

550.400: Mathematical Modeling and Consulting

Lecture Notes

Instructor:

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Outline

Class Info.

Theory

- Writing about numbers

- Math. Modeling

- Work Statement

Example

- Random Bits

- Insurance Redlining

- Sherlock Holmes and the Bicycle Tracks

Tutorials

- L^AT_EX

- Git

- Vim

- R

Syllabus

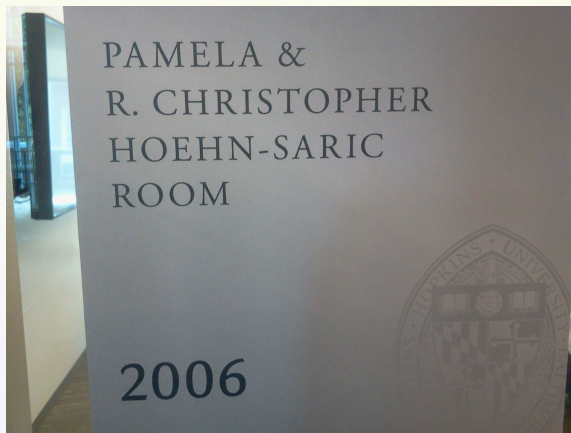
- Grade Policy
- Attendance
- *Tentative* Schedule
- Blackboard
- Misc.

Course Book Reserve

JHU Library Reserve Service

Presentations in this class

For your presentation recording needs



Unofficial Way to Access the Course Folder

`http://cis.jhu.edu/~nhlee/550400.html/`

Seven Basic Principles

1. Set the context
2. Choose effective examples and analogies
3. Choose vocabulary to suit your readers
4. Decide whether to present #s in text, tables, or figures
5. Report and interpret #s in the text
6. Specify the direction *and* size of an association between variables
7. For many #s, summarize overall pattern

Models and Reality

The ultimate test of a model is how well it performs when it is applied to the problem it was designed to handle.

A model is used, it may lead to incorrect predictions. The model is often modified, frequently discarded, and sometimes used anyway because it is better than nothing. This is the way science develops.

Models and Reality

What makes Mathematical models useful? We must/have/have/have:

- formulate our ideas precisely and so are less likely to let implicit assumptions slip by,
- concise “language” which encourages manipulation,
- a large number of potential theorems available,
- high speed computers available for carrying out calculations.

Properties of Models

As far as a model is concerned, the world can be divided into three parts:

- Things whose effects are neglected,
- Things that affect the model but whose behavior the model is not designed to study,
- Things the model is designed to study the behavior of.

A recurring theme

Frequently Recurring Elements of doing a Project in Industry:

1. Work Statement,
2. Midterm Presentation,
3. Progress Report,
4. Final Presentation,
5. Final Report.



What is Work Statement?

- The written proposal and definition of the project
- Your consulting team's "contract" with the sponsor
- It is ultimately given to the sponsor for review and signature

What is Work Statement?

It sets forth:

- the nature of the project,
- the specific objectives of the project,
- the result expected,
- the “deliverable” for the project.

What is Work Statement?

- The scope of the project must be within the time table for the course
- The deliverables are reasonable and appropriate

What is Work Statement?

- Given the nature of research, it should not include promises that your consulting team cannot be certain to achieve
- It may be necessary after discussion and agreements among various parties to modify and renegotiate the work statement as the project progresses

Work Statement: Introduction

Describe:

- the purpose of the project,
- a brief introduction of the sponsoring organization,
- a suitably condensed statement of the problem,
- some discussion of the relevance of the project to the sponsor.

Work Statement: Introduction

The work statement should contain a short description of your sponsor.

For the insurance redlining example, *U.S. Commision on Civil Rights* would be the sponsor.

Boilerplating from the sponsor's webpage is often acceptable.

<http://www.usccr.gov>

Work Statement: Problem Statement

Can the insurance companies claim that the discrepancy is due to greater risks in some zip codes?

The insurance companies could claim that they were denying insurance in neighborhoods where they had sustained large fire-related losses and any discriminatory effect was a by-product of legitimate business practice.

