Midterm Review Notes

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Ordinary Linear Regression

estimate parameters

In OLS, we estimate the parameters by choosing β_0, β_1 to minimize the sum of squares.

$$\min_{\beta_0, \beta_1} \sum_i (Y_i - (\beta_0 + \beta_1 X_i))^2$$

That is, the sum of squared differences between our prediction and the true values Y_i. For OLS, closed form solutions exist for the parameter estimates:

$$\hat{\beta}_1 = \frac{\sum_i (X_i - \bar{X})(Y_i - \bar{Y})}{\sum_i (X_i - \bar{X})^2}$$
$$\hat{\beta}_0 = \bar{Y} - \beta_1 \bar{X}$$

estimate variance

The variance of the noise ϵ is estimated based on the parameters β_0, β_1 and the data set $\{X_i, Y_i\}$:

$$\hat{Y}_i = \hat{\beta}_0 + \hat{\beta}_1 X_i$$
$$\hat{\sigma}^2 = \frac{\sum_i (\hat{Y}_i - Y_i)^2}{n-2}$$

Notice the denominator is $n-2$ – the "degrees of freedom", i.e. the number of data points minus the number of estimated parameters. This estimator is unbiased, meaning $\mathbb{E}(\hat{\sigma}^2) = \sigma^2$.

least squares vs MLE

Least squares and MLE estimation for linear regression are very similar; under the assumption of gaussian noise, they are nearly equivalent, with the only difference being the estimation of the sample variance.

$$\hat{Y}_i = \hat{\beta}_0 + \hat{\beta}_1 X_i$$
$$\hat{\sigma}^2_{MLE} = \frac{\sum_i (\hat{Y}_i - Y_i)^2}{n}$$

Notice the difference between the MLE estimator of the sample variance and the least squares estimator of the sample variance. The MLE estimator is biased i.e. $\mathbb{E}(\hat{\sigma}^2) \neq \sigma^2$; however, the bias term decays to zero as the number of data points n increases.

residuals and their properties

The residuals are defined as $\varepsilon_i = \hat{y}_i - y_i$. Of course, the loss is defined as the sum of squared residuals:

$$\sum_i \varepsilon_i = 0$$
$$\sum_i \varepsilon_i \cdot X_i = 0$$

From the above properties, it's very simple to show the following additional properties:

$$\sum_i \hat{Y}_i = \sum Y_i$$
$$\sum_i \varepsilon_i \cdot \hat{Y}_i = 0$$

Typically, we assume the noise is gaussian, in which case the residuals should be roughly normally distributed. We can check this via a q-q plot.

Confidence intervals vs Prediction Intervals

A confidence interval for β_1 is an interval-valued function of the data; intuitively, a confidence interval is supposed to provide a range of reasonable values for the parameter of interest.

- Here's how we construct a confidence interval for β_1:

$$\hat{\beta}_1 + \hat{\sigma} \cdot t(\frac{1-\alpha}{2}, n-2)$$
$$\hat{\beta}_1 + \hat{\sigma} \cdot t(\frac{1+\alpha}{2}, n-2)$$

- Interpretation: What is meant by "95%"? The model assume the data is distributed like as follows

$$Y_i = \beta_0 + \beta_1 X_i + \varepsilon_i$$

Confidence intervals are computed with respect to fixed X_i but varying ε_i. So when we refer to a "95% confidence interval for β_1", we mean over 100 datasets that share the same $\{X_i\}$, roughly 95 of the confidence intervals contain the true parameter β_1.

- Prediction intervals: whereas a confidence interval estimates a range of plausible values of a parameter of interest, e.g. $\mathrm{E}\left(Y_i | X_i\right)$; a prediction interval, on the other hand, tries to estimate a range of plausible variables for a single out of sample point e.g. the a new Y_i.
- The difference lies in the fact that a prediction interval has to account for the variance in the distribution of Y_i.

The distribution for an single out of sample $\hat{Y}_i$ would be gaussian with the following mean and variance:

$$\mathrm{E}[\hat{Y}_i] = \beta_0 + \beta_1 X_i$$
$$\sigma^2[\hat{Y}_i] = \hat{\sigma}^2[1 + \frac{1}{n} + \frac{(X_i - \bar{X})^2}{\sum_j (X_j - \bar{X})^2}]$$

Notice the difference between the above and the *confidence* interval for Y_i:

$$\mathrm{E}[\hat{Y}_i] = \beta_0 + \beta_1 X_i$$
$$\sigma^2[\hat{Y}_i] = \hat{\sigma}^2[\frac{1}{n} + \frac{(X_i - \bar{X})^2}{\sum_j (X_j - \bar{X})^2}]$$

Diagnostics (R squared)

$$R^2 = 1 - \frac{RSS}{TSS} = 1 - \frac{\sum_i (\hat{y}_i - y_i)^2}{\sum_i (\bar{y} - y_i)^2}$$

Multiple Variables

If we have more than one predictor, we can still find closed form solutions for all our coefficients. The form is now:

$$X_i = (1, x_{i,1}, x_{i,2}, ...x_{i,k})$$
$$\hat{\beta} = (X^T X)^{-1} X^T Y$$

Keep in mind that ading a variable to a regression can change ALL of the regression coefficients.

Qualitative

- Qualitative variables (e.g. species, race) can be represented by indicators i.e. a variable that takes value 1 if a condition is met and zero otherwise.
- Keep in mind R chooses a reference point, meaning if we have k categories in a variable, R will create $k-1$ indicator variables and the kth category will be represented by all the others taking a value of zero.

AIC

$$L(\beta) = \Pi_i \mathrm{P}(y_i | x_i, \beta) \mathrm{AIC}(lmod) = 2 \cdot \log(L(\hat{\beta})) + q$$

Bernoulli/Binomial Data

A word on terminology. Make sure not to confuse bernoulli with binomial! They're closely related but different concepts.

- A bernoulli random variable models a binary outcome, e.g. "yes" or "no", "success" or "failure", "male" or "female" etc. It takes values 0 or 1. A bernoulli random variable has one parameter – the "success probability" p. The distribution is:

$$\text{bernoulli(p)} = p^k (1-p)^{1-k}$$

- A binomial random variable models a set of independent and identically distributed bernoulli random variables. It has parameters m the total number of trials, p the success probability of any given trial.
- A binomial random variable can take values from 0 to m, inclusive.

$$P(Y = k) = \binom{m}{k} \cdot p^k \cdot (1-p)^{m-k}$$

- Binomial data is data where the response variable is a binomial random variable. For example, the input might be economic data at the county-level, and the response might be the number of people in the county who voted democrat in the most recent election (out of the total number of people in the county).
- Note in binomial regression we need to know both the parameter m_i and the __ Bernoulli is just binomial when the parameter m_i is 1 for all samples i

link functions

In order to

- predictions
- odds, probability
- risk ratio vs odds ratio
- goodness of fit
- Diagnostics (Pearson Residuals)
- different scoring functions
- confusion matrix and properties (sensitivity, specificity, PPV, accuracy, NPV)
- comparing nested models
- overdispersion
- f statistics
- quasibinomial