**DATA MINING AND business analytics with r**

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**Data Sets**

Data sets used in this book can be downloaded from the author’s website. The data are arranged in comma-separated values (CSV) Excel files, in plain text form with a header line. You should download the data from [**http://www.biz.uiowa.edu/faculty/jledolter/DataMining**](http://www.biz.uiowa.edu/faculty/jledolter/DataMining) to your own computer. A few data sets are already part of various R packages, and those data sets can be accessed directly from R. The data sets are listed in the order they appear in the book.

**Data sets in the text**

**births2006.smpl (in R package nutshell)**

**contribution.csv**

**oj.csv**

**FuelEfficiency.csv**

**ToyotaCorolla.csv**

**OldFaithful.csv**

**ethanol.csv**

**prostate.csv**

**DeathPenalty.csv**

**DeathPenaltyOther.csv**

**FlightDelays.csv**

**UniversalBank.csv**

**germancredit.csv**

**germancreditDescription (a word file describing the variables)**

**fgl (in R package MASS)**

**iris3 (in R package MASS)**

**admission.csv**

**mcycle (in R package MASS)**

**protein.csv**

**unempstates.csv**

**unemp.csv**

**adj3unempstates.csv**

**lastfm.csv**

**AdultUCI (in R package arules)**

**w8there (in R package textir)**

**congress109 (in R package textir)**

**firenze.csv**

**faux.mesa.high (in R package statnet)**

**Data sets for the exercises**

**HousePrices.csv**

**DirectMarketing.csv**

**GenderDiscrimination.csv**

**LoanData.csv data**

**FinancialIndicators.csv**

**weather.csv**

**weatherAUS.csv**

**audit.csv**

**cup98LRN\_csv.zip**

**cup98VAL\_csv.zip**

**cup98LRN.csv**

**cup98VAL.csv**

**cup98VALtargt.csv**

**byssinosisWeights.csv**

**toxaemiaWeights.csv**

**soybean15.csv**

**ContactLens.csv**

**credit.csv**

**hepatitis.csv**

**labor.csv**

**PimaIndians.csv**

**cpu.csv**

**wine.csv**

**A note about reading data into R programs**

You can use the **read.csv** command to read the comma-separated values (CSV) Excel files into R. Use the following command if you have stored the data files on your computer in directory C:/DataMining/Data:

**FuelEff <- read.csv("C:/DataMining/Data/FuelEfficiency.csv")**

**R packages used**

In this text we use several R packages. These packages must be installed and loaded before they can be used.

ares arules car class cluster ellipse igraph lars

lattice leaps locfit MASS mixOmics mixtools nutshell

ROCR statnet textir tree VGAM

**Reference Materials for R**

There are many helpful books on how to use R. References that I have found useful are listed below. You can also use the help function in R to learn about packages and commands.

Adler, J.: R In a Nutshell: A Desktop Quick Reference. O’Reilly Media, 2010.

Albert, J. and Rizzo, M.: R by Example (Use R!). New York: Jim Albert (Author)

› [Visit Amazon's Jim Albert Page](http://www.amazon.com/Jim-Albert/e/B001ITPH96/ref=ntt_athr_dp_pel_pop_1)

Find all the books, read about the author, and more.

See [search results](http://www.amazon.com/s/ref=ntt_athr_dp_sr_pop_1?_encoding=UTF8&field-author=Jim%20Albert&search-alias=books&sort=relevancerank) for this author

Are you an author? [Learn about Author Central](http://authorcentral.amazon.com/gp/landing/ref=ntt_atc_dp_pel_1)

Springer, 2012.

Crawley, M.J.: The R Book. New York: Wiley, 2007.

Kabacoff, R.I.: R In Action: Data Analysis and Graphics with R. Greenwich, CT: Manning Publications, 2011.

Maindonald, J.H.: Using R for Data Analysis and Graphics: Introduction, Code and Commentary, 2008. <http://cran.r-project.org/doc/contrib/usingR.pdf> (free resource)

Matloff, N.: The Art of R Programming: A Tour of Statistical Software Design. No Starch Press, 2011.

Murrell, P.: R Graphics. Chapman & Hall, 2005. <http://www.stat.auckland.ac.nz/~paul/RGraphics/rgraphics.html> (free resource)

Spector, P.: Data Manipulation with R (Use R!). New York: Springer, 2008.

Teetor, P.: R Cookbook. O’Reilly Media, 2011.

Torgo, L.: Data Mining with R: Learning with Case Studies. Chapman & Hall, 2010.

Venables, W.N., Smith, D.M., and the R Core Team: An Introduction to R, 2012.

<http://cran.r-project.org/doc/manuals/R-intro.pdf> (free resource)

**R PROGRAMS**

The source code can be found in the text file **LedolterDataMiningWileyRCodeApril2013**