Work Statement: Timeline & Deliverable

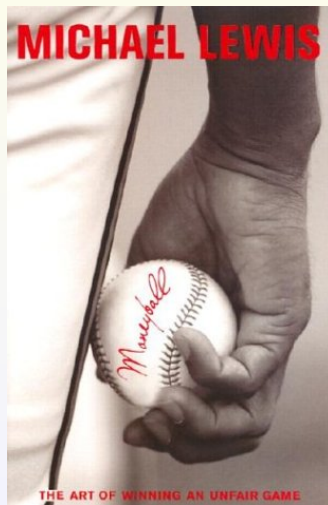
“When I decide the time needed for the project, I first approximate the time that I might actually need, and then, request the sponsor the double of the approximated time.”

From Team to Sponsor Presentations, Reports, Special Softwares.

From Sponsor to Team Regular meetings, Data & Contingences, Code & Code Documentation.

What is Mathematical Modeling?

Money Ball



What is Mathematical Modeling?

Trillion Dollar Bet

[NOVA Online | Trillion Dollar Bet](#)

www.pbs.org/wgbh/nova/stockmarket/

Welcome to the companion Web site to "**Trillion Dollar Bet**," originally broadcast on February 8, 2000. The film tells the fascinating story of the invention of the ...

[The Formula that Shook The ...](#) - [Transcripts](#) - [A Trader's Lexicon](#) - [Resources](#)

[Videos for trillion dollar bet](#) - [Report videos](#)



[Trillion Dollar Bet 1 - YouTube](#)

youtube.com

Jan 8, 2009



[The Trillion Dollar Bet - YouTube](#)

youtube.com

Sep 15, 2007



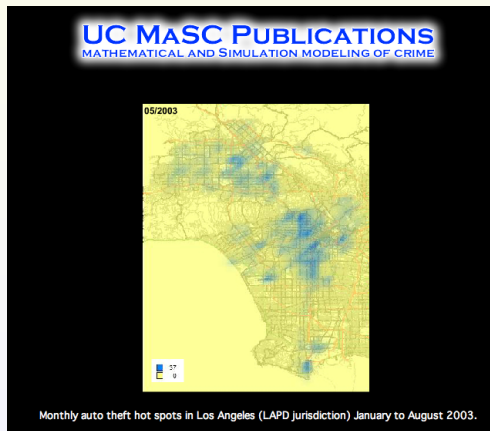
[The Midas Formula Stockmarket ...](#)

youtube.com

Aug 23, 2011

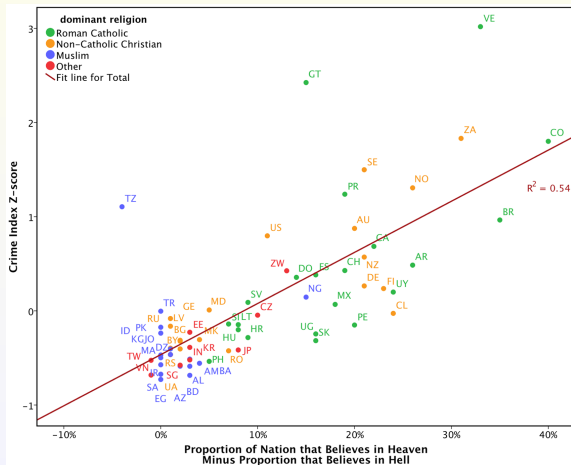
What is Mathematical Modeling?

LAPD Fighting Crime with Math



What is Mathematical Modeling?

Crime rates and religious beliefs



More Project Ideas

<http://www.stat.berkeley.edu/>

<http://www.math.msu.edu/>

<http://www.mathgoespop.com/>

<http://www.math.hmc.edu/clinic/>

Example: Insurance Redlining

Insurance Redlining

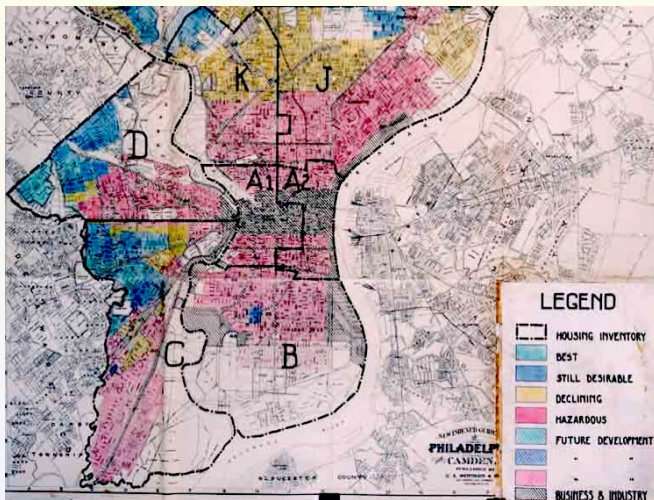
Insurance redlining refers to the practice of refusing to issue insurance to certain types of people or within some geographic area.

