\tau^{-1} \), we have

\[
P(\Delta N = k|N(t) = n) = \int_0^\infty \binom{n+k-1}{k} \left[ e^{-x}\right]^n \left[ 1 - e^{-x}\right]^k \frac{x^{a-1}e^{-xb}b^a}{G(a)} \, dx
\]

\[
= \binom{n+k-1}{k} \int_0^\infty \left[ \sum_{j=0}^k \binom{k}{j} (-e^{-x})^{k-j} \right] e^{-x}x^{a-1}e^{-xb}b^a \, dx
\]

\[
= \binom{n+k-1}{k} \int_0^\infty \binom{k}{j} (-e^{-x})^{k-j} \frac{x^{a-1}e^{-xb}b^a}{G(a)} \, dx
\]
The limiting probabilities follow by a Taylor series expansion about \( h = 0 \). Writing \( \Theta(t) = \frac{1 - II(t)}{II(t)} = \exp[\beta \Delta \Gamma(t)] - 1 \), we have

\[
E[\Delta N(t)|N(t) = n] = nE[\Theta(t)|N(t) = n]
\]

\[
V[\Delta N(t)|N(t) = n] = V[n\Theta(t)|N(t) = n] + E[n\Theta(t)(1 + \Theta(t))|N(t) = n].
\]

These moments can be calculated explicitly via the moment generating function, \( E[\exp[z \beta \Delta \Gamma(t)]] = (1 - z \beta \tau)^{-1} \) for \( z \beta \tau < 1 \) and \( h, \lambda, \tau > 0 \). The infinitesimal moments follow on taking a Taylor series expansion about \( h = 0 \). \( \square \)

**Proof of Proposition 8 (Binomial Beta Process).** \( M_h(h) - M_h(0) \) given \( M_h(0) = m \) is binomial with parameter size \( d_0 - m \) and death probability \( II_1 \), i.e.

\[
P(M_h(h) - M_h(0) = k|M_h(0) = m, II_1) = \binom{d_0 - m}{k} (II_1)^k (1 - II_1)^{d_0 - m - k}
\]

for \( k \in \{0, 1, \ldots, d_0 - m\} \). We integrate out the beta noise using the fact that \( M_h(h) - M_h(0) \), conditional on \( M_h(0) = m \), has a beta binomial distribution. Setting \( a = c(1 - e^{-\delta h}) \) and \( b = c \delta h + o(h) \), we have

\[
P(M_h(h) - M_h(0) = k|M_h(0) = m) = \binom{d_0 - m}{k} \frac{G(a + b)G(k + a)G(d_0 - m - k + b)}{G(a)G(b)G(a + b + d_0 - m)}
\]

for \( k \in \{1, \ldots, d_0 - m\} \). Now rewrite (C.4) using the properties that, for \( k \geq 1 \), \( G(k + a) = aG(a)G(k) + o(a) \) and \( G(m + b) = \frac{G(m+a+b)G(b)}{G(a+b)} + O(a) \). Noting that \( a + b = c \) and that \( a = c \delta h + o(h) \), we obtain the required transition probabilities. The infinitesimal moments follow by a Taylor series expansion of the beta binomial moments:

\[
E[M_h(h) - M_h(0)|M_h(0) = m] = (d_0 - m) \frac{a}{a + b};
\]

\[
V[M_h(h) - M_h(0)|M_h(0) = m] = (d_0 - m) \frac{ab(d_0 - m + a + b)}{(a + b)^2(1 + a + b)}.
\]

The infinitesimal moments of the MCP defined by these limiting transition probabilities can be derived from the moments above because the sums in the conditional moments have a finite number terms \( d_0 - m \) and the \( h \) limits can therefore be passed inside these moments. \( \square \)

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