**CHAPTER 2: PROCESSING THE INFORMATION AND GETTING TO KNOW YOUR DATA**

**Example 1: 2006 Birth Data**

**## Install packages from CRAN; use any USA mirror**

**library(lattice)**

**library(nutshell)**

**data(births2006.smpl)**

**births2006.smpl[1:5,]**

**dim(births2006.smpl)**

**births.dow=table(births2006.smpl$DOB\_WK)**

**births.dow**

**barchart(births.dow,ylab="Day of Week",col="black")**

**## for color, use col="red" or omit the color argument**

**dob.dm.tbl=table(WK=births2006.smpl$DOB\_WK,MM=births2006.smpl$DMETH\_REC)**

**dob.dm.tbl**

**dob.dm.tbl=dob.dm.tbl[,-2]**

**dob.dm.tbl**

**trellis.device()**

**barchart(dob.dm.tbl,ylab="Day of Week")**

**barchart(dob.dm.tbl,horizontal=FALSE,groups=FALSE,xlab="Day of Week",col="black")**

**## for color, omit the color argument**

**histogram(~DBWT|DPLURAL,data=births2006.smpl,layout=c(1,5),col="black")**

**histogram(~DBWT|DMETH\_REC,data=births2006.smpl,layout=c(1,3),col="black")**

**densityplot(~DBWT|DPLURAL,data=births2006.smpl,layout=c(1,5),plot.points=FALSE,col="black")**

**densityplot(~DBWT,groups=DPLURAL,data=births2006.smpl,plot.points=FALSE)**

**dotplot(~DBWT|DPLURAL,data=births2006.smpl,layout=c(1,5),plot.points=FALSE,col="black")**

**xyplot(DBWT~DOB\_WK,data=births2006.smpl,col="black")**

**xyplot(DBWT~DOB\_WK|DPLURAL,data=births2006.smpl,layout=c(1,5),col="black")**

**xyplot(DBWT~WTGAIN,data=births2006.smpl,col="black")**

**xyplot(DBWT~WTGAIN|DPLURAL,data=births2006.smpl,layout=c(1,5),col="black")**

**smoothScatter(births2006.smpl$WTGAIN,births2006.smpl$DBWT)**

**## boxplot is the command for a box plot in the standard graphics**

**## package**

**boxplot(DBWT~APGAR5,data=births2006.smpl,ylab="DBWT",xlab="AGPAR5")**

**boxplot(DBWT~DOB\_WK,data=births2006.smpl,ylab="DBWT",xlab="Day of Week")**

**## bwplot is the command for a box plot in the lattice graphics**

**## package. There you need to declare the conditioning variables as**

**## factors**

**bwplot(DBWT~factor(APGAR5)|factor(SEX),data=births2006.smpl,xlab="AGPAR5")**

**bwplot(DBWT~factor(DOB\_WK),data=births2006.smpl,xlab="Day of Week")**

**fac=factor(births2006.smpl$DPLURAL)**

**res=births2006.smpl$DBWT**

**t4=tapply(res,fac,mean,na.rm=TRUE)**

**t4**

**t5=tapply(births2006.smpl$DBWT,INDEX=list(births2006.smpl$DPLURAL,births2006.smpl$SEX),FUN=mean,na.rm=TRUE)**

**t5**

**barplot(t4,ylab="DBWT")**

**barplot(t5,beside=TRUE,ylab="DBWT")**

**t5=table(births2006.smpl$ESTGEST)**

**t5**

**new=births2006.smpl[births2006.smpl$ESTGEST != 99,]**

**t51=table(new$ESTGEST)**

**t51**

**t6=tapply(new$DBWT,INDEX=list(cut(new$WTGAIN,breaks=10),cut(new$ESTGEST,breaks=10)),FUN=mean,na.rm=TRUE)**

**t6**

**levelplot(t6,scales = list(x = list(rot = 90)))**

**contourplot(t6,scales = list(x = list(rot = 90)))**

**Example 2: Alumni Donations**

**## Install packages from CRAN; use any USA mirror**

**library(lattice)**

**don <- read.csv("C:/DataMining/Data/contribution.csv")**

**don[1:5,]**

**table(don$Class.Year)**

**barchart(table(don$Class.Year),horizontal=FALSE,xlab="Class Year",col="black")**

**don$TGiving=don$FY00Giving+don$FY01Giving+don$FY02Giving+don$FY03Giving+don$FY04Giving**

**mean(don$TGiving)**

**sd(don$TGiving)**

**quantile(don$TGiving,probs=seq(0,1,0.05))**

**quantile(don$TGiving,probs=seq(0.95,1,0.01))**

**hist(don$TGiving)**

**hist(don$TGiving[don$TGiving!=0][don$TGiving[don$TGiving!=0]<=1000])**

**## or, if you want to achieve the above histogram slower in two steps**

**## ff1=don$TGiving[don$TGiving!=0]**

**## ff1**

**## ff2=ff1[ff1<=1000]**

**## ff2**

**## hist(ff2,main=paste("Histogram of TGivingTrunc"),xlab="TGivingTrunc")**

**boxplot(don$TGiving,horizontal=TRUE,xlab="Total Contribution")**

**boxplot(don$TGiving,outline=FALSE,horizontal=TRUE,xlab="Total Contribution")**

**ddd=don[don$TGiving>=30000,]**

**ddd**

**ddd1=ddd[,c(1:5,12)]**

**ddd1**

**ddd1[order(ddd1$TGiving,decreasing=TRUE),]**

**boxplot(TGiving~Class.Year,data=don,outline=FALSE)**

**boxplot(TGiving~Gender,data=don,outline=FALSE)**

**boxplot(TGiving~Marital.Status,data=don,outline=FALSE)**

**boxplot(TGiving~AttendenceEvent,data=don,outline=FALSE)**

**t4=tapply(don$TGiving,don$Major,mean,na.rm=TRUE)**

**t4**

**t5=table(don$Major)**

**t5**

**t6=cbind(t4,t5)**

**t7=t6[t6[,2]>10,]**

**t7[order(t7[,1],decreasing=TRUE),]**

**barchart(t7[,1],col="black")**

