

# Spatial Analysis and Modeling (GIST 4302/5302)

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# Outline of This Week

- Last week, we learned:
  - Spatial autocorrelation of areal data
    - Moran's I, Geary's C, Getis-Ord General G
    - Anselin's LISA
- This week, we will learn:
  - Regression
  - Spatial regression

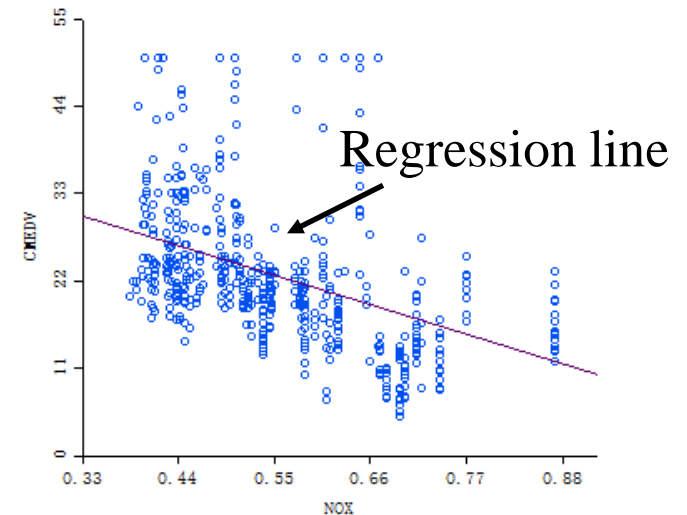
# From Correlation to Regression

## Correlation

- Co-variation
- Relationship or association
- No direction or causation is implied

## Regression

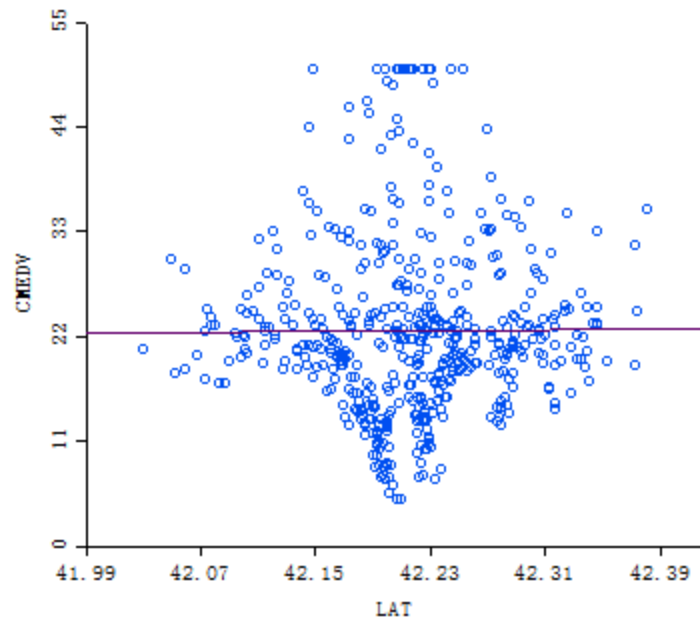
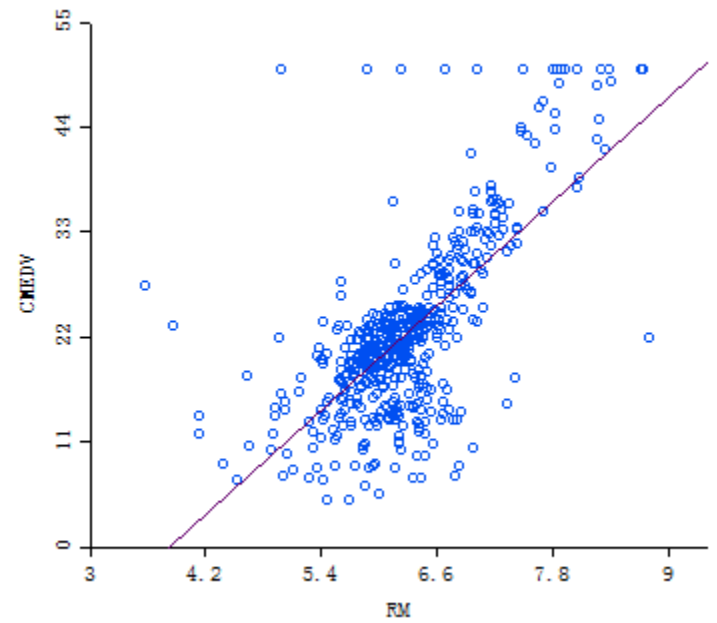
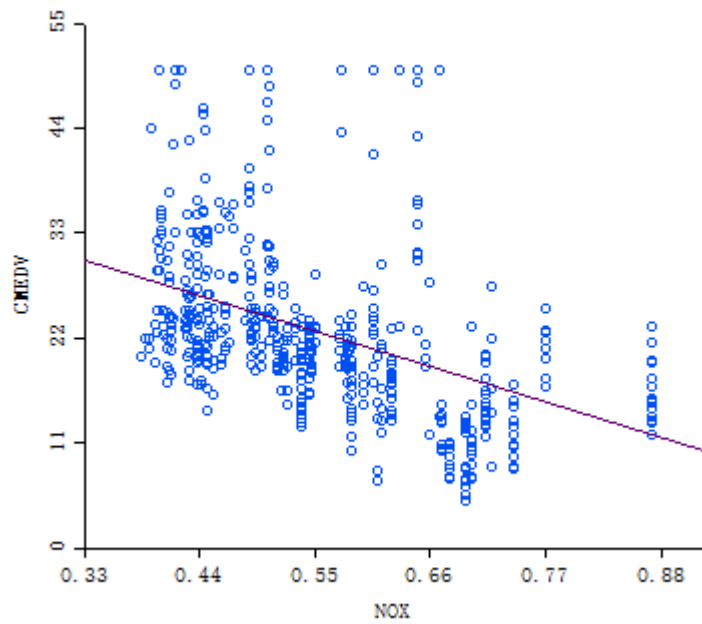
- Prediction of Y from X
- Implies, but does not prove, causation
- X (independent variable)
- Y (dependent variable)

