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INSTITUTE OF MATHEMATICS

BACHELOR THESIS

Linear Regression through Origin

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1. Introduction

1.1 Background

In the world of regression analysis, choosing the right model is a constant challenge, balancing simplicity and accuracy. This thesis focuses on a specific aspect—linear regression through the origin (RTO) —examining its statistical properties when dealing with just one explanatory variable. Our goal is to identify situations where this approach might be more suitable than the commonly used simple linear regression. Through this study, we aim to shed light on the conditions that make regression through the origin a preferable choice, offering insights that bridge mathematical rigor with real-world applicability. Join us on this journey as we navigate the complexities of statistical modeling, striving to understand when and why regression through the origin might outperform its more conventional counterpart.

1.2 Literature review

Gerald J. Hahn [5] published an article on fitting models with no intercept term. In their paper, they focused on appropriateness of no-intercept linear regression model in different scenarios. For example, while physical nature of sample data might advocate for the use of no-intercept model, it would often happen that true nature of the data is not linear, and extrapolation of the data to the region that falls outside of the range of the sample makes it clear that other models should be used. They also provide a procedure for checking the significance of the intercept: one must fit the intercept model and then construct a confidence interval that contains true intercept, and then check, whether 0 is included in the interval. If it is included, then there is no evidence that the intercept model provides significantly better fit to the data than no intercept model. Hahn also raised an issue that was related the coefficient of determination that was erroneously

computed in popular computing packages of that time.

Gordon [4] has also contributed to the dispute of computation of R^2 and suggested that this parameter has to be computed for both models by the same formula

$$R^2 = 1 - \frac{\sum_i \varepsilon_i^2}{\sum_i (y_i - \bar{y})^2} \tag{1.1}$$

However, as Eisenhauer [3] noted, the equation 1.1 might be inconsistent for no-intercept model and provide uninterpretable negative result, so a different formula for no-intercept model is commonly used,

$$R^2 = \frac{\sum \hat{y}_i^2}{\sum y_i^2} \tag{1.2}$$

This new formula becomes not consistent with the prior one, thus R^2 calculated for intercept and no-intercept models are incomparable.

1.3 Research question

The main goal of this paper is to familiarize reader with linear regression through the origin, derive properties of its estimators, and determine when RTO might be a better model than linear regression with intercept.

1.4 Outline

2. Preliminaries

2.1 Statistics Basics

In this part we will cover most of the statistics that we are going to need later and also some of the notations that we are going to use.

Definition (Data): Let $(x_1, \ldots, x_n)$, where $x_i \in S$ for $i = 1, \ldots, n$. The set S is typically $\mathbb{R}$, $\mathbb{R}^d$, or any abstract set. However, for our purposes, S (the sample space) is usually taken as $\mathbb{R}$.

Definition (Sample): In statistics, our data are often represented by a vector $\mathbf{X} = (X_1, X_2, \ldots, X_n)$ of i.i.d. (independent, identically distributed) random variables, denoted as the sample (of size n). The random variables X_i take values in $\mathbb{Z}$ or $\mathbb{R}$. The common distribution of the X_i is referred to as the parent distribution, and the sample is said to be drawn from that parent distribution.

Definition (Model): A statistical model is a family $\{P_\theta \mid \theta \in \Theta\}$ of distributions on the sample space. In the case where $\Theta \subset \mathbb{R}^d$, it is a parametric model, with Θ being the parameter set (space).

Definition (Statistic): A statistic $T = T(x_1, ..., x_n)$ is any function of the sample data, often used to summarize or draw inferences about the underlying population.

Definition (Sample mean): Let $(X_1, \ldots, X_n)$ be a sample. Then, the random variable

$$\bar{X} = X = \frac{1}{n} \sum_{i=1}^{n} X_i$$

is referred to as the sample mean.

Definition (Estimator): An estimator is a statistic (a function of the sample data) used to estimate an unknown parameter in a statistical model. Denoted as $\hat{\theta}$, an estimator for the parameter θ is any measurable function of the random variables $X_1, X_2, \ldots, X_n$.

Definition (Unbiased Estimator): If $\hat{\theta}$ is an estimator of θ, we can define the

quantity $Bias(\hat{\theta}) = \mathbb{E}_\theta[\hat{\theta}] - \theta$. The estimator $\hat{\theta}$ is termed unbiased if its bias is 0.

Definition (MSE of an Estimator): Consider the model $\{P_\theta \mid \theta \in \Theta\}$ and the sample $(X_1, \ldots, X_n)$ from it. The mean square error (or quadratic risk) of an estimator $\hat{\theta} = \hat{\theta}(X_1, \ldots, X_n)$ for the parameter θ is defined as

$$\mathrm{MSE}_\theta(\hat{\theta}) = \mathbb{E}_\theta((\hat{\theta} - \theta)^2)$$

when θ is the true parameter.

Definition (Likelihood): We say that $L(\theta)$ is a likelihood of an estimator θ if $L(\theta) = p(x|\theta)$, where x is a realization $(x_1, ..., x_n)$ of a sample X. Thus, likelihood can be obtained by taking the product of marginal probability mass functions for fixed x, and expressing the result as a function of θ.

$$p(x|\theta) = \Pi_{i=1}^n p(x_i|\theta) \tag{2.1}$$

We will call estimator $\hat{\theta}$ a Maximum Likelihood Estimator of θ if it maximizes 2.1. One common approach to find this estimator is to take partial derivative with respect to θ of log-likelihood function $l(\theta) = \log L(\theta)$. Since logarithm is a monotonically increasing function, the maximum of $l(\theta)$ will be the same as maximum of $L(\theta)$

3. Simple Linear Regression

3.1 Simple linear regression

Before we start delving into RTO, it's best to get familiar with a more general case - Simple Linear Regression.

In Simple Linear Regression, we are given a random sample of data points $(x_1, y_1), ..., (x_n, y_n)$ from a population, and our goal is to find a linear function that describes the relationship between x (often called, explanatory variable, regressor) and y (often called dependent variable, regressand) as good as possible:

$$y_i = \beta_1 x_i + \beta_0 \quad (i = 1, 2, ..., n) \tag{3.1}$$

or in matrix notation

$$\mathbf{Y} = \beta \mathbf{X}$$

where $\mathbf{Y} = \begin{bmatrix} y_1 \\ y_2 \\ \vdots \\ y_n \end{bmatrix}, \quad \mathbf{X} = \begin{bmatrix} 1 & x_1 \\ 1 & x_2 \\ \vdots & \vdots \\ 1 & x_n \end{bmatrix}, \quad \beta = \begin{bmatrix} \beta_0 & \beta_1 \end{bmatrix}$

Since, sample is random, the equation (3.1) is not true in general, so we take into account error term $\varepsilon = (\varepsilon_1, \varepsilon_2, ..., \varepsilon_n)^T$, where $\varepsilon_1, \varepsilon_2, ..., \varepsilon_n$ are i.i.d random variables:

$$\mathbf{Y} = \beta \mathbf{X} + \varepsilon \tag{3.2}$$

3.2 Assumptions

The objective of simple linear regression is, under some assumption [6, p.4-12], to estimate the parameters β_0 and β_1, so that they will provide best fit. The assumptions

are important since they serve as a foundation for later theory, so it is crucial to know them.