**t4=tapply(don$TGiving,don$Next.Degree,mean,na.rm=TRUE)**

**t4**

**t5=table(don$Next.Degree)**

**t5**

**t6=cbind(t4,t5)**

**t7=t6[t6[,2]>10,]**

**t7[order(t7[,1],decreasing=TRUE),]**

**barchart(t7[,1],col="black")**

**densityplot(~TGiving|factor(Class.Year),**

**data=don[don$TGiving<=1000,][don[don$TGiving<=1000,]$TGiving>0,],**

**plot.points=FALSE,col="black")**

**t11=tapply(don$TGiving,don$Class.Year,FUN=sum,na.rm=TRUE)**

**t11**

**barplot(t11,ylab="Average Donation")**

**barchart(tapply(don$FY04Giving,don$Class.Year,FUN=sum,na.rm=TRUE),horizontal=FALSE,ylim=c(0,225000),col="black")**

**barchart(tapply(don$FY03Giving,don$Class.Year,FUN=sum,na.rm=TRUE),horizontal= FALSE,ylim=c(0,225000),col="black")**

**barchart(tapply(don$FY02Giving,don$Class.Year,FUN=sum,na.rm=TRUE),horizontal= FALSE,ylim=c(0,225000),col="black")**

**barchart(tapply(don$FY01Giving,don$Class.Year,FUN=sum,na.rm=TRUE),horizontal= FALSE,ylim=c(0,225000),col="black")**

**barchart(tapply(don$FY00Giving,don$Class.Year,FUN=sum,na.rm=TRUE),horizontal= FALSE,ylim=c(0,225000),col="black")**

**don$TGivingIND=cut(don$TGiving,c(-1,0.5,10000000),labels=FALSE)-1**

**mean(don$TGivingIND)**

**t5=table(don$TGivingIND,don$Class.Year)**

**t5**

**barplot(t5,beside=TRUE)**

**mosaicplot(factor(don$Class.Year)~factor(don$TGivingIND))**

**t50=tapply(don$TGivingIND,don$Class.Year,FUN=mean,na.rm=TRUE)**

**t50**

**barchart(t50,horizontal=FALSE,col="black")**

**don$FY04GivingIND=cut(don$FY04Giving,c(-1,0.5,10000000),labels=FALSE)-1**

**t51=tapply(don$FY04GivingIND,don$Class.Year,FUN=mean,na.rm=TRUE)**

**t51**

**barchart(t51,horizontal=FALSE,col="black")**

**Data=data.frame(don$FY04Giving,don$FY03Giving,don$FY02Giving,don$FY01Giving,don$FY00Giving)**

**correlation=cor(Data)**

**correlation**

**plot(Data)**

**library(ellipse)**

**plotcorr(correlation)**

**mosaicplot(factor(don$Gender)~factor(don$TGivingIND))**

**mosaicplot(factor(don$Marital.Status)~factor(don$TGivingIND))**

**t2=table(factor(don$Marital.Status),factor(don$TGivingIND))**

**mosaicplot(t2)**

**mosaicplot(factor(don$AttendenceEvent)~factor(don$TGivingIND))**

**t2=table(factor(don$Marital.Status),factor(don$TGivingIND),factor(don$AttendenceEvent))**

**t2**

**mosaicplot(t2[,,1])**

**mosaicplot(t2[,,2])**

**Example 3: Orange Juice**

**## Install packages from CRAN; use any USA mirror**

**library(lattice)**

**oj <- read.csv("C:/DataMining/Data/oj.csv")**

**oj$store <- factor(oj$store)**

**oj[1:2,]**

**t1=tapply(oj$logmove,oj$brand,FUN=mean,na.rm=TRUE)**

**t1**

**t2=tapply(oj$logmove,INDEX=list(oj$brand,oj$week),FUN=mean,na.rm=TRUE)**

**t2**

**plot(t2[1,],type= "l",xlab="week",ylab="dominicks",ylim=c(7,12))**

**plot(t2[2,],type= "l",xlab="week",ylab="minute.maid",ylim=c(7,12))**

**plot(t2[3,],type= "l",xlab="week",ylab="tropicana",ylim=c(7,12))**

**logmove=c(t2[1,],t2[2,],t2[3,])**

**week1=c(40:160)**

**week=c(week1,week1,week1)**

**brand1=rep(1,121)**

**brand2=rep(2,121)**

**brand3=rep(3,121)**

**brand=c(brand1,brand2,brand3)**

**xyplot(logmove~week|factor(brand),type= "l",layout=c(1,3),col="black")**

**boxplot(logmove~brand,data=oj)**

**histogram(~logmove|brand,data=oj,layout=c(1,3))**

**densityplot(~logmove|brand,data=oj,layout=c(1,3),plot.points=FALSE)**

**densityplot(~logmove,groups=brand,data=oj,plot.points=FALSE)**

**xyplot(logmove~week,data=oj,col="black")**

**xyplot(logmove~week|brand,data=oj,layout=c(1,3),col="black")**

**xyplot(logmove~price,data=oj,col="black")**

**xyplot(logmove~price|brand,data=oj,layout=c(1,3),col="black")**

**smoothScatter(oj$price,oj$logmove)**

**densityplot(~logmove,groups=feat, data=oj, plot.points=FALSE)**

**xyplot(logmove~price,groups=feat, data=oj)**

**oj1=oj[oj$store == 5,]**

**xyplot(logmove~week|brand,data=oj1,type="l",layout=c(1,3),col="black")**

**xyplot(logmove~price,data=oj1,col="black")**

**xyplot(logmove~price|brand,data=oj1,layout=c(1,3),col="black")**

**densityplot(~logmove|brand,groups=feat,data=oj1,plot.points=FALSE)**

**xyplot(logmove~price|brand,groups=feat,data=oj1)**

**t21=tapply(oj$INCOME,oj$store,FUN=mean,na.rm=TRUE)**

**t21**

**t21[t21==max(t21)]**

**t21[t21==min(t21)]**

**oj1=oj[oj$store == 62,]**

**oj2=oj[oj$store == 75,]**

**oj3=rbind(oj1,oj2)**

**xyplot(logmove~price|store,data=oj3)**

**xyplot(logmove~price|store,groups=feat,data=oj3)**

**## store in the wealthiest