FAIR

The **FAIR** plan was offered by the city of Chicago as a default policy to homeowner who had been rejected by the voluntary market.

Example: Insurance Redlining

Insurance Redlining



Example: Insurance Redlining

Sponsor

*The **U.S. Commission on Civil Rights** examined charges by several Chicago community organizations that insurance companies were redlining their neighborhoods.*

Data

*The **number of FAIR plan policies** written and renewed in Chicago by zip code for the number of months of December 1977 through May 1978.*

Example: Insurance Redlining

Variables to consider:

- `race` Racial composition in percentage of minority,
- `fire` Fire per 100 housing units,
- `theft` Theft per 100 housing units,
- `age` Theft per 1000 population,
- `involact` New FAIR plan policies and renewal per 100 housing units,
- `income` Median family income in thousands of dollars,
- `side` North or South side of Chicago.

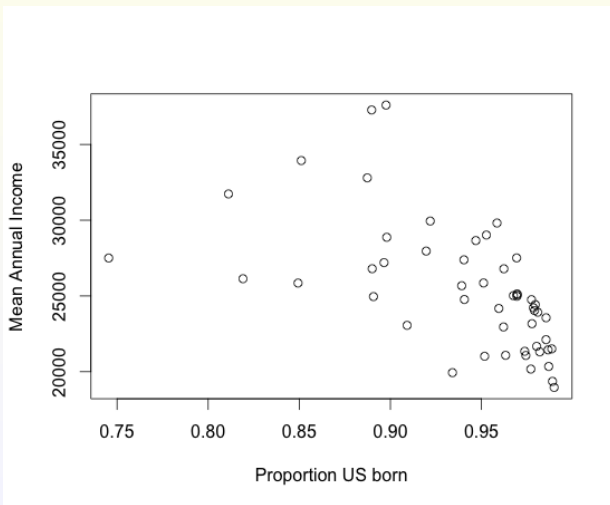
Example: Ecological Fallacy

Ecological Fallacy

*When data are collected at the group level, we may observe a correlation between two variables. The **ecological fallacy** is concluding that the same correlation holds at the individual level.*

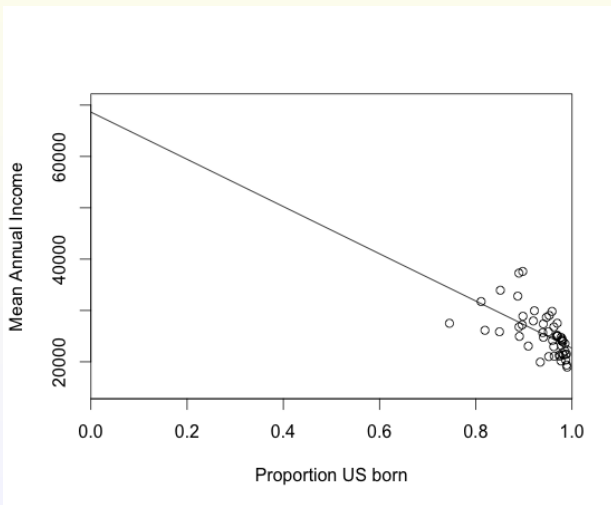
Example: Ecological Fallacy

1998 annual per capita income and proportion U.S. born for 50 states plus D.C.



Example: Ecological Fallacy

1998 annual per capita income and proportion U.S. born for 50 states plus D.C.



Example: Insurance Redlining

For the ecological fallacy example, the assumption would be that the incomes of the native born do not depend on the proportion of native born within the state (and similarly for naturalized citizens).

For the insurance redlining example, we only have aggregate data. We must inform the sponsor that unless more detailed data becomes available, the results for the aggregated data may not hold true at the individual level.

Example: Sherlock Holmes and the Bicycle Tracks

“This track, as you perceive, was made by a rider who was going from the direction of the school.”

“Or Toward it?”

“No, no, my dear Watson. The more deeply sunk impression is, of course, the hind wheel, upon which the weight rests. You perceive several places where it has passed across and obliterated the more shallow mark of the front one. It was undoubtedly heading away from the school.”