Assumption 3.2.1 (linearity). $y_i = \beta_1 x_i + \beta_0 + \varepsilon_i$

Linearity means that the underlying relationship between regressand and regressor is linear.

Assumption 3.2.2 (strict exogeneity). $\mathbb{E}(\varepsilon_i|\mathbf{X}) = 0 \quad (i = 1, 2, ..., n)$

From this assumption it follows that:

$$\mathbb{E}(\varepsilon_i) = 0 \quad (i = 1, 2, ..., n) \tag{3.3}$$

Proof. From law of total expectation it also follows that $\mathbb{E}(\varepsilon_i) = \mathbb{E}(\mathbb{E}(\varepsilon_i|\mathbf{X})) = 0$ $\qquad\square$

The cross moments are orthogonal to all observations:

$$\mathbb{E}(x_i\varepsilon_j) = 0 \quad (i, j = 1, 2, ..., n) \tag{3.4}$$

Proof.

$$
\begin{aligned}
\mathbb{E}(x_i\varepsilon_j) &= \mathbb{E}(\mathbb{E}(x_i\varepsilon_j|x_i)) && \text{(by law of total expectation)} \\
&= \mathbb{E}(x_i\mathbb{E}(\varepsilon_j|x_i)) && \text{(by linearity of expectation)} \\
&= \mathbb{E}(x_i0) = 0
\end{aligned}
$$

$\qquad\square$

Because the mean of error terms is zero, the orthogonality condition, implies that error terms have zero correlation with observations.

Assumption 3.2.3 (no multicollinearity). *Data vector* $\mathbf{X}$ *has no duplicates with probability 1.*

The more general variant of this assumption, in the case when we have classical linear regression with multiple regressors, the multicollinearity would mean that the rank of the $n \times K$ data matrix $\mathbf{X}$ is exactly K with probability 1. In other words, columns of the data matrix have to be linearly independent with probability 1.

Assumption 3.2.4 (homoskedasticity). $\mathbb{E}(\varepsilon_i^2|\mathbf{X}) = \sigma^2 > 0 \quad (i = 1, 2, ..., n)$

Assumption 3.2.5 (no correlation between observatoins)**.**

$$\mathbb{E}(\varepsilon_i \varepsilon_j) = 0 \quad (i, j = 1, 2, ..., n; i \neq j)$$

This is equivalent to saying that covariance of error terms is zero, since means are zero.

Remark: Although in the assumptions we treat regressors as random, conditioned on their observed values, in reality, $x_1, ..., x_n$ are realizations of random variables, so it is generally accepted to treat them as fixed. Although this might be somewhat misleading, it allows us to shorten the notation, and make it more readable, while still being concise.

For the purposes of this paper, we will also assume that error terms in eq. 3.2 are normally distributed with mean 0 and variance σ^2.

3.3 Properties

To compute likelihood function, we can notice that y_i is a normally distributed random variable with mean $\mathbb{E}[y_i] = \beta_1 x_i + \beta_0$ and variance $\text{Var } y = \sigma^2$. Then, likelihood L can be computed as a product of marginal distributions:

$$L(y_1, \ldots, y_n | \beta_0, \beta_1, \sigma) = \prod \frac{1}{\sqrt{2\pi\sigma^2}} \exp(-\frac{1}{2\sigma^2}(y_i - (\beta_1 x_i + \beta_0)^2)) \tag{3.5}$$

$$= \left(\frac{1}{2\pi\sigma^2}\right)^{n/2} \exp\left(-\frac{1}{2\sigma^2} \sum_{i=1}^{n} (y_i - (\beta_0 + \beta_1 x_i))^2\right) \tag{3.6}$$

Log-likelihood function

$$l(y_1, \ldots, y_n | \beta_0, \beta_1, \sigma) = -\frac{n}{2} \log(2\pi) - n \log \sigma - \frac{1}{2\sigma^2} \sum_{i=1}^{n} (y_i - (\beta_0 + \beta_1 x_i))^2 \tag{3.7}$$

By taking partial derivatives with respect to our parameters, we can find that estimates of β_0, β_1 and σ that maximize the likelihood:

$$\frac{\partial l}{\partial \beta_0} = \sum_{i=1}^{n} (y_i - (\beta_0 + \beta_1 x_i)) = 0 \tag{3.8}$$

$$\frac{\partial l}{\partial \beta_1} = \sum_{i=1}^{n} (y_i - (\beta_0 + \beta_1 x_i)) x_i = 0 \tag{3.9}$$

$$\frac{\partial l}{\partial \sigma} = \frac{n}{\sigma} - \frac{1}{\sigma^3} \sum_{i=1}^{n} (y_i - (\beta_0 + \beta_1 x_i))^2 = 0 \tag{3.10}$$

Let the solutions of the above equations be denoted as $\hat{\beta}_0$, $\hat{\beta}_1$, $\hat{\sigma}^2$ for β_0, β_1, σ^2. If $\hat{y}_i = \hat{\beta}_0 + \hat{\beta}_1 x_i$, then...

$$\hat{\beta}_0 = \bar{y} - \hat{\beta}_1 \bar{x}; \tag{3.11}$$

$$\hat{\beta}_1 = \frac{S_{xy}}{S_{xx}}; \tag{3.12}$$

$$\hat{\sigma}^2 = \frac{1}{n} \sum_{i=1}^{n} (y_i - \hat{y}_i)^2 = \frac{1}{n} SSE. \tag{3.13}$$

So $\hat{\beta}_0, \hat{\beta}_1$ are Maximum Likelikelihood Estimators of the model.

Proposition 3.3.1. *Finding values of β_0, β_1 that minimize MSE is same as finding MLE of β_0, β_1*

Proof. From equations 3.8 and 3.9 we can see that $y - \hat{y}$ is perpendicular to both **1** and **x**, and we know that $\hat{y} = \hat{\beta}_1 x + \hat{\beta}_0$, i.e. $\hat{y}$ lies in span$\{\mathbf{1}, \mathbf{x}\}$. Notice that $y - \hat{y} = \varepsilon$, so since $\hat{y}$ is perpendicular to ε, MLE from 3.11 and 3.12 are indedd MSE estimators too. $\square$

Remark: Equations 3.8 and 3.9 are called normal equations [7] (from the fact that $\mathbf{y} - \hat{\mathbf{y}}$ are orthogonal to **1** and **x**) and in matrix form it could be written as:

$$\mathbf{X^T X b} = \mathbf{X^T Y} \tag{3.14}$$

Where **b** is 2×1 vector of the regression MLE coefficients $(\hat{\beta}_0, \hat{\beta}_1)^T$