neighborhood**

**mhigh=lm(logmove~price,data=oj1)**

**summary(mhigh)**

**plot(logmove~price,data=oj1,xlim=c(0,4),ylim=c(0,13))**

**abline(mhigh)**

**## store in the poorest neighborhood**

**mlow=lm(logmove~price,data=oj2)**

**summary(mlow)**

**plot(logmove~price,data=oj2,xlim=c(0,4),ylim=c(0,13))**

**abline(mlow)**

**CHAPTER 3: STANDARD LINEAR REGRESSION**

**Example 1: Fuel Efficiency of Automobiles**

**## first we read in the data**

**FuelEff <- read.csv("C:/DataMining/Data/FuelEfficiency.csv")**

**FuelEff**

**plot(GPM~MPG,data=FuelEff)**

**plot(GPM~WT,data=FuelEff)**

**plot(GPM~DIS,data=FuelEff)**

**plot(GPM~NC,data=FuelEff)**

**plot(GPM~HP,data=FuelEff)**

**plot(GPM~ACC,data=FuelEff)**

**plot(GPM~ET,data=FuelEff)**

**FuelEff=FuelEff[-1]**

**FuelEff**

**## regression on all data**

**m1=lm(GPM~.,data=FuelEff)**

**summary(m1)**

**cor(FuelEff)**

**## best subset regression in R**

**library(leaps)**

**X=FuelEff[,2:7]**

**y=FuelEff[,1]**

**out=summary(regsubsets(X,y,nbest=2,nvmax=ncol(X)))**

**tab=cbind(out$which,out$rsq,out$adjr2,out$cp)**

**tab**

**m2=lm(GPM~WT,data=FuelEff)**

**summary(m2)**

**## cross-validation (leave one out) for the model on all six regressors**

**n=length(FuelEff$GPM)**

**diff=dim(n)**

**percdiff=dim(n)**

**for (k in 1:n) {**

**train1=c(1:n)**

**train=train1[train1!=k]**

**## the R expression "train1[train1!=k]" picks from train1 those**

**## elements that are different from k and stores those elements in the**

**## object train.**

**## For k=1, train consists of elements that are different from 1; that**

**## is 2, 3, …, n.**

**m1=lm(GPM~.,data=FuelEff[train,])**

**pred=predict(m1,newdat=FuelEff[-train,])**

**obs=FuelEff$GPM[-train]**

**diff[k]=obs-pred**

**percdiff[k]=abs(diff[k])/obs**

**}**

**me=mean(diff)**

**rmse=sqrt(mean(diff\*\*2))**

**mape=100\*(mean(percdiff))**

**me # mean error**

**rmse # root mean square error**

**mape # mean absolute percent error**

**## cross-validation (leave one out) for the model on weight only**

**n=length(FuelEff$GPM)**

**diff=dim(n)**

**percdiff=dim(n)**

**for (k in 1:n) {**

**train1=c(1:n)**

**train=train1[train1!=k]**

**m2=lm(GPM~WT,data=FuelEff[train,])**

**pred=predict(m2,newdat=FuelEff[-train,])**

**obs=FuelEff$GPM[-train]**

**diff[k]=obs-pred**

**percdiff[k]=abs(diff[k])/obs**

**}**

**me=mean(diff)**

**rmse=sqrt(mean(diff\*\*2))**

**mape=100\*(mean(percdiff))**

**me # mean error**

**rmse # root mean square error**

**mape # mean absolute percent error**

**Example 2: Toyota Used Car Prices**

**toyota <- read.csv("C:/DataMining/Data/ToyotaCorolla.csv")**

**toyota[1:3,]**

**summary(toyota)**

**hist(toyota$Price)**

**## next we create indicator variables for the categorical variable**

**## FuelType with its three nominal outcomes: CNG, Diesel, and Petrol**

**v1=rep(1,length(toyota$FuelType))**

**v2=rep(0,length(toyota$FuelType))**

**toyota$FuelType1=ifelse(toyota$FuelType=="CNG",v1,v2)**

**toyota$FuelType2=ifelse(toyota$FuelType=="Diesel",v1,v2)**

**auto=toyota[-4]**

**auto[1:3,]**

**plot(Price~Age,data=auto)**

**plot(Price~KM,data=auto)**

**plot(Price~HP,data=auto)**

**plot(Price~MetColor,data=auto)**

**plot(Price~Automatic,data=auto)**

**plot(Price~CC,data=auto)**

**plot(Price~Doors,data=auto)**

**plot(Price~Weight,data=auto)**

**## regression on all data**

**m1=lm(Price~.,data=auto)**

**summary(m1)**

**set.seed(1)**

**## fixing the seed value for the random selection guarantees the**

**## same results in repeated runs**

**n=length(auto$Price)**

**n1=1000**

**n2=n-n1**

**train=sample(1:n,n1)**

**## regression on training set**

**m1=lm(Price~.,data=auto[train,])**

**summary(m1)**

**pred=predict(m1,newdat=auto[-train,])**

**obs=auto$Price[-train]**

**diff=obs-pred**

**percdiff=abs(diff)/obs**

**me=mean(diff)**

**rmse=sqrt(sum(diff\*\*2)/n2)**

**mape=100\*(mean(percdiff))**

**me # mean error**

**rmse # root mean square error**

**mape # mean absolute percent error**

**## cross-validation (leave one out)**

**n=length(auto$Price)**

**diff=dim(n)**

**percdiff=dim(n)**

**for (k in 1:n) {**

**train1=c(1:n)**

**train=train1[train1!