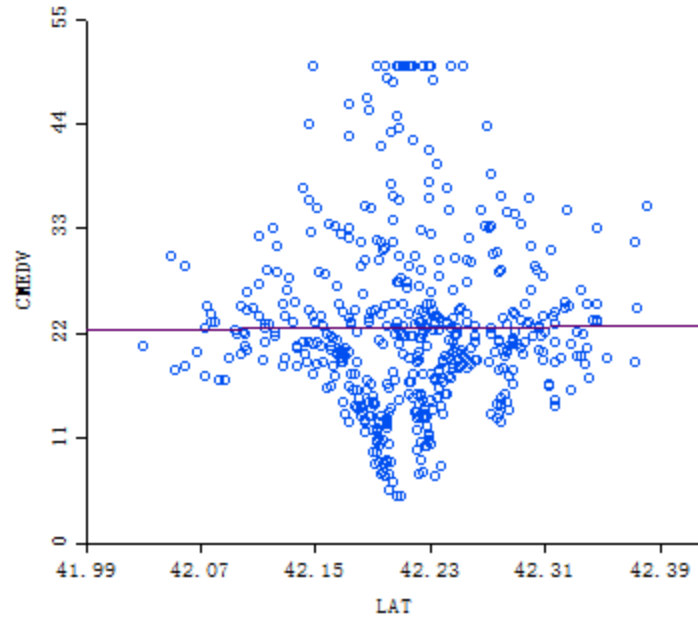
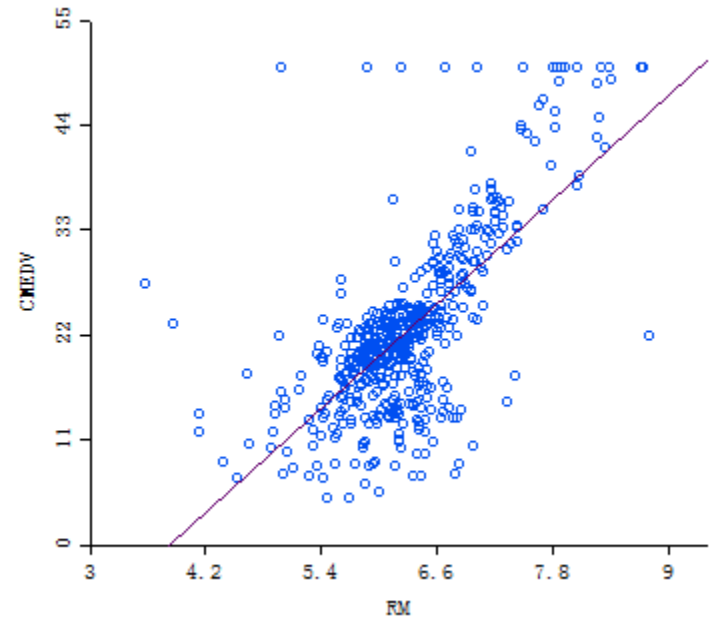
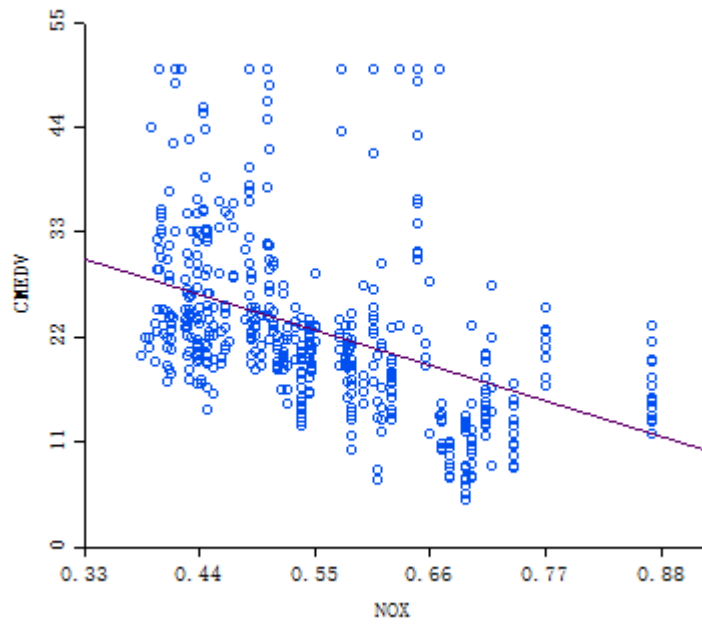


# Correlation Coefficient (r)

- One of the most common statistic
- measures the strength of the relationship (or “association”) between two variables e.g. income and education
- Full name: Pearson product-moment correlation coefficient
- Varies on a scale from –1 thru 0 to +1

$$r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2} \sqrt{\sum_{i=1}^n (Y_i - \bar{Y})^2}}$$



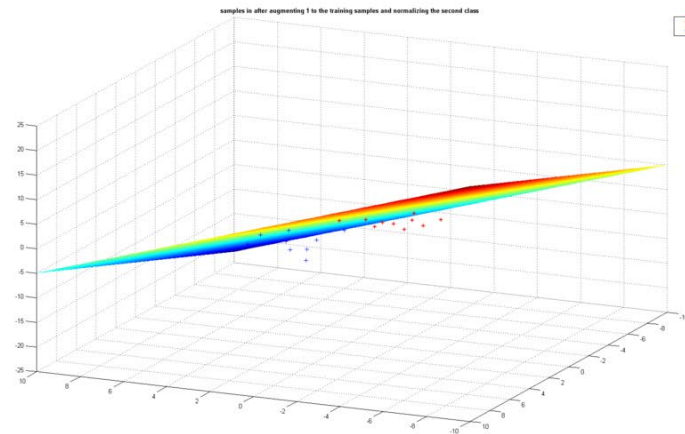
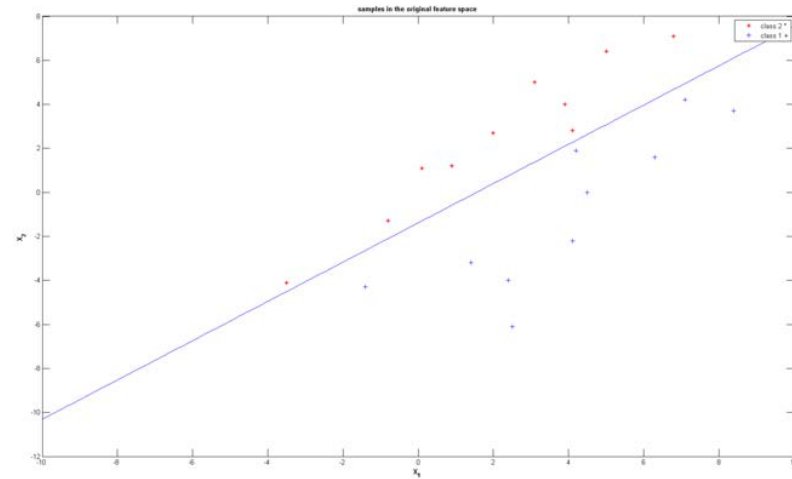


# Regression

- Simple regression
  - Between two variables
    - One dependent variable (Y)
    - One independent variable (X)
- Multiple Regression
  - Between three or more variables
    - One dependent variable (Y)
    - Two or independent variable ( $X_1, X_2, \dots$ )

$$Y = aX + b + \varepsilon$$

$$Y = b_1X_1 + b_2X_2 + \dots + b_0 + \varepsilon$$



# Simple Linear Regression

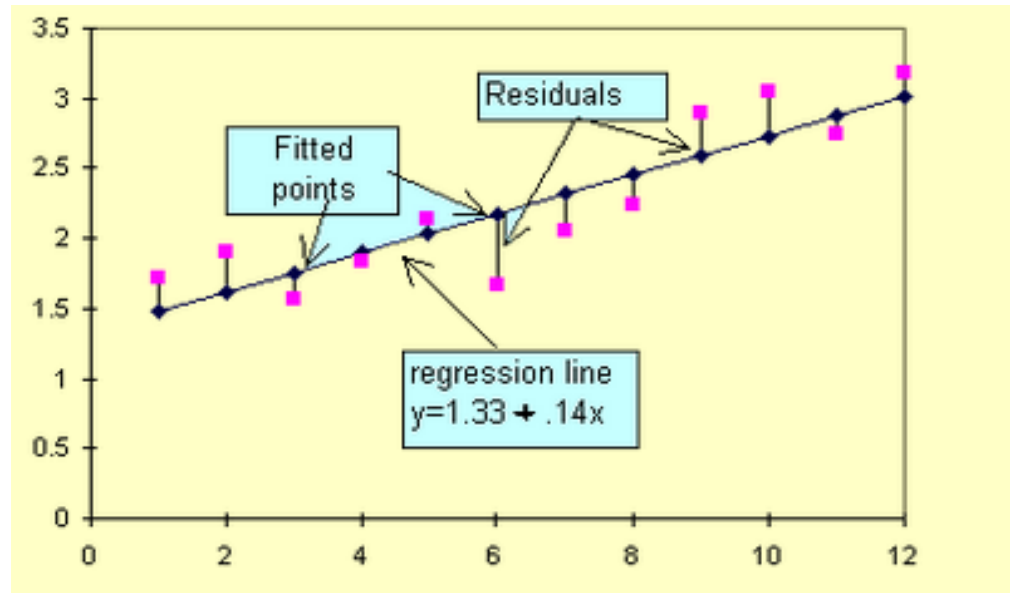
- Concerned with “predicting” one variable (Y - the dependent variable) from another variable (X - the independent variable)