Proposition 3.3.2. $\underbrace{\sum_{i=1}^{n} (y_i - \bar{y})^2}_{SST} = \underbrace{\sum_{i=1}^{n} (\hat{y}_i - \bar{y})^2}_{SSR} + \underbrace{\sum_{i=1}^{n} (y_i - \hat{y}_i)^2}_{SSE}$
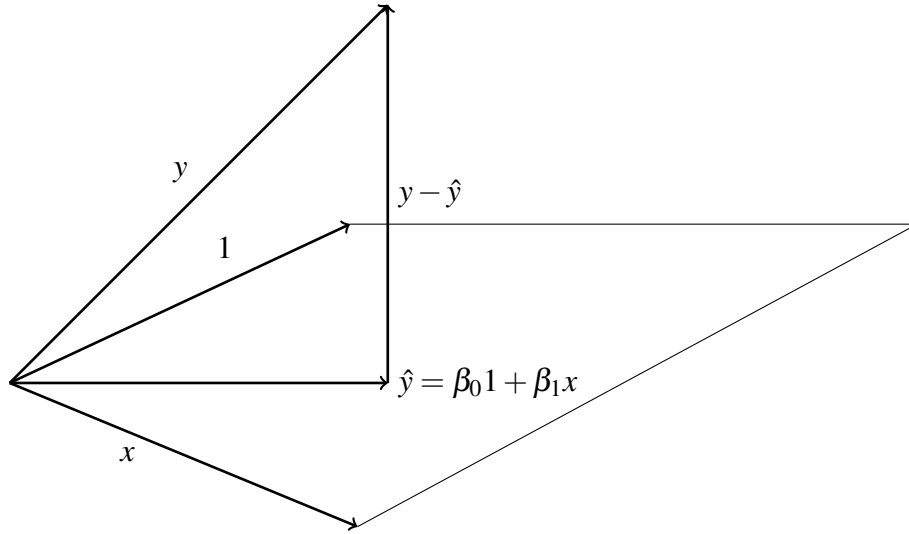
Figure 3.1: Orthogonal projection of $\mathbf{y}$ to span$\{\mathbf{1}, \mathbf{x}\}$

Proof. The vector $\mathbf{y} - \hat{y}$ is perpendicular to $\hat{y} - \mathbf{1}\, \bar{y}$, thus the proposition is true by the Pythagorean theorem.

Alternatively, it is enough to show that

$$\sum (\hat{y}_i - \bar{y})(y_i - \hat{y}_i) = 0,$$

since then:

$$\sum_{i=1}^{n} (y_i - \bar{y})^2 = (\sum_{i=1}^{n} (\hat{y}_i - \bar{y}) + \sum_{i=1}^{n} (y_i - \hat{y}_i))^2 =$$

$$= \sum_{i=1}^{n} (\hat{y}_i - \bar{y})^2 + 2\sum (\hat{y}_i - \bar{y})(y_i - \hat{y}_i) + \sum_{i=1}^{n} (y_i - \hat{y}_i)^2 =$$

$$= \sum_{i=1}^{n} (\hat{y}_i - \bar{y})^2 + \sum_{i=1}^{n} (y_i - \hat{y}_i)^2$$

From 3.8 we know that $\sum (y_i - \hat{y}_i) = 0$. From 3.9 we know that $\sum (y_i - \hat{y}_i)x_i = 0$, $\hat{y}_i = \beta_0 + \beta_1 x_i \Rightarrow x_i = \frac{1}{\beta_1}(\hat{y}_i - \beta_0) \Rightarrow \sum \hat{y}_i (y_i - \hat{y}_i) = 0$

Finally,

$$\sum(\hat{y}_i - \bar{y})(y_i - \hat{y}_i) = \sum \hat{y}_i(y_i - \hat{y}_i) - \bar{y}\sum(y_i - \hat{y}_i) = 0$$

$\square$

Proposition 1.4. The estimators $\hat{\beta}_0$, $\hat{\beta}_1$, $\frac{SSE}{n-2}$ are unbiased estimators of β_0, β_1, σ^2 respectively.

Proof:

1. **Unbiasedness of $\hat{\beta}_1$:**

$$
\begin{aligned}
\mathbb{E}[\hat{\beta}_1] &= \mathbb{E}[\frac{S_{xy}}{S_{xx}}] = \mathbb{E}[\frac{\Sigma(x_i - \bar{x})(y_i - \bar{y})}{\Sigma(x_i - \bar{x})^2}] \\
&= \mathbb{E}[\frac{\Sigma(x_i - \bar{x})y_i}{\Sigma(x_i - \bar{x})^2}] = \frac{\Sigma(x_i - \bar{x})\mathbb{E}[y_i]}{\Sigma(x_i - \bar{x})^2} \\
&= \frac{\Sigma(x_i - \bar{x})(\beta_0 + \beta_1 x_i)}{\Sigma(x_i - \bar{x})^2} = \frac{\Sigma(x_i\beta_0 - \bar{x}\beta_0 + \beta_1 x_i^2 - \beta_1 x_i\bar{x})}{\Sigma x_i^2 - n\bar{x}^2} \\
&= \frac{n\bar{x}\beta_0 - n\bar{x}\beta_0 + \Sigma\beta_1 x_i^2 - n\beta_1\bar{x}^2}{\Sigma x_i^2 - n\bar{x}^2} = \frac{(\Sigma x_i^2 - n\bar{x}^2)\beta_1}{\Sigma x_i^2 - n\bar{x}^2} = \beta_1
\end{aligned}
$$

2. **Unbiasedness of $\hat{\beta}_0$:**

$$\mathbb{E}(\hat{\beta}_0) = \mathbb{E}(\bar{y} - \hat{\beta}_1\bar{x}) = \bar{y} - \bar{x}\mathbb{E}(\hat{\beta}_1) = \frac{1}{n}\mathbb{E}[\Sigma y_i] - \beta_1\bar{x} =$$

$$= \frac{1}{n}\mathbb{E}[\Sigma(\beta_0 + \beta_1 x_i + \varepsilon)] - \beta_1\bar{x} = \frac{1}{n}n\beta_0 + \frac{1}{n}n\beta_1\bar{x} - \bar{x}\beta_1 = \beta_0$$

3. **Unbiasedness of $\frac{SSE}{n-2}$ as an estimator of σ^2:**

$$\mathbb{E}\left(\frac{SSE}{n-2}\right) = \frac{1}{n-2}(n-2)\sigma^2 = \sigma^2$$

Proposition 3.3.3. $\mathbb{V}ar[\hat{\beta}_1] = \frac{\sigma^2}{S_{xx}}$

Proof. Assume, $Y_i \sim N(0, \sigma^2)$

$$\mathbb{V}ar[\hat{\beta}_1] = \mathbb{V}ar(\frac{1}{S_{xx}}\sum(x_i - \bar{x})Y_i) = \frac{1}{S_{xx}^2}\sum\mathbb{V}arY_i = \frac{\sigma^2}{S_{xx}}$$

□

Proposition 3.3.4. $\mathrm{Var}[\hat{\beta}_0] = \frac{\sigma^2 S_{xx}^o}{n S_{xx}}$

Proof.

$$\mathrm{Var}[\hat{\beta}_0] = \mathrm{Var}[\bar{y} - \bar{x}\hat{\beta}_1] = \mathrm{Var}[\bar{y}] + \bar{x}^2 \mathrm{Var}[\hat{\beta}_1] - 2\bar{x}\mathrm{Cov}(\bar{y}, \hat{\beta}_1) =$$

$(\mathrm{Cov}(\bar{y}, \hat{\beta}_1) = 0$ see Appendix A.1.1)

$$
\begin{aligned}
&= \frac{1}{n^2}\mathrm{Var}[\textstyle\sum y] + \bar{x}^2 \frac{\sigma^2}{(x-\bar{x})^2} \\
&= \frac{\sigma^2}{n} + \bar{x}^2 \frac{\sigma^2}{(x-\bar{x})^2} \\
&= \frac{\sigma^2 \sum(x-\bar{x})^2}{n\sum(x-\bar{x})^2} + \frac{n\bar{x}^2\sigma^2}{n\sum(x-\bar{x})^2} \\
&= \frac{\sigma^2}{n\sum(x-\bar{x})^2}\left(\textstyle\sum(x-\bar{x})^2 + n\bar{x}^2\right) \\
&= \frac{\sigma^2 \sum x^2}{n\sum(x-\bar{x})^2}
\end{aligned}
$$

□

4. Linear Regression Regression with no intercept term

4.1 Simple Linear Regression with no intercept term

In certain statistical applications, the conventional assumption of a non-zero intercept term (β_0) in a simple linear regression model may not align with the nature of the data. For example, in economics the cost of production be assumed to be zero, when there is no production, or in physics, when we are describing the relationship between force and the displacement, forced is assumed to be zero, when there is no displacement. In other words, physical nature of our data often bears information about the nature of the true model.

