Simulation Exercise

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Overview

We will investigate the exponential distribution in R and compare it with the Central Limit Theorem. The exponential distribution can be simulated in R with rexp(n, lambda) where lambda is the rate parameter. The mean of exponential distribution is 1/lambda and the standard deviation is also 1/lambda. Set lambda = 0.2 for all of the simulations. We will investigate the distribution of averages of 40 exponentials. Note that we will need to do a thousand simulations.

Simulations

Set the simulation variables lambda, exponentials, and seed.

```
ECHO=TRUE
set.seed(1337)
lambda = 0.2
exponentials = 40
```

Run Simulations with variables

```
sMean = NULL
for (i in 1 : 1000) sMean = c(sMean, mean(rexp(exponentials, lambda)))
```

Sample Mean versus Theoretical Mean

Sample Mean

Calculating the mean from the simulations with give the sample mean.

```
mean(sMean)
```

```
## [1] 5.055995
```

Theoretical Mean

The theoretical mean of an exponential distribution is lambdaˆ-1.

```
lambdaˆ-1
```

```
## [1] 5
```

Comparison

There is only a slight difference between the simulations sample mean and the exponential distribution theoretical mean.

```
abs(mean(sMean)-lambdaˆ-1)
```

```
## [1] 0.05599526
```

Sample Variance versus Theoretical Variance

Sample Variance

Calculating the variance from the simulation means with give the sample variance.

```
var(sMean)
```

```
## [1] 0.6543703
```

Theoretical Variance

The theoretical variance of an exponential distribution is (lambda * sqrt(n))ˆ-2.

```
(lambda * sqrt(exponentials))ˆ-2
```

```
## [1] 0.625
```

Comparison

There is only a marginal difference between the simulations sample variance and the exponential distribution theoretical variance.

```
abs(var(sMean)-(lambda * sqrt(exponentials))ˆ-2)
```

```
## [1] 0.0293703
```

Distribution

This is a density histogram of the 1000 simulations. There is an overlay with a normal distribution that has a mean of lambdaˆ-1 and standard deviation of (lambda*sqrt(n))ˆ-1, the theoretical normal distribution for the simulations.

```
library(ggplot2)
ggplot(data.frame(y=sMean), aes(x=y)) +
  geom_histogram(aes(y=..density..), binwidth=0.2, fill="#0072B2",
                 color="black") +
  stat_function(fun=dnorm, args=list(mean=lambda^-1,
                                     sd=(lambda*sqrt(exponentials))^-1),
                size=2) +
  labs(title="Plot of the Simulations", x="Simulation Mean")
```