$$Y = aX + b + \varepsilon$$

$Y_i \sim$  observations

$\hat{Y}_i \sim$  predictions

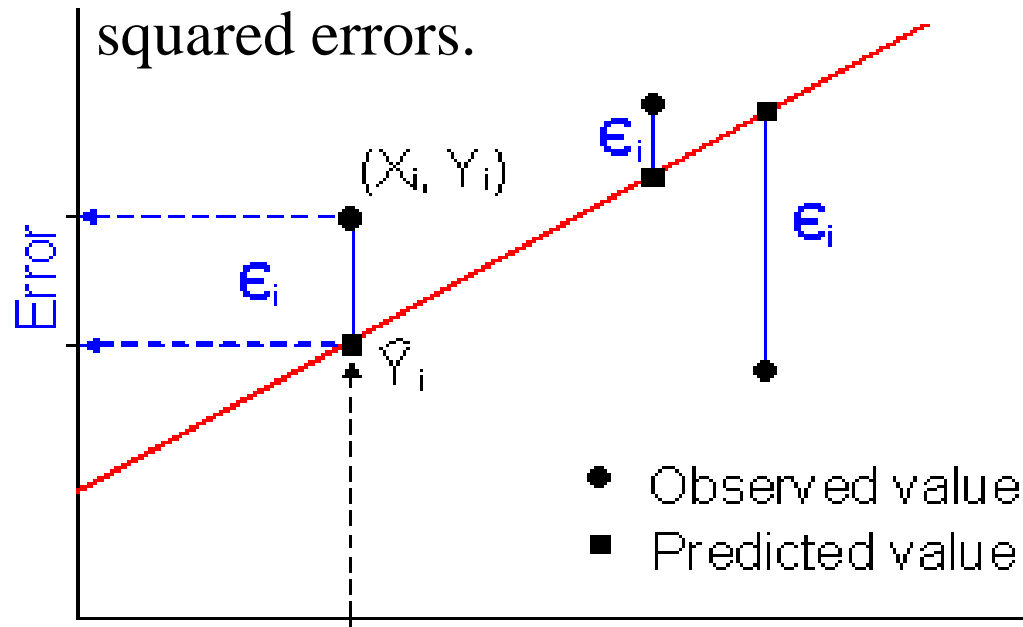
$$\varepsilon_i = Y_i - \hat{Y}_i$$





# How to Find the line of the Best Fit

- **Ordinary Least Square (OLS)** is the mostly common used procedure
- This procedure evaluates the difference (or error) between each observed value and the corresponding value on the line of best fit.
- This procedure finds a line that minimizes the sum of the squared errors.



# Evaluating the Goodness of Fit:

## Coefficient of Determination ( $r^2$ )

- The coefficient of determination ( $r^2$ ) measures the proportion of the variance in Y (the dependent variable) which can be predicted or “explained by” X (the independent variable). Varies from 1 to 0.
- It equals the correlation coefficient ( $r$ ) squared.

$$r^2 = \frac{\sum (\hat{Y}_i - \bar{Y})^2}{\sum (Y_i - \bar{Y})^2}$$

SS Regression or Explained Sum of Squares

SS Total or Total Sum of Squares

---

Note:

$$\sum (Y_i - \bar{Y})^2 = \sum (\hat{Y}_i - \bar{Y})^2 + \sum (Y_i - \hat{Y}_i)^2$$

↑

SS Total or  
Total Sum of  
Squares

=

↑

SS Regression or  
Explained Sum of  
Squares

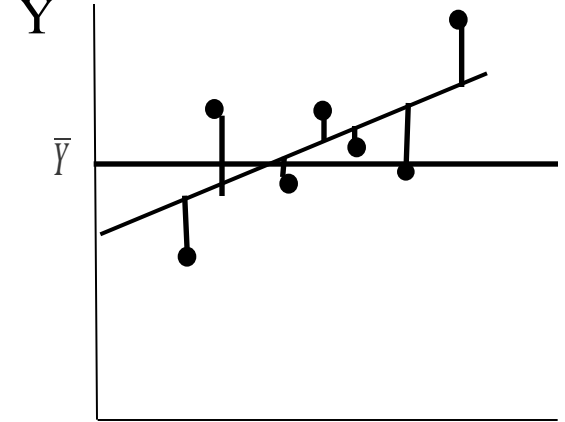
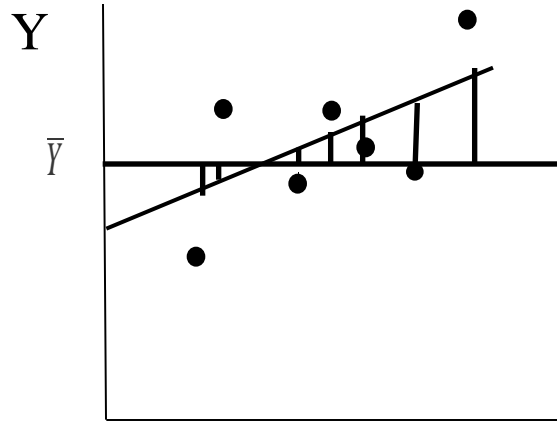
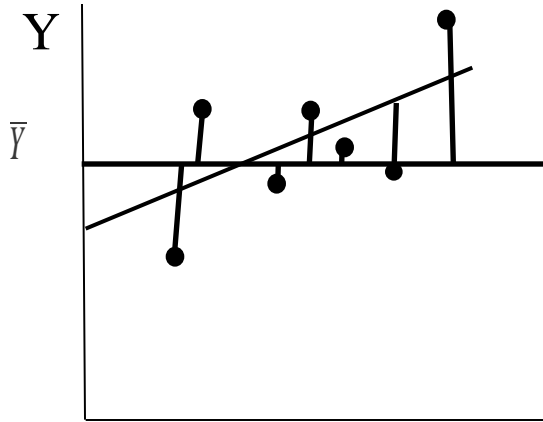
+

↑

SS Residual or  
Error Sum of  
Squares

10

# Partitioning the Variance on Y



$$\sum (Y_i - \bar{Y})^2 = \sum (\hat{Y}_i - \bar{Y})^2 + \sum (Y_i - \hat{Y}_i)^2$$

↑  
SS Total  
or Total Sum of  
Squares

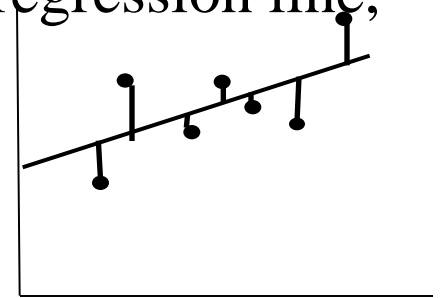
↑  
SS Regression  
or Explained Sum of  
Squares

↑  
SS Residual  
or Error Sum of Squares

$$r^2 = \frac{\sum (\hat{Y}_i - \bar{Y})^2}{\sum (Y_i - \bar{Y})^2}$$

# Standard Error of the Estimate

- Measures *predictive accuracy*: the bigger the standard error, the greater the spread of the observations about the regression line, thus the predictions are less accurate



- $\sigma =$  error mean square, or average squared residual  
= variance of the estimate, variance about regression

$$\sigma = \sqrt{\frac{\sum (Y_i - \hat{Y}_i)^2}{n - k}}$$

Sum of squared residuals

Number of observations minus *degrees of freedom*  
(for simple regression, degrees of freedom = 2)

# Sample Statistics, Population Parameters and Statistical Significance tests

$$Y = aX + b + \varepsilon \qquad Y = \alpha + \beta X + \varepsilon$$

- $a$  and  $b$  are *sample statistics* which are estimates of *population parameters*  $\alpha$  and  $\beta$
- $\beta$  (and  $b$ ) measure the change in  $Y$  for a one unit change in  $X$ . If  $\beta = 0$  then  $X$  has no effect on  $Y$
- **Significant test**
  - Test whether  $X$  has a statistically significant affect on  $Y$
  - **Null Hypothesis** ( $H_0$ ): in the population  $\beta = 0$
  - **Alternative Hypothesis** ( $H_1$ ): in the population  $\beta \neq 0$

# Test Statistics in Simple Regression

- Student's t test, similar to normal, but with heavier tails

$$t = \frac{b}{\text{SE}(b)} = \frac{b}{\sqrt{\frac{\sigma_e^2}{\sum_i (X_i - \bar{X})^2}}} \quad \text{where } \sigma_e^2 \text{ is the variance of the estimate,}$$

with degrees of freedom =  $n - 2$

- F-test, A test can also be conducted on the *coefficient of determination* ( $r^2$ ) to test if it is significantly greater than zero, using the  $F$  frequency distribution.

$$F = \frac{\text{Regression S.S./d.f.}}{\text{Residual S.S./d.f.}} = \frac{\sum (\hat{Y}_i - \bar{Y})^2 / 1}{\sum (Y_i - \hat{Y}_i)^2 / n - 2}$$