In linear regression through the origin, regression equation takes the form:

$$\mathbf{y} = \beta_1^o \mathbf{x} + \varepsilon, \tag{4.1}$$

where $\mathbf{x}^T = (x_1, x_2, ..., x_n)$

Likelihood function L is:

$$L(y_1, ..., y_n | \beta_1^o, \sigma) = \prod \frac{1}{\sqrt{2\pi\sigma^2}} \exp\left(-\frac{1}{2\sigma^2}(y_i - \beta_1^o x_i)^2\right)$$

$$= \frac{1}{(2\pi\sigma^2)^{n/2}} \exp\left(-\frac{1}{2\sigma^2}\sum(y_i - \beta_1^o x_i)^2\right)$$

Log-likelihood l is:

$$l(y_1, ..., y_n | \beta_1^o, \sigma) = -\frac{n}{2}\log(2\pi\sigma^2) - \frac{1}{2\sigma^2}\sum(y_i - \beta_1^o x_i)^2$$

Thus we can compute the maximum likelihood estimator of β_1^o by taking partial

derivative of log-likelihood with respect to β_1^o:

$$\frac{\partial l}{\partial \beta_1^o} = -\frac{1}{2\sigma^2} \sum 2(y_i - \beta_1^o x_i)(-x_i) = 0$$

$$\frac{1}{\sigma^2} \sum (y_i x_i - \beta_1^o x_i^2) = 0$$

$$\sum x_i y_i = \sum x_i^2 \beta_1^o$$

$$\hat{\beta}_1^o = \frac{\sum x_i y_i}{\sum x_i^2}$$

Proposition 4.1.1. $\hat{\beta}_1^o$ *is unbiased*

Proof.

$$\mathbb{E}[\hat{\beta}_1^o] = \mathbb{E}[\frac{\sum x_i y_i}{\sum x_i^2}] = \sum \frac{1}{x_i^2} \mathbb{E}[\sum x_i y_i] =$$

$$= \frac{\sum x_i \mathbb{E}[y_i]}{\sum x_i^2} = \frac{\sum x_i^2 \beta_1^o}{\sum x_i^2} = \beta_1^o$$

$\square$

Proposition 4.1.2. $\mathbb{V}ar[\hat{\beta}_1^0] = \frac{\sigma^2}{\sum x_i^2}$

Proof.

$$\mathbb{V}ar[\hat{\beta}_1^0] = \mathbb{V}ar[\frac{\sum x_i y_i}{\sum x_i^2}] = \frac{1}{(\sum x_i^2)^2} \sum x_i^2 \mathbb{V}ar[Y_i] = \frac{\sigma^2}{\sum x_i^2}$$

$\square$

Proposition 4.1.3.

$$\mathbb{V}ar[\hat{\beta}_1^0] < \mathbb{V}ar[\hat{\beta}_1]$$

Proof.

$$\sum x_i^2 > \sum (x_i - \bar{x})^2$$
$$\frac{1}{\sum x_i^2} < \frac{1}{\sum (x_i - \bar{x})^2}$$
$$\frac{\sigma^2}{\sum x_i^2} < \frac{\sigma^2}{\sum (x_i - \bar{x})^2}$$
$$\mathbb{V}ar[\hat{\beta}_1^0] < \mathbb{V}ar[\hat{\beta}_1]$$

□

This tells us that when the true intercept is zero, no-intercept model provides better fit, as the two estimators $(\hat{\beta}_1, \hat{\beta}_1^o)$ are unbiased, but the latter has smaller variance. This might suggest that $\hat{\beta}_1^0$ might be more accurate estimator than $\hat{\beta}_1$ for the slope term. This gives us some motivation to compare the two estimators more closely.

It would be convenient for us to find confidence interval for $\beta_1^0 - \beta_1$, since if 0 lies in the CI, then we can statistically infer that two estimators are very close.

Proposition 4.1.4. *The difference of the two estimators is normally distributed as follows:*

$$\hat{\beta}_1^0 - \hat{\beta}_1 \sim N(\beta_1^0 - \beta_1, \sigma^2(\frac{1}{S_{xx}} - \frac{1}{S_{xx}^0}))$$

Before proving proposition 4.1.4, let's first understand some properties of $\hat{\beta}_1^0 - \hat{\beta}_1$:

Proposition 4.1.5. $\text{Cov}(\hat{\beta}_1^0, \hat{\beta}_1^0 - \hat{\beta}_1) = 0$

Proof.

$$\text{Cov}(\hat{\beta}_1^0, \hat{\beta}_1^0 - \hat{\beta}_1) = \text{Cov}(\frac{\sum xy}{\sum x^2}, \frac{\sum xy}{\sum x^2} - \frac{\sum (x - \bar{x})y}{\sum (x - \bar{x})^2})$$

$$= \frac{\sum x^2}{(\sum x^2)^2} \text{Var } y - \frac{\sum x(x - \bar{x})}{\sum x^2 \sum (x - \bar{x})^2} \text{Var } y$$

$$= \sigma^2 (\frac{1}{\sum x^2} - \frac{\sum x^2 - \bar{x} \sum x}{\sum x^2 \sum (x^2 - 2x\bar{x} + \bar{x}^2)})$$

$$= \sigma^2 (\frac{1}{\sum x^2} - \frac{\sum x^2 - n\bar{x}^2}{\sum x^2 (\sum x^2 - 2n\bar{x}^2 + n\bar{x}^2)})$$

$$= \sigma^2 (\frac{1}{\sum x^2} - \frac{\sum x^2 - n\bar{x}^2}{\sum x^2 (\sum x^2 - n\bar{x}^2)})$$

$$= \sigma^2 (\frac{1}{\sum x^2} - \frac{1}{\sum x^2}) = 0$$

$\square$

Proposition 4.1.6. $\mathbb{E}[\hat{\beta}_1^0 - \hat{\beta}_1] = \beta_1^0 - \beta_1$

Proof. By linearity of expected value, $\mathbb{E}[\hat{\beta}_1^0 - \hat{\beta}_1] = \mathbb{E}[\hat{\beta}_1^0] - \mathbb{E}[\hat{\beta}_1] = \beta_1^0 - \beta_1$ $\square$

Remark: This is only true when true intercept is equal to zero, since both of the estimators are MLE in this case.

