

# Lab 2 – Beta-Binomial Distribution

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In class, you saw the Binomial-Beta model. We will now use this to solve a very real problem! Suppose I wish to determine whether the probability that a worker will fake an illness is truly 1%. Your task is to assist me! Tasks 1–2 will be completed in lab and tasks 3–5 should be completed in your weekly homework assignment.

## Task 1

Let's start by quickly deriving the Beta-Binomial distribution.

We assume that

$$X \mid \theta \sim \text{Binomial}(\theta)$$

,

$$\theta \sim \text{Beta}(a, b),$$

where  $a, b$  are assumed to be known parameters. What is the posterior distribution of  $\theta \mid X$ ?

$$p(\theta \mid X) \propto p(X \mid \theta)p(\theta) \tag{1}$$

$$\propto \theta^x (1 - \theta)^{(n-x)} \times \theta^{(a-1)} (1 - \theta)^{(b-1)} \tag{2}$$

$$\propto \theta^{x+a-1} (1 - \theta)^{(n-x+b-1)}. \tag{3}$$

This implies that

$$\theta \mid X \sim \text{Beta}(x + a, n - x + b).$$

## Task 2

Simulate some data using the `rbinom` function of size  $n = 100$  and probability equal to 1%. Remember to `set.seed(123)` so that you can replicate your results.

The data can be simulated as follows:

```
# set a seed
set.seed(123)
# create the observed data
obs.data <- rbinom(n = 100, size = 1, prob = 0.01)
# inspect the observed data
head(obs.data)
```

```
## [1] 0 0 0 0 0 0
```

```
tail(obs.data)
```

```
## [1] 0 0 0 0 0 0
```

```
length(obs.data)
```

```
## [1] 100
```

## Task 3

Write a function that takes as its inputs that data you simulated (or any data of the same type) and a sequence of  $\theta$  values of length 1000 and produces Likelihood values based on the Binomial Likelihood. Plot your sequence and its corresponding Likelihood function.

The likelihood function is given below. Since this is a probability and is only valid over the interval from  $[0, 1]$  we generate a sequence over that interval of length 1000.

You have a rough sketch of what you should do for this part of the assignment. Try this out in lab on your own.

```
### Bernoulli LH Function ###
```

```
# Input: obs.data, theta
```

```
# Output: bernoulli likelihood
```

```
### Plot LH for a grid of theta values ###
```

```
# Create the grid #
```

```
# Store the LH values
```

```
# Create the Plot
```