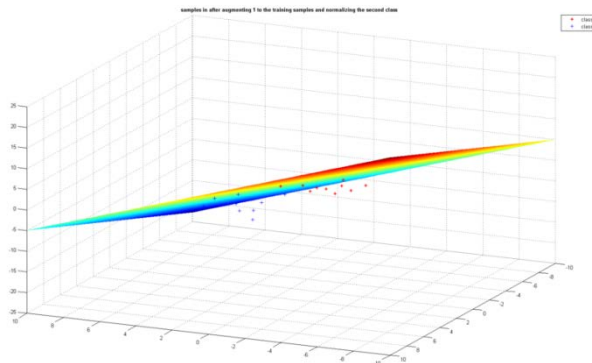
- Mathematically identical to each other

# Multiple regression

- Multiple regression:  $Y$  is predicted from 2 or more independent variables

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_m X_m + \varepsilon$$

- $\beta_0$  is the *intercept* —the value of  $Y$  when values of all  $X_j = 0$
- $\beta_1 \dots \beta_m$  are partial regression coefficients which give the change in  $Y$  for a one unit change in  $X_j$ , all other  $X$  variables held constant
- $m$  is the number of independent variables



# How to Decide the Best Multiple Regression Hyperplane?

- Least square - Same as in the simple regression case

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_m X_m + \varepsilon$$

$$\text{or } Y_i = \sum_{j=0}^m X_{ij} \beta_j + \varepsilon_i \quad (\text{actual } Y_i).$$

$$\hat{Y}_i = \sum_{j=0}^m X_{ij} b_j \quad \text{predicted values for } Y \text{ (regression hyperplane)} \quad ) = \text{residuals } \varepsilon_i$$

$$e_i = Y_i - \sum_{j=0}^m X_{ij} b_j = (Y_i - \hat{Y}_i) = (\text{Actual } Y_i - \text{Predicted } \hat{Y}_i)$$

$$\text{Min } \sum_{i=1}^n (Y_i - \hat{Y}_i)^2$$



# Evaluating the Goodness of Fit:

## Coefficient of Multiple Determination ( $R^2$ )

- Similar to simple regression, the coefficient of multiple determination ( $R^2$ ) measures the proportion of the variance in Y (the dependent variable) which can be predicted or “explained by” all of X variables in combination.

Varies from 0 to 1.

$$R^2 = \frac{\sum (\hat{Y}_i - \bar{Y})^2}{\sum (Y_i - \bar{Y})^2}$$

SS Regression or Explained Sum of Squares

*Formulae identical to simple regression*

SS Total or Total Sum of Squares

As with  
simple  
regression

$$\sum (Y_i - \bar{Y})^2 = \sum (\hat{Y}_i - \bar{Y})^2 + \sum (Y_i - \hat{Y}_i)^2$$

↑  
SS Total or  
Total Sum of  
Squares

↑  
SS Regression or  
Explained Sum of  
Squares

↑  
SS Residual or  
Error Sum of  
Squares

# Reduced or Adjusted $\bar{R}^2$

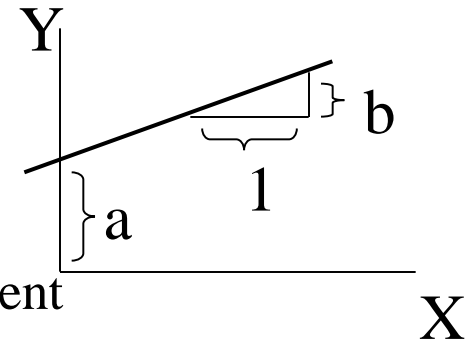
- $R^2$  will always increase each time another independent variable is included
  - an additional dimension is available for fitting the regression *hyperplane* (the multiple regression equivalent of the regression line)
- Adjusted  $\bar{R}^2$  is normally used instead of  $R^2$  in multiple regression

$$\bar{R}^2 = 1 - (1 - R^2) \left( \frac{n-1}{n-k} \right)$$

$k$  is the number of coefficients in the regression equation, normally equal to the number of independent variables plus 1 for the intercept.

# Interpreting *partial regression coefficients*

- The regression coefficients ( $b_j$ ) tell us the change in  $Y$  for a 1 unit change in  $X_j$ , all other  $X$  variables “held constant”
- Can we compare these  $b_j$  values to tell us the relative importance of the independent variables in affecting the dependent variable?
  - If  $b_1 = 2$  and  $b_2 = 4$ , is the affect of  $X_2$  twice as big as the affect of  $X_1$  ?
  - NO!
- The size of  $b_j$  depends on the measurement scale used for each independent variable
  - if  $X_1$  is income, then a 1 unit change is \$1
  - but if  $X_2$  is rmb or Euro(€) or even cents (¢)  
1 unit is not the same!
  - And if  $X_2$  is % *population urban*, 1 unit is very different
- Regression coefficients are only directly comparable if the units are all the same: all \$ for example



# Standardized partial regression coefficients

- How do we compare the relative importance of independent variables?
- We know we cannot use partial regression coefficients to directly compare independent variables unless they are all measured on the same scale
- However, we can use *standardized partial regression coefficients* (also called *beta weights*, *beta coefficients*, or *path coefficients*).
- They tell us the number of standard deviation (SD) unit changes in Y for a one SD change in X)
- They are the partial regression coefficients if we had measured every variable in *standardized form*

$$\beta_{YX_j}^{std} = b_j \left( \frac{s_{X_j}}{s_Y} \right)$$

# Test Statistics in Multiple Regression:

- Similar as in the simple regression case, but for each independent variable
- The student's test can be conducted for each partial regression coefficient  $b_j$  to test if the associated independent variable influences the dependent variable.

– Null Hypothesis  $H_o : b_j = 0$

$$t = \frac{b_j}{SE(b_j)}$$

with degrees of freedom =  $n - k$ , where  $k$  is the number of coefficients in the regression equation, normally equal to the number of independent variables plus 1 for the intercept ( $m+1$ ).

• The formula for calculating the standard error (SE) of  $b_j$  is more complex than for simple regression, so it is not shown here.

# Test Statistics in Multiple Regression

## *testing the overall model*

- We test the *coefficient of multiple determination* ( $R^2$ ) to see if it is significantly greater than zero, using the  $F$  frequency distribution.
- It is an overall test to see if at least one independent variable, or two or more in combination, affect the dependent variable.
- Does not test if each and every independent variable has an effect

$$F = \frac{\text{Regression S.S./d.f.}}{\text{Residual S.S./d.f.}} = \frac{\sum (\hat{Y}_i - \bar{Y})^2 / k - 1}{\sum (Y_i - \hat{Y}_i)^2 / n - k}$$

Again,  $k$  is the number of coefficients in the regression equation, normally equal to the number of variables ( $m$ ) plus 1.

- Similar to the  $F$  test in simple regression.
  - But unlike simple regression, it is not identical to the  $t$  tests.
- It is possible (but unusual) for the  $F$  test to be significant but all  $t$  tests *not significant*.

# Model/Variable Selection

- Model selection is usually an iterative process
- $R^2$  nor Adjusted  $\bar{R}^2$
- P-value of coefficient
- Maximum likelihood
- *Akaike Information Criteria* (AIC)
  - the smaller the AIC value the better the model

$$AIC = 2k + n [\ln (\text{Residual Sum of Squares})]$$

$k$  is the number of coefficients in the regression equation, normally equal to the number of independent variables plus 1 for the intercept term.

