

Inference for simple regression 1

Lecture 3

STA 371G

Measuring goodness-of-fit

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- R^2 measures the fraction of the variation in Y explained by X; in our analysis from last time, $R^2 = 0.03$.
- The standard error of the regression s_e can be roughly interpreted as the standard deviation of the residuals.

• The residual for the *i*th case is $Y_i - \hat{Y}_i$

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- The residuals are approximately Normally distributed
- The mean of the residuals is 0 (why?)
- Therefore: 95% of the residuals are roughly within $\pm 2s_e$
- In other words, 95% of the time I expect my prediction to be off by at most 5.93

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- **Statistical significance:** Can we reject the null hypothesis that the correlation between *X* and *Y* in the *population* is zero?
- **Practical significance:** Is the relationship in our sample strong enough to be meaningful?

The following are equivalent ways to express the overall null hypothesis:

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- The model has no predictive power
- Predictions from this model are no better than predicting \overline{Y} for every case

Two ways to test the overall null hypothesis

- The F-test (tests H_0 : $R^2 = 0$ in the population)
- The t-test for the slope (β_1) coefficient (tests $H_0: \beta_1 = 0$)

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Both of these methods are equivalent; the *p*-values will be exactly the same!



```
> model <- lm(num.drinks ~ age)</pre>
> summary(model)
Call:
lm(formula = num.drinks ~ age)
Residuals:
   Min 10 Median 30
                             Max
-4.204 -1.853 -0.853 0.810 15.160
Coefficients:
           Estimate Std. Error t value Pr(>|t|)
(Intercept) 6.5542 0.2653 24.7 <2e-16 ***
age -0.1688 0.0159 -10.6 <2e-16 ***
Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
Residual standard error: 3 on 3600 degrees of freedom
  (2902 observations deleted due to missingness)
Multiple R-squared: 0.0304, Adjusted R-squared: 0.0302
F-statistic: 113 on 1 and 3600 DF, p-value: <2e-16
```

• There is a **statistically significant** relationship between the age someone starts drinking and how much they drink as an adult.

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- Or: People that start drinking earlier in life consume significantly more alcohol when they drink as adults.
- Each additional year you wait to start drinking is associated with consuming 0.17 fewer drinks as an adult.
- Is this relationship **practically significant**?

Practical significance

- To assess **statistical significance**, we look at the *p*-value
- To assess practical significance:
 - We only consider it if we already have statistical significance (why?)
 - Look at R², the standard error of the regression, and the magnitude of the coefficients
 - It's ultimately a judgement call!

• Our best estimate for the *effect* of a year's postponement of drinking is 0.17 fewer drinks as an adult

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- We can use a confidence interval to give a range of plausible values for what this effect size is in the population

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Recall that the critical value for a 95% confidence interval is the cutoff value that cuts off 95% of the area in the middle of the distribution; the sampling distribution of $\hat{\beta}_1$ is a *t*-distribution.

```
> n <- nobs(model)
> qt(0.975, n-2)
[1] 1.960623
```

R will also calculate confidence intervals for us:

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In other words, we are 95% confident that the effect of each additional year's delay in starting to drink is between 0.14 and 0.2.

We can also put a confidence interval on a prediction! Two kinds of intervals:

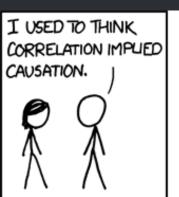
Confidence	Predicting the	Among all people that start drink-
	mean value of Y	ing at age 21, how many drinks do
	for a particular <i>X</i> .	have on average as adults?
Prediction	Predicting Y for a	If Bob started drinking at age 21,
	single new case.	how many drinks do we think will
		have as an adult?

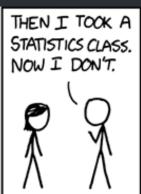
```
> predict(model, list(age=21),
+ interval='confidence')
       fit
               lwr
                        upr
1 3.008664 2.83616 3.181167
> predict(model, list(age=21),
   interval='prediction')
       fit
                 lwr
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1 3.008664 -2.802894 8.820221
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- Being predisposed to drink more will cause you to start drinking sooner.

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- There is a third variable that causes both early drinking and drinking more as an adult.

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We can't tell just by looking at this data set!