Now we are ready to prove proposition 4.1.4

Proof of prop. 4.1.4. $\hat{\beta}_1^0 - \hat{\beta}_1$ is a linear combination of mutually independent normally distributed r.v.-s $\Rightarrow$ it is normally distributed.

$$\text{Var}(\hat{\beta}_1^0 - \hat{\beta}_1) = \text{Var}(\hat{\beta}_1^0) + \text{Var}(\hat{\beta}_1) - 2\text{Cov}(\hat{\beta}_1^0, \hat{\beta}_1) = \frac{\sigma^2}{S_{xx}^0} + \frac{\sigma^2}{S_{xx}} - 2\text{Cov}(\hat{\beta}_1^0, \hat{\beta}_1^0 - \hat{\beta}_1) - 2\text{Cov}(\hat{\beta}_1^0, \hat{\beta}_1^0)$$

$$= \frac{\sigma^2}{S_{xx}^0} + \frac{\sigma^2}{S_{xx}} - 0 - 2\text{Var } \hat{\beta}_1^0 = \frac{\sigma^2}{S_{xx}} - \frac{\sigma^2}{S_{xx}^0}$$

$\square$

Using proposition 4.1.4, we can now construct confidence interval for $\beta_1^0 - \beta_1$:

$$\hat{\beta}_1^0 - \hat{\beta}_1 \sim N(\beta_1^0 - \beta_1, \sigma^2 (\frac{1}{S_{xx}} - \frac{1}{S_{xx}^0}))$$

$$Z := \frac{\hat{\beta}_1^0 - \hat{\beta}_1 - \mathbb{E}[\hat{\beta}_1^0 - \hat{\beta}_1]}{\mathrm{Var}(\hat{\beta}_1^0 - \hat{\beta}_1)} = \frac{\hat{\beta}_1^0 - \hat{\beta}_1 - (\beta_1^0 - \beta_1)}{\sigma^2(\frac{1}{S_{xx}} - \frac{1}{S_{xx}^0})})$$

$$\beta_1^0 - \beta_1 = \hat{\beta}_1^0 - \hat{\beta}_1 - \sigma^2 Z(\frac{1}{S_{xx}} - \frac{1}{S_{xx}^0})$$

CI is:

$$\hat{\beta}_1^0 - \hat{\beta}_1 - \sigma^2 Z_\alpha(\frac{1}{S_{xx}} - \frac{1}{S_{xx}^0}) \leq \beta_1^0 - \beta_1 \leq \hat{\beta}_1^0 - \hat{\beta}_1 + \sigma^2 Z_\alpha(\frac{1}{S_{xx}} - \frac{1}{S_{xx}^0}) \qquad (4.2)$$

4.2 Model Comparison

The goal of this section is to compare two models given that the observed data is generated from the function $y_i = \beta_1 x + \beta_0 + \varepsilon_i$ with our standard assumptions.

Coefficient of Determination

R^2 often used in statistics to _____ do

Akaike Information Criterion

Akaike Information Criterion is a statistical tool that was introduced by Akaike in 1974 [1] and defined as:

$$AIC = (-2)\log(\text{maximum likelihood}) + 2k$$

Where k is the number of independently adjusted parameters within the model.

AIC in a sense estimates the prediction error for a given set of data, and effectively takes into account the number of assumed parameters, thus punishing overfitting, which often occurs due to increasing number of parameters in the model also increases likelihood, even if the model may give a poorer fit.

AIC has its relation to another important notion in statistics, Kullback-Leibler divergence, which is defined as follows:

Given that $x_1, x_2, ..., x_n$ are obtained results after n independent observations of random variable with probability function $g(x)$, and a parametric family of density function is given by $f(x|\theta)$ then the average log-likelihood tends to this integral (assuming that integral exists) with probability 1

$$S(g; f(.|\theta)) = \int g(x) \log f(x|\theta) dx \qquad (4.3)$$

The idea behind using the log function here is that it is the most sensitive to small deviations of $f(x|\theta)$ from $g(x)$. Then the difference

$$I(g; f(.|\theta)) = S(g; g) - S(g; f(.|\theta))$$

is called Kullback-Leibner mean information, and also can be interpreted as "distance" between two distributions f and g, since $S(g; g) - S(g; f(.|\theta))$ is also

$$\mathbb{E}_g[\log g(x)] - \mathbb{E}_g[\log f(x|\theta)]$$

with respect to the density function $g(x)$. Hence, low values of KL divergence indicate that the two probability density functions are relatively close to each other.

Akaike found that maximized log-likelihood is a biased estimate of $\mathbb{E}[\log f(x|\hat{\theta})$, where $\hat{\theta}$ is a biased estimate of θ, where bias approximately equals k, the overall number of independent parameters of a given model. Since, $\mathbb{E}[\log g(x)]$ is a constant, minimizing AIC means minimizing the estimate of KL divergence.

Bayesian Information Criterion

Bayesian Information Criterion, Schwartz (1978) [8], is alternative estimate of goodness of fit of the model that penalizes the number of independent parameters and defined as:

$$BIC = -2 \log(\text{maximized likelihood}) + k \log n \qquad (4.4)$$

The way how AIC and BIC penalize increasing number of parameters is different, and ultimately the choice between two criterions should depend on assumptions about reality and the intent of the model-based inference [2]. However, for the sake of practice,

we shall use both AIC and BIC in our model comparison.

4.2.1 $\beta_0 = 0$:

When the true intercept term is equal to zero, for both models we have that their parameters are MLE of true parameters. However, from prop. 4.1.3 we know that the slope estimator of the no-intercept model is more accurate, hence no-intercept model is preferred.

4.2.2 $\beta_0 \neq 0$:

It is intuitive to presume that in general, when true intercept term is not equal to zero, intercept model should perform better, as it is unbiased, however the following example might suggest that the no-intercept model is better for small values of β_0 if we look at the sum of squared deviations of fitted points from the points on the true relationship line:

$$\sum (\dot{y} - \hat{y})^2$$

Where $\dot{y} = \beta_1 x + \beta_0$ and β_0, β_1 are true intercept and slope values, respectively.

Motivational example

Even though RTO might be worse than performing full linear regression model in terms of SSE (since full model always gives unbiased estimators, they are also MLE estimators, so SSE is minimized), there are other statistical parameters that are better in RTO when intercept term is small enough.

Given that the true model is known, $\dot{y}_i = \beta_1 x_i + \beta_0$, one might simulate the data points by adding normally-distributed error terms:

$$y_i = \beta_1 x_i + \beta_0 + \varepsilon_i$$

One might be interested now in comparing sum of squared deviations (SSD) of fitted points $\sum (\dot{y}_i - \hat{y}_i)^2$.

