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ECO 602

10/28/2022

Week 8 Reading Questions

Q1 (1 pt.): Describe the key difference between the non parametric model (Ch. 7.1) and the parametric model (Ch. 8.1)

The main difference between parametric and non-parametric tests is the ability to specify the known probability distribution of the data. In a parametric test, you can specify a known probability distribution for the population, which is typically a normal distribution for your residuals, whereas in a non-parametric model, you don't assume any particular distribution, and thus can't make any connections to the population.

Q2 (1 pt.): What is the difference between interpolation and extrapolation?

Interpolation is interpreting within the measured data range, extrapolation is extending interpretation beyond the measured data range.

Q3 (1 pt.): Explain why extrapolation has more pitfalls than interpolation.

Extrapolation has more pitfalls because you don't know the answer, you're simply trying to make a good guess of what comes next, whereas with interpolation, you can know the general answer, which makes it easier to work with model choices because you know what's within your data parameters.