# Regression in GeoDa

Regression

Variables

TOWN\_  
TRACT  
LON  
LAT  
MEDV  
POLYID

>

<

>>

<<

Dependent Variable

CMEDV

Covariates

CRIM  
INDUS  
CHAS  
NOX  
RM  
AGE  
DIS  
RAD  
TAX  
PTRATIO  
B  
LSTAT  
ZN

☐ Weights File

Models

☒ Classic ☐ Spatial Lag ☐ Spatial Error

Output Options: ☐ Predicted Value and Residual  
☐ Coefficient Variance Matrix

Run Save to Table

Save to File Reset Close



## SUMMARY OF OUTPUT: ORDINARY LEAST SQUARES ESTIMATION

Data set : boston  
 Dependent Variable : CMEDV Number of Observations: 506  
 Mean dependent var : 22.5289 Number of Variables : 14  
 S.D. dependent var : 9.1731 Degrees of Freedom : 492  
 R-squared : 0.744464 F-statistic : 110.259  
 Adjusted R-squared : 0.737712 Prob(F-statistic) : 0  
 Sum squared residual : 10880.2 Log likelihood : -1494.23  
 Sigma-square : 22.1141 Akaike info criterion : 3016.45  
 S.E. of regression : 4.70257 Schwarz criterion : 3075.63  
 Sigma-square ML : 21.5023  
 S.E of regression ML : 4.63706

Variable	Coefficient	Std. Error	t-Statistic	Probability
CONSTANT	36.38279	5.057427	7.193933	0.0000000
CRIM	-0.1062316	0.03256946	-3.261692	0.0011844
INDUS	0.02330444	0.0609425	0.3824005	0.7023286
CHAS	2.691086	0.8538237	3.151805	0.0017216
NOX	-17.74832	3.785282	-4.688769	0.0000036
RM	3.788596	0.4141828	9.147159	0.0000000
AGE	0.00059854	0.01309137	0.04572021	0.9636235
DIS	-1.501691	0.1976006	-7.599627	0.0000000
RAD	0.3038247	0.06574986	4.620918	0.0000049
TAX	-0.01270635	0.003726515	-3.409715	0.0007038
PTRATIO	-0.9242695	0.129599	-7.131766	0.0000000
B	0.009230156	0.002661772	3.467674	0.0005710
LSTAT	-0.53059	0.0502573	-10.55747	0.0000000
ZN	0.04778387	0.01360136	3.513167	0.0004836

## REGRESSION DIAGNOSTICS

MULTICOLLINEARITY CONDITION NUMBER 87.315931

TEST ON NORMALITY OF ERRORS

TEST	DF	VALUE	PROB
Jarque-Bera	2	842.5171	0.0000000

## DIAGNOSTICS FOR HETEROSKEDASTICITY

RANDOM COEFFICIENTS

TEST	DF	VALUE	PROB
Breusch-Pagan test	13	181.575	0.0000000
Koenker-Bassett test	13	48.55038	0.0000053

SPECIFICATION ROBUST TEST

TEST	DF	VALUE	PROB
White	104	N/A	N/A

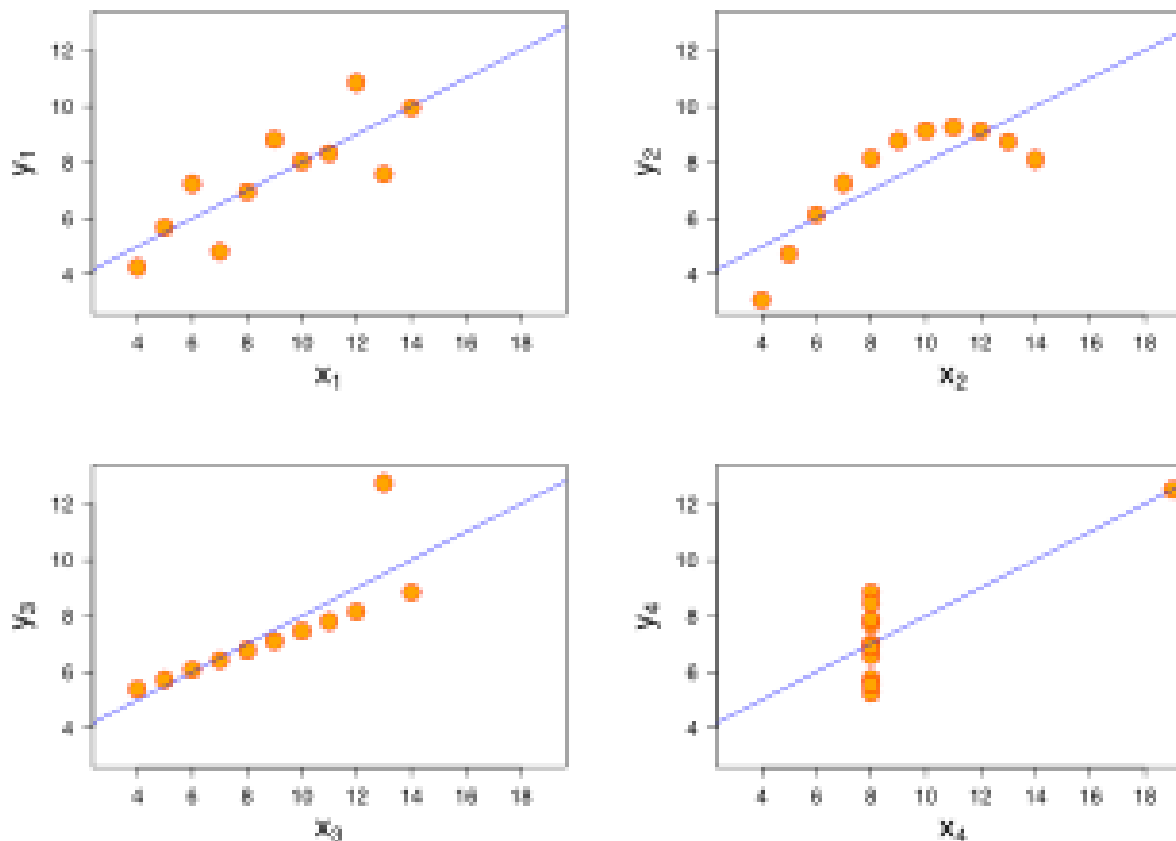
===== END OF REPORT =====

# Procedures for Regression

- Diagnostic
  - Outlier
  - Constant variance
  - Normality
- Transformation
  - Transforming the response
  - Transforming the predictors
- Scale Change, principal component and collinearity, and auto/cross-correlation
- Variable selection
  - Step-wise procedures
- Model fit and analysis

# Always look at your data

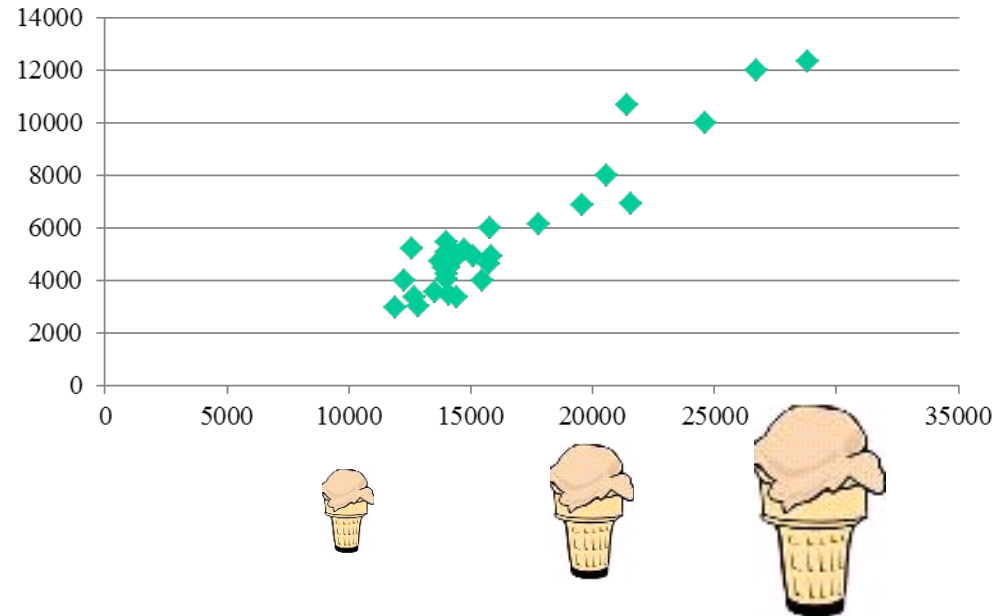
## *Statistics might lie*



Anscombe, Francis J. (1973). "Graphs in statistical analysis". *The American Statistician* **27**: 17–21.