=k]**

**m1=lm(Price~.,data=auto[train,])**

**pred=predict(m1,newdat=auto[-train,])**

**obs=auto$Price[-train]**

**diff[k]=obs-pred**

**percdiff[k]=abs(diff[k])/obs**

**}**

**me=mean(diff)**

**rmse=sqrt(mean(diff\*\*2))**

**mape=100\*(mean(percdiff))**

**me # mean error**

**rmse # root mean square error**

**mape # mean absolute percent error**

**## cross-validation (leave one out): Model with just Age**

**n=length(auto$Price)**

**diff=dim(n)**

**percdiff=dim(n)**

**for (k in 1:n) {**

**train1=c(1:n)**

**train=train1[train1!=k]**

**m1=lm(Price~Age,data=auto[train,])**

**pred=predict(m1,newdat=auto[-train,])**

**obs=auto$Price[-train]**

**diff[k]=obs-pred**

**percdiff[k]=abs(diff[k])/obs**

**}**

**me=mean(diff)**

**rmse=sqrt(mean(diff\*\*2))**

**mape=100\*(mean(percdiff))**

**me # mean error**

**rmse # root mean square error**

**mape # mean absolute percent error**

**## Adding the squares of Age and KM to the model**

**auto$Age2=auto$Age^2**

**auto$KM2=auto$KM^2**

**m11=lm(Price~Age+KM,data=auto)**

**summary(m11)**

**m12=lm(Price~Age+Age2+KM+KM2,data=auto)**

**summary(m12)**

**m13=lm(Price~Age+Age2+KM,data=auto)**

**summary(m13)**

**plot(m11$res~m11$fitted)**

**hist(m11$res)**

**plot(m12$res~m12$fitted)**

**CHAPTER 4: LOCAL POLYNOMIAL REGRESSION: A NONPARAMETRIC REGRESSION APPROACH**

**Example 1: Old Faithful**

**library(locfit)**

**## first we read in the data**

**OldFaithful <- read.csv("C:/DataMining/Data/OldFaithful.csv")**

**OldFaithful[1:3,]**

**## density histograms and smoothed density histograms**

**## time of eruption**

**hist(OldFaithful$TimeEruption,freq=FALSE)**

**fit1 <- locfit(~lp(TimeEruption),data=OldFaithful)**

**plot(fit1)**

**## waiting time to next eruption**

**hist(OldFaithful$TimeWaiting,freq=FALSE)**

**fit2 <- locfit(~lp(TimeWaiting),data=OldFaithful)**

**plot(fit2)**

**## experiment with different smoothing constants**

**fit2 <- locfit(~lp(TimeWaiting,nn=0.9,deg=2),data=OldFaithful)**

**plot(fit2)**

**fit2 <- locfit(~lp(TimeWaiting,nn=0.3,deg=2),data=OldFaithful)**

**plot(fit2)**

**## cross-validation of smoothing constant**

**## for waiting time to next eruption**

**alpha<-seq(0.20,1,by=0.01)**

**n1=length(alpha)**

**g=matrix(nrow=n1,ncol=4)**

**for (k in 1:length(alpha)) {**

**g[k,]<-gcv(~lp(TimeWaiting,nn=alpha[k]),data=OldFaithful)**

**}**

**g**

**plot(g[,4]~g[,3],ylab="GCV",xlab="degrees of freedom")**

**## minimum at nn = 0.66**

**fit2 <- locfit(~lp(TimeWaiting,nn=0.66,deg=2),data=OldFaithful)**

**plot(fit2)**

**## local polynomial regression of TimeEruption on TimeWaiting**

**plot(TimeWaiting~TimeEruption,data=OldFaithful)**

**# standard regression fit**

**fitreg=lm(TimeWaiting~TimeEruption,data=OldFaithful)**

**plot(TimeWaiting~TimeEruption,data=OldFaithful)**

**abline(fitreg)**

**# fit with nearest neighbor bandwidth**

**fit3 <- locfit(TimeWaiting~lp(TimeEruption),data=OldFaithful)**

**plot(fit3)**

**fit3 <- locfit(TimeWaiting~lp(TimeEruption,deg=1),data=OldFaithful)**

**plot(fit3)**

**fit3 <- locfit(TimeWaiting~lp(TimeEruption,deg=0),data=OldFaithful)**

**plot(fit3)**

**Example 2: NOx Exhaust Emissions**

**library(locfit)**

**## first we read in the data**

**ethanol <- read.csv("C:/DataMining/Data/ethanol.csv")**

**ethanol[1:3,]**

**## density histogram**

**hist(ethanol$NOx,freq=FALSE)**

**## smoothed density histogram**

**fit <- locfit(~lp(NOx),data=ethanol)**

**plot(fit)**

**## experiment with the parameters of locfit**

**fit <- locfit(~lp(NOx,deg=1),data=ethanol)**

**plot(fit)**

**fit <- locfit(~lp(NOx,nn=0.7,deg=1),data=ethanol)**

**plot(fit)**

**fit <- locfit(~lp(NOx,nn=0.5,deg=1),data=ethanol)**

**plot(fit)**

**fit <- locfit(~lp(NOx,deg=2),data=ethanol)**

**plot(fit)**

**fit <- locfit(~lp(NOx,nn=0.7,deg=2),data=ethanol)**

**plot(fit)**

**fit <- locfit(~lp(NOx,nn=0.5,deg=2),data=ethanol)**

**plot(fit)**

**fit <- locfit(~lp(NOx,deg=3),data=ethanol)**

**plot(fit)**

**fit <- locfit(~lp(NOx,nn=0.7,deg=3),data=ethanol)**

**plot(fit)**

**fit <- locfit(~lp(NOx,nn=0.5,deg=3),data=ethanol)**

**plot(fit)**

**## standard regression of NOx on the equivalence ratio**

**plot(NOx~EquivRatio,data=ethanol)**

**fitreg=lm(NOx~EquivRatio,data=ethanol)**

**plot(NOx~EquivRatio,data=ethanol)**

**abline(fitreg)**

**## local polynomial regression of NOx on the equivalence ratio**

**## fit with a 50% nearest neighbor bandwidth.