(a) Plot of simulated points   (b) Plot of three models
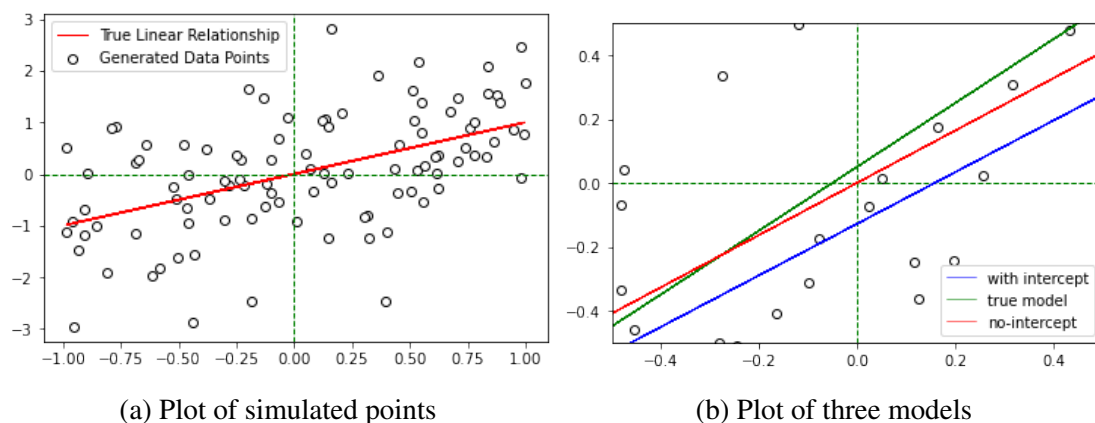
Figure 4.1: Linear Regression model on simultated datapoints

	AIC	BIC	SSD
Intercept Model	1100.70	1108.51	0.46305
No Intercept Model	1098.68	1103.89	0.46011

Table 4.1: AIC, BIC, and SSD for Intercept and No Intercept Models.

Let's start by generating a sample of 100 points, and assume that parameters are known as $\beta = 1, \alpha = 0.005, \sigma = 1$ (see fig. 4.1a):

Now, let's fit two models: no-intercept model, and full model. For that purposes we will use LinearRegression function from `sklearn.linear_model` package. On fig. 4.1b you can see the two models as well as the true model plotted up close.

Now let's compare three statistics for these two models: BIC, AIC and SSD. The results can be seen in the Table 4.1. It is clearly seen that no-intercept model provides slightly better fit in terms of these parameters.

Moreover, when we perform 1000 Monte Carlo simulations for 1000 different intercept values β_0, ranging from 0 to 0.2, and $\beta_1 = 1, \sigma^2 = 1$, and we plot the graph of $\Delta SSD := SSD_{no} - SSD$ to β_0, we can see that ΔSSD takes negative values in the region that is bellow blue dashed line in fig. 4.2. This might suggest that no-intercept model is better in terms of SSD compared to the full model. However let's give this assumption a mathematical justification.
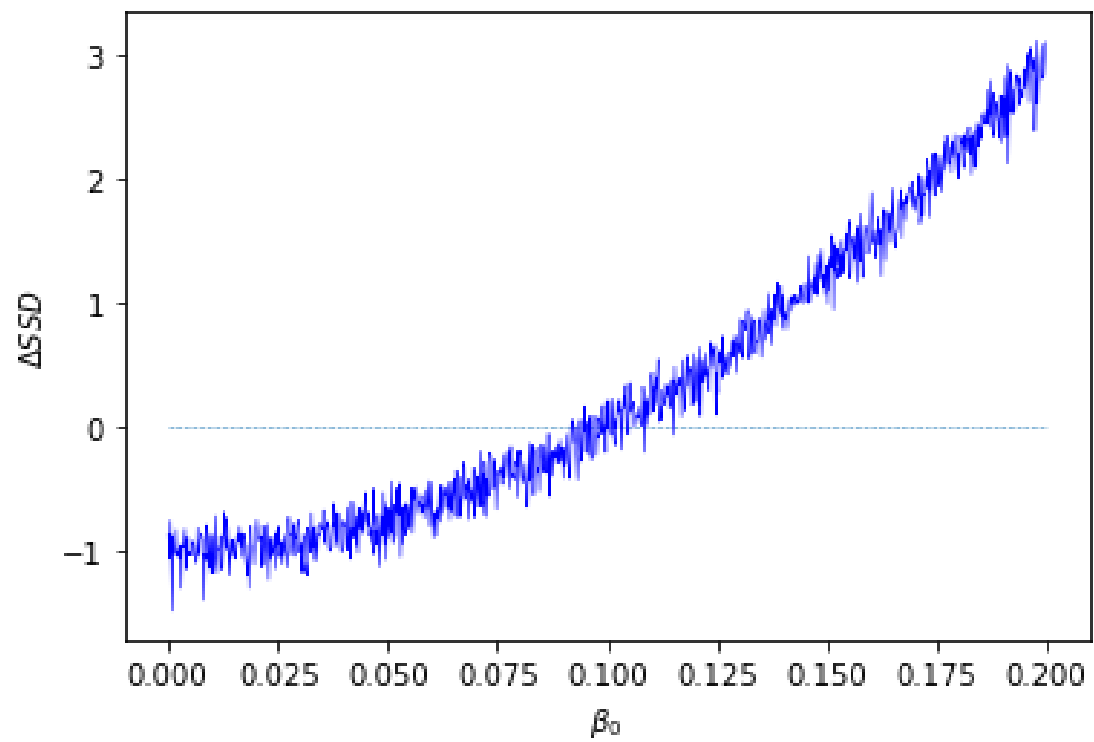
Figure 4.2: Plot of the difference of SSD to the values of intercept

4.2.3   Expected value of *SSD* and *SSD*$_{no}$

We will denote with *SSD* and *SSD*$_{no}$ the sum of squared deviations of the fitted values from values on the true relationship line for full and no-intercept models, respectively.

Our goal here is to calculate $\mathbb{E}[SSD]$ and $\mathbb{E}[SSD_{no}]$ to justify the region below zero in fig. 4.2. In this section we are going to prove the following two propositions:

Proposition 4.2.1. $\mathbb{E}[SSD_{no}] = n\beta_0^2 - \beta_0^2 n^2 \frac{\bar{x}^2}{\sum x^2} + \sigma^2$

Proposition 4.2.2. $\mathbb{E}[SSD] = \frac{2\sigma^2}{S_{xx}}(S_{xx}^o - n\bar{x}^2)$

Assuming $\beta_0 > 0$. In order to prove proposition 4.2.1, we have to take into account that $\beta_0 \neq 0$, so the estimator β_1^o is now biased.

Proposition 4.2.3. $\mathbb{E}[\hat{\beta}_1^o] = \frac{\sum \beta_0 x}{\sum x^2} + \beta_1$

Proof.

$$\mathbb{E}[\hat{\beta}_1^o] = \frac{\mathbb{E}\sum xy}{\sum x^2} = \frac{\sum x \mathbb{E}[y]}{\sum x^2} = \frac{\sum x(\beta_1 x + \beta_0)}{\sum x^2}$$
$$= \frac{\sum \beta_0 x + \sum \beta_1 x^2}{\sum x^2} = \frac{\sum \beta_0 x}{\sum x^2} + \beta_1$$

$\square$

Proposition 4.2.4. $\mathbb{E}[\hat{\beta}_1^{o2}] = \frac{\sigma^2}{\sum x^2} + (\frac{\sum \beta_0 x}{\sum x^2} + \beta_1)^2$

Proof. Comes from the fact that $\mathbb{E}[\hat{\beta}_1^{o2}] = \text{Var}[\hat{\beta}_1^o] + \mathbb{E}[\hat{\beta}_1^o]^2$ and then one can apply prop. 4.2.3 and prop. 4.1.2 $\square$