# Spurious relationships

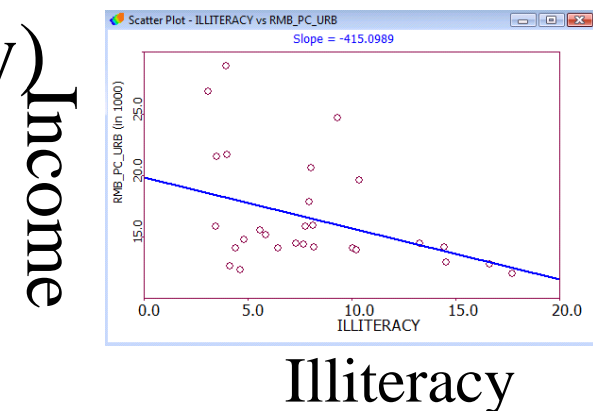
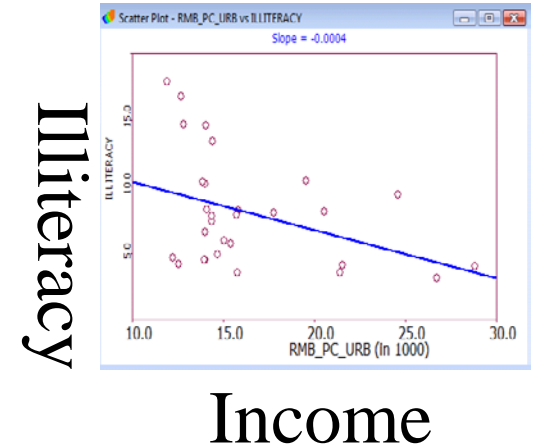
## Ice Cream sales related to Drownings



- *Omitted variable* problem  
--both are related to a third variable not included in the analysis

# Linear Regression does not prove causal effects!

- States with higher incomes can afford to spend more on education, so illiteracy is lower
  - Higher Income  $\rightarrow$  Less Illiteracy
- The higher the level of literacy (and thus the lower the level of illiteracy) the more high income jobs.
  - Less Illiteracy  $\rightarrow$  Higher Income
- Regression will not decide!



1.95

# How to Lie with Statistics



By  
DARRELL HUFF

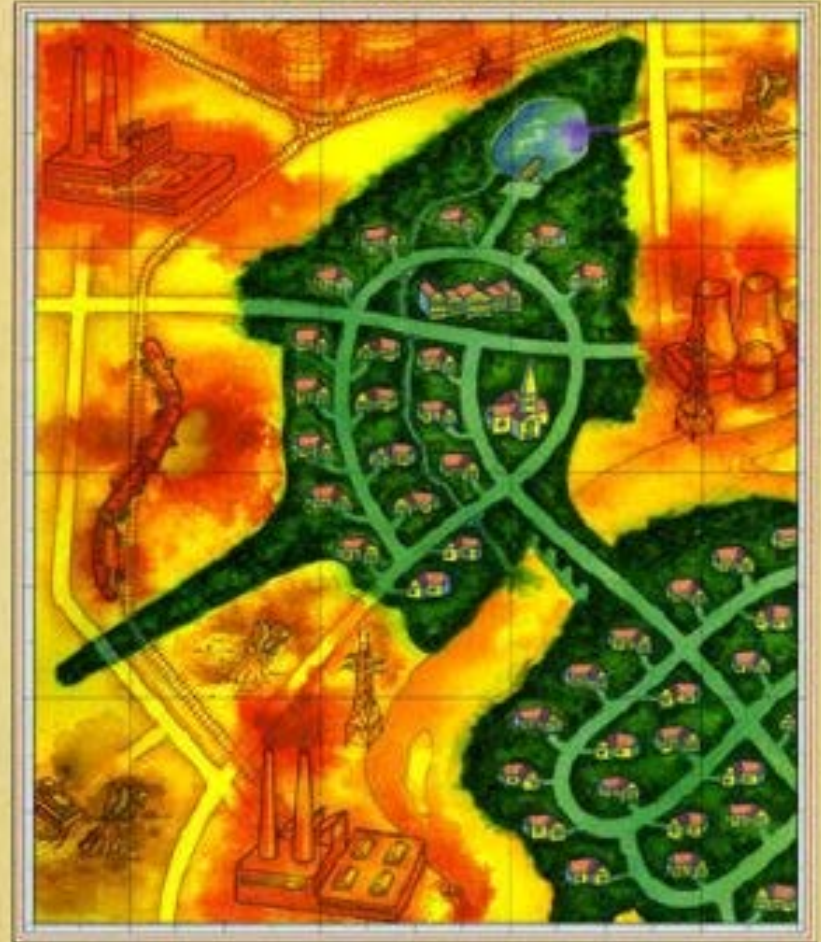
Pictures by IRVING GEIS

*31st printing*

Mark Monmonier

# How to Lie with Maps

*Second Edition*



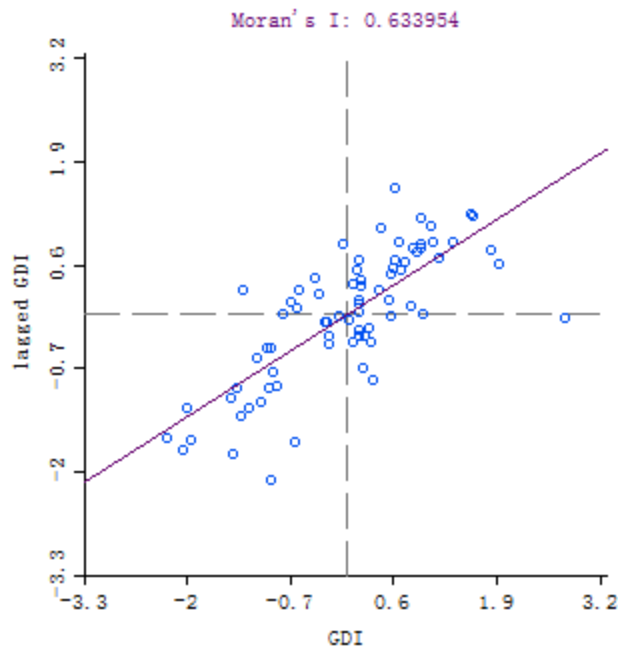
*With a new Foreword by H. J. de Blij*

# Spatial Regression

# Spatial Autocorrelation vs Correlation

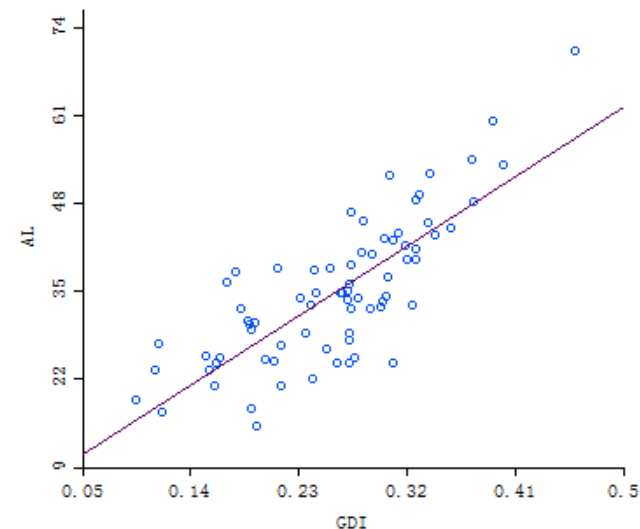
## Spatial Autocorrelation:

shows the association or relationship between the same variable in “near-by” areas.



## Standard Correlation

shows the association or relationship between two different variables





# Consequences of Ignoring Spatial Autocorrelation

- correlation coefficients and coefficients of determination appear bigger than they really are
  - You think the relationship is stronger than it really is
  - the variables in nearby areas affect each other
- Standard errors appear smaller than they really are
  - *exaggerated precision*
  - You think your predictions are better than they really are  
since standard errors measure *predictive accuracy*
  - More likely to conclude  
relationship is *statistically significant*.

# Diagnostic of Spatial Dependence

- **For correlation**

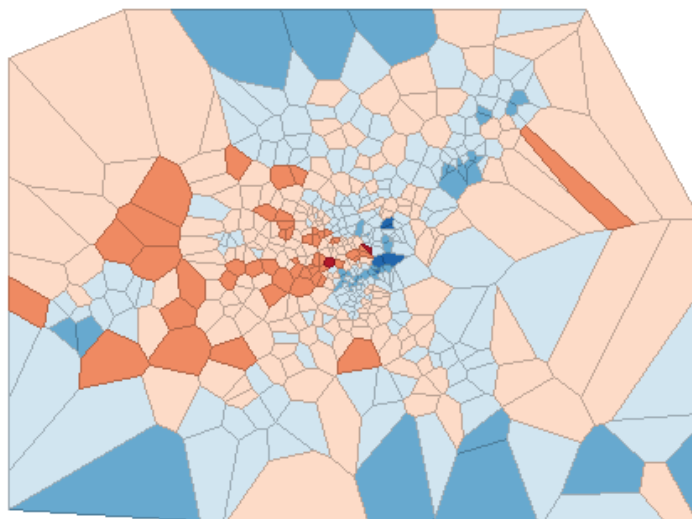
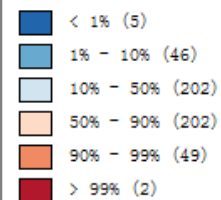
- calculate Moran's I for each variable and test its statistical significance
- If Moran's I is significant, you may have a problem!