**

**fit <- locfit(NOx~lp(EquivRatio,nn=0.5),data=ethanol)**

**plot(fit)**

**## experiment with the parameters of locfit**

**fit <- locfit(NOx~lp(EquivRatio,nn=0.2),data=ethanol)**

**plot(fit)**

**fit <- locfit(NOx~lp(EquivRatio,nn=0.8),data=ethanol)**

**plot(fit)**

**fit <- locfit(NOx~lp(EquivRatio,deg=1),data=ethanol)**

**plot(fit)**

**fit <- locfit(NOx~lp(EquivRatio,deg=2),data=ethanol)**

**plot(fit)**

**## cross-validation**

**alpha<-seq(0.20,1,by=0.01)**

**n1=length(alpha)**

**g=matrix(nrow=n1,ncol=4)**

**for (k in 1:length(alpha)) {**

**g[k,]<-gcv(NOx~lp(EquivRatio,nn=alpha[k]),data=ethanol)**

**}**

**g**

**plot(g[,4]~g[,3],ylab="GCV",xlab="degrees of freedom")**

**f1=locfit(NOx~lp(EquivRatio,nn=0.30),data=ethanol)**

**f1**

**plot(f1)**

**## local polynomial regression on both E and C**

**plot(NOx~EquivRatio,data=ethanol)**

**plot(NOx~CompRatio,data=ethanol)**

**fit <- locfit(NOx~lp(EquivRatio,CompRatio,scale=TRUE),data=ethanol)**

**plot(fit)**

**## experiment with the parameters of locfit**

**fit <- locfit(NOx~lp(EquivRatio,CompRatio,nn=0.5,scale=TRUE),data=ethanol)**

**plot(fit)**

**fit <- locfit(NOx~lp(EquivRatio,CompRatio,deg=0,scale=TRUE),data=ethanol)**

**plot(fit)**

**CHAPTER 5: IMPORTANCE OF PARSIMONY IN STATISTICAL MODELING**

**Example 1**

**## Example 1**

**## We specify a seed to make the results reproducible. Omitting the**

**## set.seed statement would lead to a different set of random numbers**

**## and the results would vary somewhat**

**set.seed(10)**

**alpha=0.10**

**m=100**

**p=dim(m)**

**index=dim(m)**

**for (i in 1:5) {**

**x=rnorm(25,1,1)**

**t=-abs(mean(x)/(sd(x)/sqrt(25)))**

**p[i]=2\*pt(t,24)**

**index[i]=i**

**}**

**for (i in 6:m) {**

**x=rnorm(25)**

**t=-abs(mean(x)/(sd(x)/sqrt(25)))**

**p[i]=2\*pt(t,24)**

**index[i]=i**

**}**

**count=p<=0.05**

**table(count)**

**ps=sort(p)**

**logps=log(ps)**

**logindex=log(index)**

**y=log(index\*alpha/m)**

**plot(logps~logindex,xlab="log(j)",ylab="log(ProbValue(j))",main="False Discovery Rate")**

**points(y~logindex,type="l")**

**ps**

**ps[6]**

**Example 2**

**## Example 2**

**set.seed(10)**

**alpha=0.20**

**m=500**

**p=dim(m)**

**index=dim(m)**

**for (i in 1:5) {**

**x=rnorm(25,1,1)**

**t=-abs(mean(x)/(sd(x)/sqrt(25)))**

**p[i]=2\*pt(t,24)**

**index[i]=i**

**}**

**for (i in 6:m) {**

**x=rnorm(25)**

**t=-abs(mean(x)/(sd(x)/sqrt(25)))**

**p[i]=2\*pt(t,24)**

**index[i]=i**

**}**

**count=p<=0.05**

**table(count)**

**ps=sort(p)**

**logps=log(ps)**

**logindex=log(index)**

**y=log(index\*alpha/m)**

**plot(logps~logindex,xlab="log(j)",ylab="log(ProbValue(j))",main="False Discovery Rate")**

**points(y~logindex,type="l")**

**ps**

**ps[7]**

**CHAPTER 6: PENALTY-BASED VARIABLE SELECTION IN REGRESSION MODELS WITH MANY PARAMETERS (LASSO)**

**Example 1: Prostate Cancer**

**prostate <- read.csv("C:/DataMining/Data/prostate.csv")**

**prostate[1:3,]**

**m1=lm(lcavol~.,data=prostate)**

**summary(m1)**

**## the model.matrix statement defines the model to be fitted**

**x <- model.matrix(lcavol~age+lbph+lcp+gleason+lpsa,data=prostate)**

**x=x[,-1]**

**## stripping off the column of 1s as LASSO includes the intercept**

**## automatically**

**library(lars)**

**## lasso on all data**

**lasso <- lars(x=x,y=prostate$lcavol,trace=TRUE)**

**## trace of lasso (standardized) coefficients for varying penalty**

**plot(lasso)**

**lasso**

**coef(lasso,s=c(.25,.50,0.75,1.0),mode="fraction")**

**## cross-validation using 10 folds**

**cv.lars(x=x,y=prostate$lcavol,K=10)**

**## another way to evaluate lasso’s out-of-sample prediction performance**

**MSElasso25=dim(10)**

**MSElasso50=dim(10)**

**MSElasso75=dim(10)**

**MSElasso100=dim(10)**

**set.seed(1)**

**for(i in 1:10){**

**train <- sample(1:nrow(prostate),80)**

**lasso <- lars(x=x[train,],y=prostate$lcavol[train])**

**MSElasso25[i]=**

**mean((predict(lasso,x[-train,],s=.25,mode="fraction")$fit-prostate$lcavol[-train])^2)**

**MSElasso50[i]=**

**mean((predict(lasso,x[-train,],s=.50,mode="fraction")$fit-prostate$lcavol[-train])^2)**

**MSElasso75[i]=**

**mean((predict(lasso,x[-train,],s=.75,mode="fraction")$fit-prostate$lcavol[-train])^2)**

**MSElasso100[i]=**

**mean((predict(lasso,x[-train,],s=1.00,mode="fraction")$fit-prostate$lcavol[-train])^2)**

**}**

**mean(MSElasso25)**

**mean(MSElasso50)**

**mean(MSElasso75)**

**mean(MSElasso100)**

**boxplot(MSElasso25,MSElasso50,MSElasso75,MSElasso100,ylab="MSE", sub="LASSO model",xlab="s=0.25 s=0.50 s=0.75 s=1.0(LS)")**