Proof of proposition 4.2.1. Here, we assume that $\hat{y}$ are values fitted by no-intercept

model:

$$\mathbb{E}[SSD_{no}] = \sum(\dot{y} - \hat{y})^2 \qquad \text{(df } SSD_{no})$$

$$= \sum \dot{y}^2 - \sum 2\dot{y}\mathbb{E}[\hat{y}] + \sum \mathbb{E}[\hat{y}^2] \qquad \text{(linearity)}$$

$$= \sum \dot{y}^2 - \sum 2\dot{y}x\left(\frac{\sum \beta_0 x}{\sum x^2} + \beta_1\right) + \sum x^2\left(\frac{\sigma^2}{\sum x^2} + \left(\frac{\sum \beta_0 x}{\sum x^2}\right)^2 + \frac{2\beta_0 \beta_1 \sum x}{\sum x^2} + \beta_1^2\right) \quad \text{(pp 4.2.3 \& 4.2.4)}$$

$$= \sum(\beta_0^2 + 2\beta_0\beta_1 x + x^2\beta_1^2) - 2x(\beta_0 + \beta_1 x)\left(\frac{\sum \beta_0 x}{\sum x^2} + \beta_1\right) +$$

$$\sigma^2 + \beta_0^2 \frac{n^2 \bar{x}^2}{S_{xx}^o} + 2n\beta_0\beta_1\bar{x} + \beta_1^2 S_{xx}^0$$

$$= n\beta_0^2 + \cancel{2n\beta_0\beta_1\bar{x}} + \cancel{\beta_1^2 S_{xx}^o} - 2\beta_0^2 n^2 \frac{\bar{x}^2}{S_{xx}^o} - \cancel{4n\beta_0\beta_1\bar{x}} - \cancel{2\beta_1^2 S_{xx}^o} +$$

$$\sigma^2 + \beta_0^2 \frac{n^2 \bar{x}^2}{S_{xx}^o} + \cancel{2n\beta_0\beta_1\bar{x}} + \cancel{\beta_1^2 S_{xx}^o}$$

$$= n\beta_0^2 - \beta_0^2 n^2 \frac{\bar{x}^2}{S_{xx}^o} + \sigma^2$$

$$\square$$

Before we begin the proof of proposition 4.2.2 let us change our assumptions again, and now let $\hat{y}$ define fitted values by full model.

Proposition 4.2.5. $\text{Cov}(\hat{\beta}_0, \hat{\beta}_1) = \frac{-\bar{x}\sigma^2}{\sum(x - \bar{x})^2}$

Proof. Let us adopt matrix notation from equation 3.2. $Var(\hat{\beta})$ will give us a matrix that has variances of estimators $\hat{\beta}_0, \hat{\beta}_1$ in diagonal elements and their covariances in off-diagonal elements. Define 2×1 vector $\hat{\beta}$ as **b**:

$$\text{Var}[\mathbf{b}] = \mathbb{E}[\mathbf{b}^2] - \mathbb{E}[\mathbf{b}]\mathbb{E}[\mathbf{b}^T]$$

$$= \mathbb{E}[((\mathbf{X^TX})^{-1}\mathbf{X^TY})^2] - \beta^2$$

Replace **Y** by eq. 3.2

$$= \mathbb{E}[((\mathbf{X^TX})^{-1}\mathbf{X^T}(\mathbf{X}\beta + \varepsilon))^2] - \beta^2$$

$$= \mathbb{E}[((\mathbf{X^TX})^{-1}\mathbf{X^TX}\beta + (\mathbf{X^TX})^{-1}\mathbf{X^T}\varepsilon))^2] - \beta^2$$

The term $(\mathbf{X^TX})^{-1}\mathbf{X^TX}$ is equal to identity matrix $\mathbf{I_2}$

$$
\begin{aligned}
&= \mathbb{E}[(\beta + (\mathbf{X^TX})^{-1}\mathbf{X^T}\varepsilon))^2] - \beta^2 \\
&= \beta^2 + \mathbb{E}[((\mathbf{X^TX})^{-1}\mathbf{X^T}\varepsilon)^2] - \beta^2
\end{aligned}
$$

The cross term becomes zero since $\mathbb{E}[\varepsilon] = 0$

$$
\begin{aligned}
&= ((\mathbf{X^TX})^{-1}\mathbf{X^T})^2 \mathbb{E}[\varepsilon^2] \\
&= (\mathbf{X^TX})^{-1}\mathbf{X^TX}(\mathbf{X^TX})^{\mathbf{T}\ -1}\sigma^2
\end{aligned}
$$

$((\mathbf{X^TX})^{\mathbf{T}\ -1} = (\mathbf{X^TX})^{-1}$ comes from the fact that X^TX is a symmetric matrix)

$$
= \sigma^2 (\mathbf{X^TX})^{-1}
$$

Now the off-diagonal term then can be computed easily as $\frac{-\bar{x}\sigma^2}{\sum(x-\bar{x})^2}$

$\square$

Proof of proposition 4.2.2.

$$
\begin{aligned}
\mathbb{E}[SSD] = \mathbb{E}[\sum(\dot{y}-\hat{y})^2] &= \mathbb{E}[\sum(\dot{y}^2 - 2\dot{y}\hat{y} + \hat{y}^2)] = \\
&= n\beta_0^2 + 2\beta_0\beta_1\sum x + \beta_1^2\sum x^2 - \sum 2\dot{y}\mathbb{E}[\hat{y}] + \sum \mathbb{E}[\hat{y}^2] = (*)
\end{aligned}
$$

$(\mathbb{E}[\hat{y}] = \mathbb{E}[\hat{\beta}_1]x + \mathbb{E}[\hat{\beta}_0] = \beta_1 x + \beta_0 = \dot{y})$

$$
\mathbb{E}[\dot{y}^2] = \mathrm{Var}[\hat{\beta}_0] + \mathbb{E}[\hat{\beta}_0] + x^2(\mathrm{Var}[\hat{\beta}_1 + \mathbb{E}[\hat{\beta}_1]^2]) + 2x\mathbb{E}[\hat{\beta}_0\hat{\beta}_1]
$$

and $\mathbb{E}[\hat{\beta}_0\hat{\beta}_1] = \mathrm{Cov}(\hat{\beta}_0,\hat{\beta}_1) + \mathbb{E}[\hat{\beta}_0]\mathbb{E}[\hat{\beta}_0]$, so substituting prop 4.2.5 we get

$$
\begin{aligned}
(*) = {}& n\beta_0^2 + 2\beta_0\beta_1 n\bar{x} + \beta_1^2 S_{xx}^o - \sum 2(\beta_1 x + \beta_0)^2 + \frac{\sigma^2 S_{xx}^o}{S_{xx}} + n\beta_0^2 + \frac{\sigma^2 S_{xx}^o}{S_{xx}} + \\
& + \beta_1^2 S_{xx}^o - \frac{2n\bar{x}^2\sigma^2}{S_{xx}} + 2\beta_0\beta_1 x \\
= {}& n\beta_0^2 + 2\beta_0\beta_1 n\bar{x} + \beta_1^2 S_{xx}^o - 2\beta_1^2 S_{xx}^o - 4\beta_0\beta_1 n\bar{x} - 2n\beta_0^2 + \frac{\sigma^2 S_{xx}^o}{S_{xx}} + n\beta_0^2 + \frac{\sigma^2 S_{xx}^o}{S_{xx}} + \\
& + \beta_1^2 S_{xx}^o - \frac{2n\bar{x}^2\sigma^2}{S_{xx}} + 2\beta_0\beta_1 x \\
= {}& \frac{2\sigma^2}{S_{xx}}(S_{xx}^o - n\bar{x}^2)
\end{aligned}
$$

$\square$

Looking at the expected value of SSD for both models we see that expected SSD for full model is only explained by variance of the error terms, whereas no-intercept model's SSD also depends on the value of true intercept. Therefore for small values of intercept no-intercept model is expected to perform better in terms of sum of squared deviations of fitted values from true values.