- **For regression**

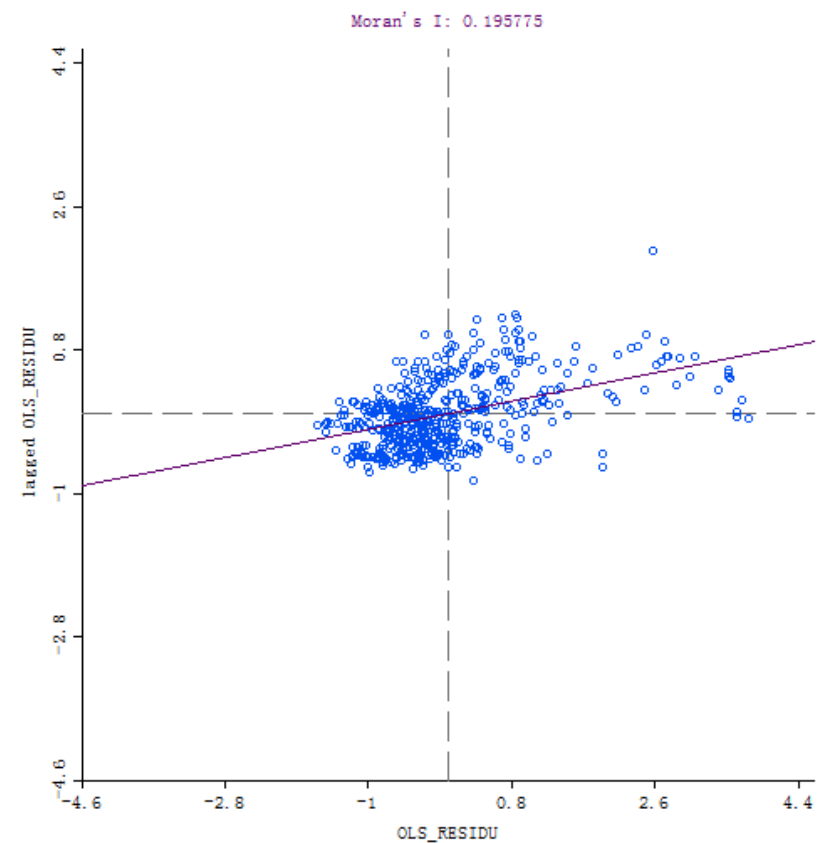
- calculate the residuals  
map the residuals: do you see any spatial patterns?
- Calculate Moran's I for the residuals: is it statistically significant?

Percentile: OLS\_RESIDU

Percentile: OLS\_RESIDU



Moran's I (boston2.5): OLS\_RESIDU



# When (spatial) correlation happens

- Try to think of omitted variables and include them in a multiple regression.
  - Missing (omitted) variables may cause spatial autocorrelation
- Regression assumes all relevant variables influencing the dependent variable are included
  - If relevant variables are missing, model is *misspecified*

# Spatial Regression Methods

- Spatial Econometrics Approaches
  - Lag model
  - Error model
- Spatial Statistics Approaches
  - Simultaneous Autoregressive Models (SAR)
    - A more general case of Spatial Econometrics
  - Conditional Autoregressive Models (CAR)
- Other methods:
  - Generalized linear model with mixed effects
  - Generalized additive model
  - Generalized Estimating Equations

# Spatial Econometrics Approaches

- **Spatial lag model**

$$Y = \beta_0 + \lambda WY + X\beta + \varepsilon$$

values of the dependent variable in neighboring locations ( $WY$ ) are included as an extra explanatory variable

- these are the “spatial lag” of  $Y$

- **Spatial error model**

$$Y = \beta_0 + X\beta + \rho W\varepsilon + \xi$$

$\xi$  is “white noise”

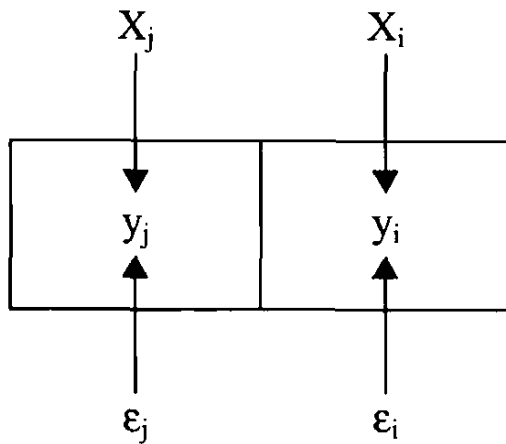
values of the residuals in neighboring locations ( $W\varepsilon$ ) are included as an extra term in the equation;

- these are “spatial error”

# Spatial Lag and Spatial Error Models: *conceptual comparison*

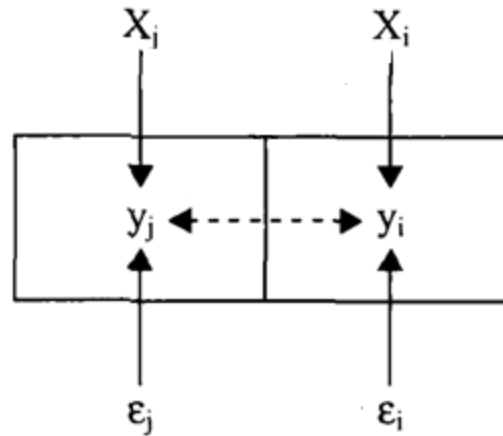
## Ordinary Least Squares

### OLS



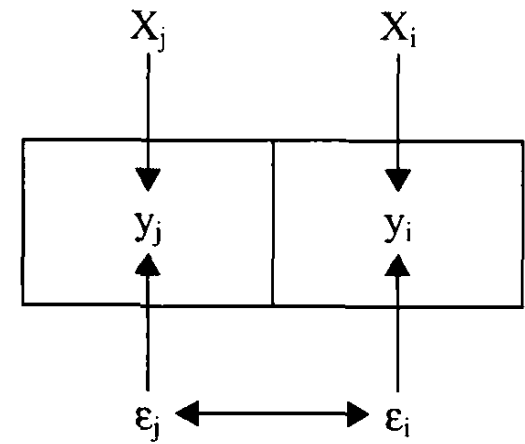
No influence from  
neighbors

### SPATIAL LAG



Dependent variable  
influenced by  
neighbors

### SPATIAL ERROR



Residuals influenced  
by neighbors

Baller, R., L. Anselin, S. Messner, G. Deane and D. Hawkins. 2001.  
*Structural covariates of US County homicide rates: incorporating spatial effects*,. Criminology , 39, 561-590

Source: Briggs UT Dallas

# Spatial Lag Model

- Incorporates spatial effects by including a spatially lagged dependent variable as an additional predictor
- Outcome is dependent on the outcome for neighbors
- The ‘spatially lagged’ or ‘average neighbouring’  $W_y$  is correlated with the unobserved error term, thus the model leads to biased and inefficient coefficients if using OLS



# Spatial Error Model

- Incorporates spatial effects through error term
- Unobserved factors in neighboring locations are correlated
- With spatial error violate the assumption that error terms are uncorrelated and coefficients are inefficient if using OLS

# Lag or Error Model: *Which to use?*

- **Lag** model primarily controls spatial autocorrelation in the dependent variable
- **Error** model controls spatial autocorrelation in the residuals, thus it controls autocorrelation in both the dependent and the independent variables
- **Conclusion:** the error model is more robust and generally the better choice.
- **Statistical tests** called the *LM Robust* test can also be used to select
  - Will not discuss these

## SUMMARY OF OUTPUT: ORDINARY LEAST SQUARES ESTIMATION

Data set : bostonpolygon  
 Dependent Variable : CMEDV Number of Observations: 506  
 Mean dependent var : 22.5289 Number of Variables : 2  
 S.D. dependent var : 9.1731 Degrees of Freedom : 504  
  