**Example 2: Orange Juice**

**oj <- read.csv("C:/DataMining/Data/oj.csv")**

**oj$store <- factor(oj$store)**

**oj[1:2,]**

**x <- model.matrix(logmove ~ log(price)\*(feat + brand**

**+ AGE60 + EDUC + ETHNIC + INCOME + HHLARGE + WORKWOM**

**+ HVAL150 + SSTRDIST + SSTRVOL + CPDIST5 + CPWVOL5)^2, data=oj)**

**dim(x)**

**## First column of x consists of ones (the intercept)**

**## We strip the column of ones as intercept is included automatically**

**x=x[,-1]**

**## We normalize the covariates as they are of very different magnitudes**

**## Each normalized covariate has mean 0 and standard deviation 1**

**for (j in 1:209) {**

**x[,j]=(x[,j]-mean(x[,j]))/sd(x[,j])**

**}**

**## One could consider the standard regression model**

**reg <- lm(oj$logmove~x)**

**summary(reg)**

**p0=predict(reg)**

**## Or, one could consider LASSO**

**library(lars)**

**lasso <- lars(x=x, y=oj$logmove, trace=TRUE)**

**coef(lasso, s=c(.25,.50,0.75,1.00), mode="fraction")**

**## creates LASSO estimates as function of lambda**

**## gives you the estimates for four shrinkage coef**

**## Check that predictions in regression and lars (s=1) are the same**

**p1=predict(lasso,x,s=1,mode="fraction")**

**p1$fit**

**pdiff=p1$fit-p0**

**pdiff ## zero differences**

**## out of sample prediction; estimate model on 20,000 rows**

**MSElasso10=dim(10)**

**MSElasso50=dim(10)**

**MSElasso90=dim(10)**

**MSElasso100=dim(10)**

**set.seed(1) ## fixes seed to make random draws reproducible**

**for(i in 1:10){**

**train <- sample(1:nrow(oj), 20000)**

**lasso <- lars(x=x[train,], y=oj$logmove[train])**

**MSElasso10[i]=**

**mean((predict(lasso,x[-train,], s=.10, mode="fraction")**

**$fit - oj$logmove[-train])^2)**

**MSElasso50[i]=**

**mean((predict(lasso,x[-train,], s=.50, mode="fraction")**

**$fit - oj$logmove[-train])^2)**

**MSElasso90[i]=**

**mean((predict(lasso,x[-train,], s=.90, mode="fraction")**

**$fit - oj$logmove[-train])^2)**

**MSElasso100[i]=**

**mean((predict(lasso,x[-train,], s=1.0, mode="fraction")**

**$fit - oj$logmove[-train])^2)**

**}**

**mean(MSElasso10)**

**mean(MSElasso50)**

**mean(MSElasso90)**

**mean(MSElasso100)**

**boxplot(MSElasso10,MSElasso50,MSElasso90,MSElasso100,ylab="MSE", sub="LASSO model",xlab="s=0.10 s=0.50 s=0.9 s=1.0(LS)")**

**## out of sample prediction; estimate model on 1,000 rows**

**set.seed(1) ## fixes seed to make random draws reproducible**

**for(i in 1:10){**

**train <- sample(1:nrow(oj), 1000)**

**lasso <- lars(x=x[train,], y=oj$logmove[train])**

**MSElasso10[i]=**

**mean((predict(lasso,x[-train,], s=.10, mode="fraction")**

**$fit - oj$logmove[-train])^2)**

**MSElasso50[i]=**

**mean((predict(lasso,x[-train,], s=.50, mode="fraction")**

**$fit - oj$logmove[-train])^2)**

**MSElasso90[i]=**

**mean((predict(lasso,x[-train,], s=.90, mode="fraction")**

**$fit - oj$logmove[-train])^2)**

**MSElasso100[i]=**

**mean((predict(lasso,x[-train,], s=1.0, mode="fraction")**

**$fit - oj$logmove[-train])^2)**

**}**

**mean(MSElasso10)**

**mean(MSElasso50)**

**mean(MSElasso90)**

**mean(MSElasso100)**

**boxplot(MSElasso10,MSElasso50,MSElasso90,MSElasso100,ylab="MSE", sub="LASSO model",xlab="s=0.10 s=0.50 s=0.9 s=1.0(LS)")**

**CHAPTER 7: LOGISTIC REGRESSION**

**Example 1: Death Penalty Data**

**## analyzing individual observations**

**dpen <- read.csv("C:/DataMining/Data/DeathPenalty.csv")**

**dpen[1:4,]**

**dpen[359:362,]**

**m1=glm(Death~VRace+Agg,family=binomial,data=dpen)**

**m1**

**summary(m1)**

**## calculating logits**

**exp(m1$coef[2])**

**exp(m1$coef[3])**

**## plotting probability of getting death penalty as a function of aggravation**

**## separately for black (in black) and white (in red) victim**

**fitBlack=dim(501)**

**fitWhite=dim(501)**

**ag=dim(501)**

**for (i in 1:501) {**

**ag[i]=(99+i)/100**

**fitBlack[i]=exp(m1$coef[1]+ag[i]\*m1$coef[3])/(1+exp(m1$coef[1]+ag[i]\*m1$coef[3]))**

**fitWhite[i]=exp(m1$coef[1]+m1$coef[2]+ag[i]\*m1$coef[3])/(1+exp(m1$coef[1]+m1$coef[2]+ag[i]\*m1$coef[3]))**

**}**

**plot(fitBlack~ag,type="l",col="black",ylab="Prob[Death]",xlab="Aggravation",ylim=c(0,1),main="red line for white victim; black line for black victim")**