– *The Adventure of the Priory School* by Arthur Conan Doyle

Programmings in this class

- \LaTeX :
 - moderncv
 - beamer
 - report
 - pgf/TikZ
- Git
 - git gui
- R:
 - lm
 - ggplot2
 - tikzDevice
 - R CMD build

Where to get some help for \LaTeX

<http://en.wikibooks.org/wiki/LaTeX/>

Tutorial: \LaTeX

\LaTeX is a computer language for writing a scholarly paper:

Table: HTML vs \LaTeX

	HTML	\LaTeX
Code	<pre><html> . . . </html></pre>	<pre>\begin{document} . . . \end{document}</pre>
Compiler	Firefox and etc.	pdflatex and etc.
Output	Web-page	PDF file

Tutorial: \LaTeX

TeXworks is:

- an editing tool that is separate from \LaTeX ,
- available in Linux, OSX and Windows,
- available in:

<http://code.google.com/p/texworks/>

Tutorial: \LaTeX

- Demo on preparing a resume using \LaTeX moderncv package:
 - Install \LaTeX (MikTeX in Windows and MacTeX in OSX),
 - Download moderncv package files from the course folder,
 - Change file names to reflect you,
 - Edit the TeX file,
 - Compile using your favorite \LaTeX editor,
 - Look at the resulting PDF file.

Demo: L^AT_EX

Obama's resume

Cautions: \LaTeX

There are numerous quirky \LaTeX rules:

- opening quotation is not the same as the closing quotation,
- period yields *two* blank spaces,
- for %, need to type `\%`,
- for \, need to type `\textbackslash`,
- for /, need to type `/`,
- for {, need to type `\{`,
- for \$, need to type `\$`,
- `~` yields a single blank space,
- and etc.

The place to get some Git helps

<http://git-scm.com/doc/>

Demo: L^AT_EX + Git

The Blind Men and the Elephant

- Start up a git folder
- Create and edit the .gitignore file
- Download the template for a beamer file
- Look up the poem from the book
- One slide per stanza
- Compile after each stanza
- Commit after creating each stanza
- Repeat until done.

Tutorial: Git

```
sudo apt-get install git
```

An alternative: `git gui`



The screenshot shows the Git website homepage. At the top, there is a red diamond logo with a white branching diagram, followed by the word "git" in a bold, black, sans-serif font. To the right of the logo, the tagline "--distributed-is-the-new-centralized" is written in a smaller, grey, sans-serif font. Below the logo and tagline, there is a navigation menu with the following items: "About", "Documentation", "Downloads" (in red), "GUI Clients" (in red), "Logos", and "Community". To the right of the navigation menu, there is a white box with a grey border. Inside this box, the heading "GUI Clients" is displayed in a large, bold, black, sans-serif font. Below the heading, the text "Git comes with built-in GUI tools for comm" and "third-party tools for users looking for plat" is visible. At the bottom of the white box, there is a button labeled "Show GUIs for all OSes" and a red text link "7 Mac GUIs a".

git --distributed-is-the-new-centralized

About
Documentation
Downloads
 GUI Clients
 Logos
Community

GUI Clients

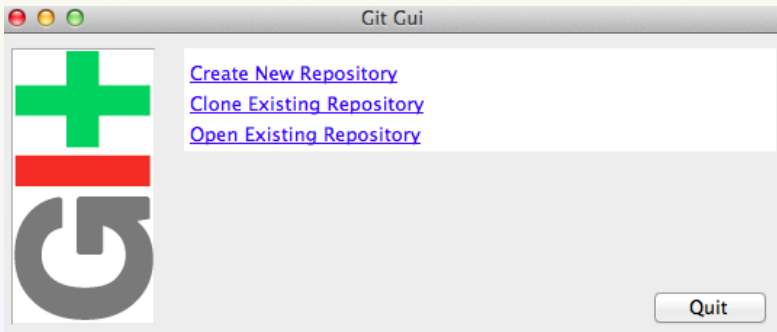
Git comes with built-in GUI tools for comm
third-party tools for users looking for plat