5.   Summary and closing words

5.1   Conclusion

In this thesis, we have compared several properties of RTO and OLS models, found variances of estimators of slope, created confidence interval for difference of two slope estimators, and found found average values of sum of squared deviations of fitted values from true values, showing that on average, for small intercept values, linear regression through the origin provides better fit.

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A. Appendix

A.1   Miscellaneous calculations

Proposition A.1.1. $\mathrm{Cov}(\bar{y}, \hat{\beta}_1) = 0$

Proof.

$$
\begin{aligned}
\mathrm{Cov}(\bar{y}, \hat{\beta}_1) &= \mathrm{Cov}\left(\frac{1}{n}\sum_i y_i, \frac{\sum_j (x_j - \bar{x})y_j}{\sum (x - \bar{x})^2}\right) \\
&= \frac{1}{n}\sum_i \sum_j \frac{x_j - \bar{x}}{\sum_i (x_i - \bar{x})^2}\mathrm{Cov}(y_j, y_i) \\
&= \frac{1}{n}\sum_i \frac{(x_i - \bar{x})}{\sum_i (x_i - \bar{x})^2}\sigma^2 \\
&= 0
\end{aligned}
$$

since $\sum (x_i - \bar{x}) = 0$

$\square$

A.2   linear_regression.py module

```
1
2  import numpy as np
3  import matplotlib.pyplot as plt
4  from sklearn.linear_model import LinearRegression
5
```

```python
6   def linear_regression(x, y, intercept=True):
7       """
8       facade function that implements LinearRegression from sklearn.linear_model
9       """
10      model = LinearRegression(fit_intercept=intercept)
11      x = x.reshape(-1,1)
12      y = y.reshape(-1,1)
13      model.fit(x,y)
14      return model.predict(x)
15
16  def bayesian_information_criterion(y, y_fit, n , sigma, k):
17      """
18      BIC
19      """
20      max_log_likelihood = (
21      -n/2 * np.log(2 * np.pi * sigma**2)-np.sum((y+y_fit)**2)/sigma**2
22      )
23      BIC = k*np.log(n)-2*max_log_likelihood
24      return BIC
25
26  def SSD(y, y_fit):
27      """
28      function calculates sum of squared deviations of fitted
29      values and true values
30      """
31      return np.sum((y-y_fit)**2)
32
```

A.3   Script 1

The following script plots generates data from given true linear function by adding normally distributed error terms. The result is plotted

```python
import numpy as np
import matplotlib.pyplot as plt

np.random.seed(42)

num_samples = 100   # number of sample points

#X = np.linspace(0, 1, num_samples) * 2 - 1
X = np.random.rand(num_samples) * 2 - 1

beta =  1 # true slope
beta_0 = 0.05
noise = np.random.normal(0, 0.5, num_samples)   # standard normal noise term

y = beta * X + noise + beta_0


plt.plot(
X, beta * X, color='red',
linewidth=1, label='True Linear Relationship'
)
plt.scatter(
X, y, color='white', edgecolor='black',
marker='o', label='Generated Data Points'
)
plt.legend()

plt.axhline(0, color='green', linewidth=1, linestyle='--')
plt.axvline(0, color='green', linewidth=1, linestyle='--')

plt.title('')
plt.show()
```

A.4   Script 2

The following code performs both OLS and RTO linear regression models, plots the data, and computes the values of SSD

```python
mean_x = np.average(X)
mean_y = np.average(y)


Sxx = np.sum((X-mean_x)**2)
Sxy = np.sum((X-mean_x)*y)




beta_1_hat = Sxy/Sxx
beta_0_hat = mean_y - beta_1_hat * mean_x


beta_hat = np.sum(X*y)/np.sum(X**2)




plt.scatter(X, y, color='white', edgecolor='black', marker='o')


plt.axhline(0, color='green', linewidth=1, linestyle='--')
plt.axvline(0, color='green', linewidth=1, linestyle='--')



plt.plot(X, beta_1_hat * X + beta_0_hat, color='blue', linewidth=0.5, label='with interc
plt.plot(X, beta * X + beta_0, color='green', linewidth=0.5, label='true model')
plt.plot(X, beta_hat * X, color='red', linewidth=0.5, label='no-intercept')


plt.legend()


y_hat = beta_1_hat * X + beta_0_hat   # intercept model response variable
y_hat_hat = beta_hat * X   # no-intercept response variable



y = beta * X + beta_0
```

```
31
32   SS_dev_intercept = np.sum((y-y_hat)**2)
33   SS_dev_no_intercept = np.sum((y-y_hat_hat)**2)
34
35
```

A.5 Script 3

This script is used to generate fig. 4.2

```
1    delta_SSD = np.zeros(1000)
2    alphas = np.zeros(1000)
3
4    np.random.seed(42)
5
6    for increment in range(1000):
7    SS_dev_intercept_mean = 0
8    SS_dev_no_intercept_mean = 0
9    num_samples = 100
10   for i in range(100):
11
12   beta =  1  # true slope
13   beta_0 = 0 + increment/5000
14   noise = np.random.normal(0, 1, num_samples)  # standard normal noise term
15   X = np.random.rand(num_samples) * 2 - 1
16   y = beta * X + noise + beta_0
17
18   mean_x = np.average(X)
19   mean_y = np.average(y)
20
21   Sxx = np.sum((X-mean_x)**2)
22   Sxy = np.sum((X-mean_x)*(y))
23
24
25   beta_1_hat = Sxy/Sxx
```

```python
26   beta_0_hat = mean_y - beta_1_hat * mean_x
27
28   beta_hat = np.sum(X*y)/np.sum(X**2)
29
30   # y_hat = linear_regression(X, y)
31   # y_hat_hat = linear_regression(X,y, False)
32
33   y_hat = beta_1_hat * X + beta_0_hat    # intercept model response variable
34   y_hat_hat = beta_hat * X   # no-intercept response variable
35
36   y_true = beta * X + beta_0
37
38   SS_dev_intercept = np.sum((y_true-y_hat)**2)
39   SS_dev_no_intercept = np.sum((y_true-y_hat_hat)**2)
40
41   SS_dev_intercept_mean += SS_dev_intercept
42   SS_dev_no_intercept_mean += SS_dev_no_intercept
43
44   SS_dev_intercept_mean /= 100
45   SS_dev_no_intercept_mean /= 100
46
47   delta_SSD[increment] = SS_dev_no_intercept_mean - SS_dev_intercept_mean
48   alphas[increment] = beta_0
49
50   zeros = np.zeros_like(alphas)
51
52   plt.plot(alphas, zeros, '--', linewidth=0.5)
53   plt.plot(alphas, delta_SSD, color='blue', linewidth=0.5)
54
55   plt.xlabel(r"$\beta_0$")
56   plt.ylabel(r"$\Delta SSD$")
57   plt.show()
58
```