 R-squared : 0.184299 F-statistic : 113.873  
 Adjusted R-squared : 0.182680 Prob(F-statistic) : 4.16755e-024  
 Sum squared residual: 34730.7 Log likelihood : -1787.88  
 Sigma-square : 68.9102 Akaike info criterion : 3579.76  
 S.E. of regression : 8.30121 Schwarz criterion : 3588.21  
 Sigma-square ML : 68.6378  
 S.E of regression ML: 8.28479

Variable	Coefficient	Std. Error	t-Statistic	Probability
CONSTANT	41.39839	1.806375	22.91793	0.0000000
NOX	-34.01786	3.187837	-10.67114	0.0000000

## REGRESSION DIAGNOSTICS

MULTICOLLINEARITY CONDITION NUMBER 9.686514

## TEST ON NORMALITY OF ERRORS

TEST	DF	VALUE	PROB
Jarque-Bera	2	443.2973	0.0000000

## DIAGNOSTICS FOR HETEROSKEDASTICITY

## RANDOM COEFFICIENTS

TEST	DF	VALUE	PROB
Breusch-Pagan test	1	1.131862	0.2873785
Koenker-Bassett test	1	0.4377741	0.5081988

## SPECIFICATION ROBUST TEST

TEST	DF	VALUE	PROB
White	2	6.069546	0.0480856

## DIAGNOSTICS FOR SPATIAL DEPENDENCE

FOR WEIGHT MATRIX : boston2.5.gwt

(row-standardized weights)

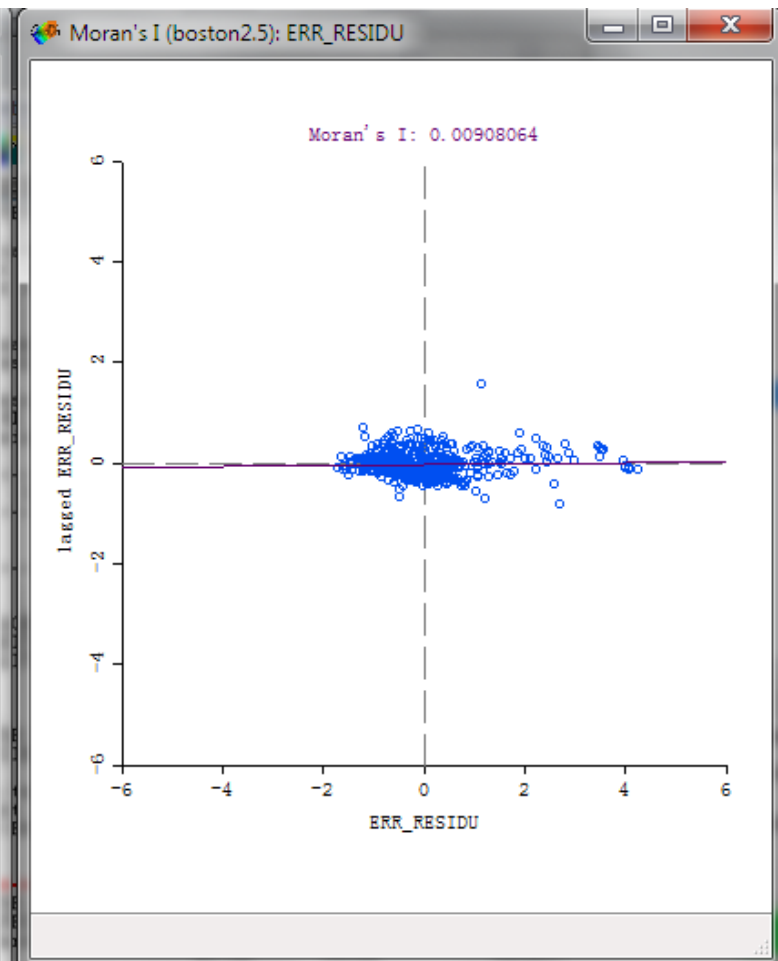
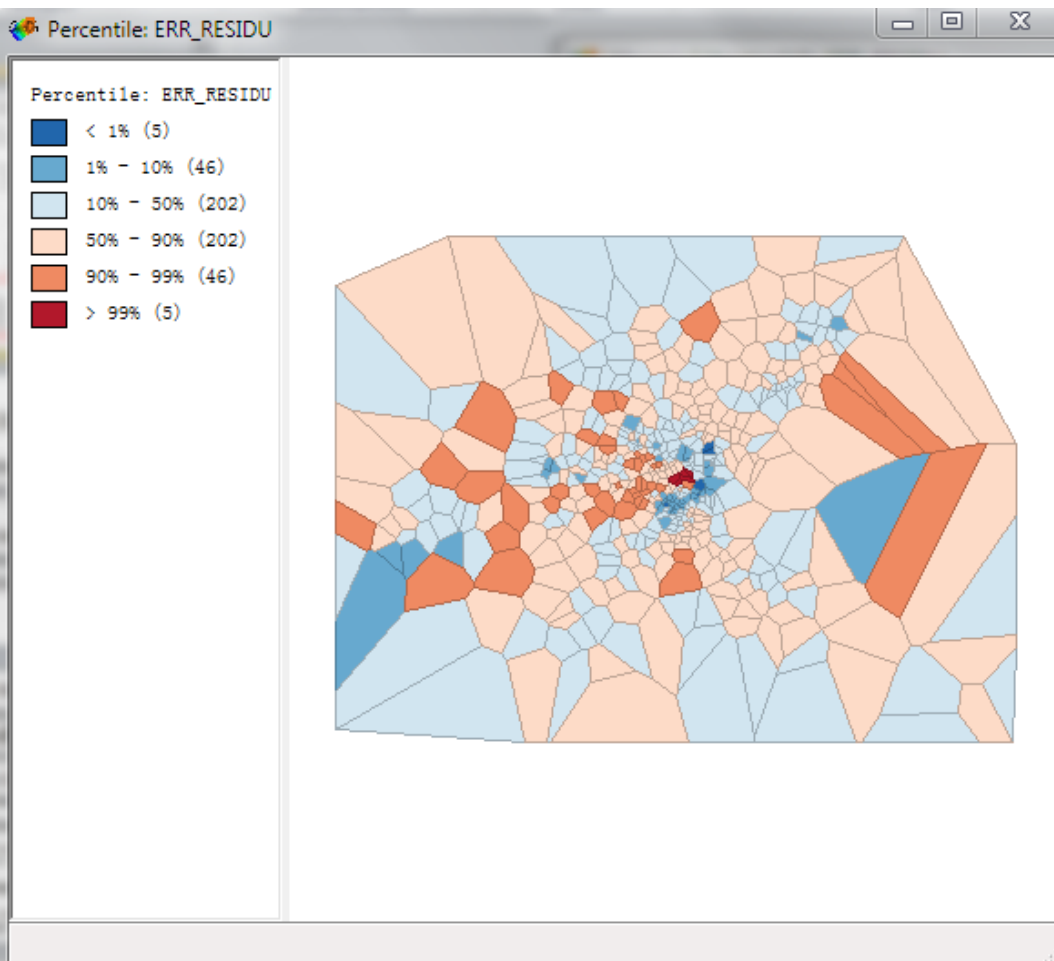
TEST	MI/DF	VALUE	PROB
Moran's I (error)	0.195775	15.2444755	0.0000000
Lagrange Multiplier (lag)	1	127.4022649	0.0000000
Robust LM (lag)	1	1.7548967	0.1852623
Lagrange Multiplier (error)	1	207.8469315	0.0000000
Robust LM (error)	1	82.1995633	0.0000000
Lagrange Multiplier (SARMA)	2	209.6018282	0.0000000

# Model Fitting

- Maximum likelihood estimation

$$\varepsilon = Y - (\beta_0 + \lambda WY + X\beta)$$

- $\varepsilon$  are assumed to be normally distributed
- Likelihood distribution of  $\varepsilon$  can be derived
- $I - \lambda W$  must be invertible matrix (*non-singular*)



# Model/Variable Selection

- Which model best predicts the dependent variable?
- Neither  $R^2$  nor Adjusted  $\bar{R}^2$  can be used to compare different spatial Regression models
- We use *Akaike Information Criteria* (AIC)
  - the smaller the AIC value the better the model

$$AIC = 2k + n [\ln(\text{Residual Sum of Squares})]$$

$k$  is the number of coefficients in the regression equation, normally equal to the number of independent variables plus 1 for the intercept term.  
Note: can only be used to compare models with the same dependent variable

- End of this topic