Show GUIs for all OSes 7 Mac GUIs a

Tutorial: Git

```
cd ~/
git clone http://cis.jhu.edu/~nhlee/550400.git
```

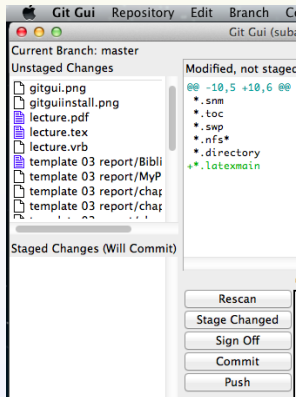
An alternative: git gui



Tutorial: Git

```
cd ~/550400.git  
git reset --hard HEAD  
git pull origin master
```

An alternative: git gui



Tutorial: Git

- Demo I: build a *personal* Git folder
 - Create some files
 - Stage the files
 - Commit the files
- Demo II: build the *course* Git folder

Vim

Vim is a *highly customizable* text editor

Demo: R

R Studio

Welcome to RStudio

RStudio™ is a free and open source integrated development environment (IDE) for R. You can run it on your desktop (Windows, Mac, or Linux) or even over the web using RStudio Server.

[Download RStudio for Windows, Mac or Linux](#)

[Screencast RStudio in 2 minutes](#)

```
R
# Load the diamonds dataset
library(diamonds)
# View the first 10 rows
head(diamonds)
# Summary statistics
summary(diamonds)
# Scatter plot of Price vs Carat
plot(diamonds$price, diamonds$carat, col=clarity)
# Split the data by clarity
d <- split(diamonds, d$clarity)
# Plot Price vs Carat for each clarity
lapply(d, FUN=function(x) {
  plot(x$price, x$carat, col="red")
})
```

Diamond Pricing

Price vs Carat

R

The R Project for Statistical Computing
www.r-project.org

The R Project for Statistical Computing

About R
What is R?
Contributors
Screenshots
What's new?

Download, Packages, CRAN

R Project
Foundation
Members & Donors
Mailing Lists
Bug Tracking
Developer Page
Conferences
Search

Documentation
Manuals
FAQs
The R Journal
Wiki
Books
Contribution
Other

Getting Started:

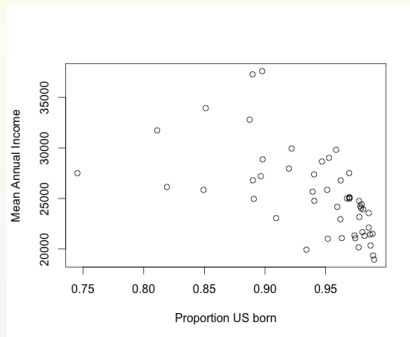
- R is a free software environment for statistical computing and graphics. It compiles and runs on a wide variety of UNIX platforms, Windows and MacOS. To [download R](#), please choose your preferred [CRAN mirror](#).
- If you have questions about R like how to download and install the software, or what the license terms are, please read our [answers to frequently asked questions](#) before you send an email.

News:

- R version 2.15.1** (Roasted Marshmallows) has been released on 2012-06-22.
- The R Journal Vol.4(1)** is available.
- rseek2012**, took place at Vanderbilt University, Nashville Tennessee, USA, June 12-15, 2012.

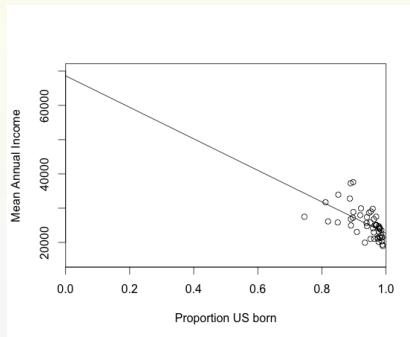
Demo: R

```
install.packages(faraway)
require(faraway)
data(eco)
plot(income ~ usborn,
     data=eco,
     xlab='Proportion US born',
     ylab='Mean Annual Income',
     )
```



Demo: R

```
g <- lm(income ~ usborn, eco)
summary(g)
plot(income ~ usborn,
     data = eco,
     xlab='Proportion US born',
     ylab='Mean Annual Income',
     xlim=c(0,1),
     ylim=c(15000,70000),
     xaxs='i')
abline(coef(g))
```



Example: Insurance Redlining

```
data(chredlin);  
chredlin;  
head(chredlin);  
summary(chredlin);  
par(mfrow=c(1,1));  
pairs(chredlin);  
summary(lm(involact ~ race, chredlin));  
plot(involact ~ race, chredlin);  
abline(lm(involact ~ race, chredlin));  
plot(fire ~ race, chredlin);  
abline(lm(fire ~ race, chredlin));
```