**points(fitWhite~ag,type="l",col="red")**

**## analyzing summarized data**

**dpenother <- read.csv("C:/DataMining/Data/DeathPenaltyOther.csv")**

**dpenother**

**m1=glm(Death~VRace+Agg,family=binomial,weights=Freq,data=dpenother)**

**m1**

**summary(m1)**

**exp(m1$coef[2])**

**exp(m1$coef[3])**

**Example 2: Delayed Airplanes**

**library(car) ## needed to recode variables**

**set.seed(1)**

**## read and print the data**

**del <- read.csv("C:/DataMining/Data/FlightDelays.csv")**

**del[1:3,]**

**## define hours of departure**

**del$sched=factor(floor(del$schedtime/100))**

**table(del$sched)**

**table(del$carrier)**

**table(del$dest)**

**table(del$origin)**

**table(del$weather)**

**table(del$dayweek)**

**table(del$daymonth)**

**table(del$delay)**

**del$delay=recode(del$delay,"'delayed'=1;else=0")**

**del$delay=as.numeric(levels(del$delay)[del$delay])**

**table(del$delay)**

**## Delay: 1=Monday; 2=Tuesday; 3=Wednesday; 4=Thursday;**

**## 5=Friday; 6=Saturday; 7=Sunday**

**## 7=Sunday and 1=Monday coded as 1**

**del$dayweek=recode(del$dayweek,"c(1,7)=1;else=0")**

**table(del$dayweek)**

**## omit unused variables**

**del=del[,c(-1,-3,-5,-6,-7,-11,-12)]**

**del[1:3,]**

**n=length(del$delay)**

**n**

**n1=floor(n\*(0.6))**

**n1**

**n2=n-n1**

**n2**

**train=sample(1:n,n1)**

**## estimation of the logistic regression model**

**## explanatory variables: carrier, destination, origin, weather, day of week**

**## (weekday/weekend), scheduled hour of departure**

**## create design matrix; indicators for categorical variables (factors)**

**Xdel <- model.matrix(delay~.,data=del)[,-1]**

**Xdel[1:3,]**

**xtrain <- Xdel[train,]**

**xnew <- Xdel[-train,]**

**ytrain <- del$delay[train]**

**ynew <- del$delay[-train]**

**m1=glm(delay~.,family=binomial,data=data.frame(delay=ytrain,xtrain))**

**summary(m1)**

**## prediction: predicted default probabilities for cases in test set**

**ptest <- predict(m1,newdata=data.frame(xnew),type="response")**

**data.frame(ynew,ptest)[1:10,]**

**## first column in list represents the case number of the test element**

**plot(ynew~ptest)**

**## coding as 1 if probability 0.5 or larger**

**gg1=floor(ptest+0.5) ## floor function; see help command**

**ttt=table(ynew,gg1)**

**ttt**

**error=(ttt[1,2]+ttt[2,1])/n2**

**error**

**## coding as 1 if probability 0.3 or larger**

**gg2=floor(ptest+0.7)**

**ttt=table(ynew,gg2)**

**ttt**

**error=(ttt[1,2]+ttt[2,1])/n2**

**error**

**bb=cbind(ptest,ynew)**

**bb**

**bb1=bb[order(ptest,decreasing=TRUE),]**

**bb1**

**## order cases in test set according to their success prob**

**## actual outcome shown next to it**

**## overall success (delay) prob in the evaluation data set**

**xbar=mean(ynew)**

**xbar**

**## calculating the lift**

**## cumulative 1’s sorted by predicted values**

**## cumulative 1’s using the average success prob from evaluation set**

**axis=dim(n2)**

**ax=dim(n2)**

**ay=dim(n2)**

**axis[1]=1**

**ax[1]=xbar**

**ay[1]=bb1[1,2]**

**for (i in 2:n2) {**

**axis[i]=i**

**ax[i]=xbar\*i**

**ay[i]=ay[i-1]+bb1[i,2]**

**}**

**aaa=cbind(bb1[,1],bb1[,2],ay,ax)**

**aaa[1:100,]**

**plot(axis,ay,xlab="number of cases",ylab="number of successes",main="Lift: Cum successes sorted by pred val/success prob")**

**points(axis,ax,type="l")**

**Example 3: Loan Acceptance**

**library(car) ## needed to recode variables**

**set.seed(1)**

**loan <- read.csv("C:/DataMining/Data/UniversalBank.csv")**

**loan[1:3,]**

**## familiarize yourself with the data**

**hist(loan$Age)**

**hist(loan$Experience)**

**hist(loan$Income)**

**hist(loan$Family) ## below we treat loan$Family as categorical**

**hist(loan$CCAvg)**

**hist(loan$Mortgage)**

**hist(loan$SecuritiesAccount)**

**hist(loan$CDAccount)**

**hist(loan$Online)**

**hist(loan$CreditCard)**

**hist(loan$Education) ## below we treat loan$Education as categorical**

**response=loan$PersonalLoan**

**hist(response)**

**MeanRes=mean(response)**

**MeanRes**

**## creating indicator variables for loan$Family and loan$Education**

**v1=rep(1,dim(loan)[1])**

**v2=rep(0,dim(loan)[1])**

**## creating indicator variables for family size (4 groups: 1, 2, 3, 4)**

**loan$FamSize2=ifelse(loan$Family==2,v1,v2)**

**loan$FamSize3=ifelse(loan$Family==3,v1,v2)**

**loan$FamSize4=ifelse(loan$Family==4,v1,v2)**

**## creating indicator variables for education level (3 groups: 1, 2, 3)**

**loan$Educ2=ifelse(loan$Education==2,v1,v2)**

**loan$Educ3=ifelse(loan$Education==3,v1,v2)**

**xx=cbind(response,Age=loan$Age,Exp=loan$Experience,Inc=loan$Income,Fam2=loan$FamSize2,Fam3=loan$FamSize3,Fam4=loan$FamSize4,CCAve=loan$CCAvg,Mort=loan$Mortgage,SecAcc=loan$SecuritiesAccount,CD=loan$CDAccount,Online=loan$Online,CreditCard=loan$CreditCard,Educ2=loan$Educ2,Educ3=loan$Educ3)**

**xx[1:3,]**

**## split the data set into training and test (evaluation) set**

**n=dim(loan)[1]**

**n**

**n1=floor(n\*(0.6))**

**n1**

**n2=n-n1**

**n2**

**train=sample(1:n,n1)**

**## model fitted on all data**

**m1=glm(response~.,family=binomial,data=data.frame(xx))**

**summary(m1)**

**xx=xx[,-1]**

**xtrain <- xx[train,]**

**xnew <- xx[-train,]**

**ytrain <- response[train]**

**ynew <- response[-train]**

**## model fitted on the training data set**

**m2=glm(response~.,family=binomial,data=data.frame(response=ytrain,xtrain))**

**summary(m2)**

**## create predictions for the test (evaluation) data set**

**ptest=predict(m2,newdata=data.frame(xnew),type="response")**

**## predicted probabilities**

**hist(ptest)**

**plot(ynew~ptest)**

**## coding as 1 if probability 0.5 or larger**

**gg1=floor(ptest+0.5)**

**ttt=table(ynew,gg1)**

**ttt**

**error=(ttt[1,2]+ttt[2,1])/n2**

**error**

**## coding as 1 if probability 0.3 or larger**

**gg2=floor(ptest+0.7)**

**ttt=table(ynew,gg2)**

**ttt**

**error=(ttt[1,2]+ttt[2,1])/n2**

**error**

**bb=cbind(ptest,ynew)**

**bb**

**bb1=bb[order(ptest,decreasing=TRUE),]**

**bb1**

**## order cases in test set according to their success prob**

**## actual outcome shown next to it**

**## overall success probability in evaluation (test) data set**

**xbar=mean(ynew)**

**xbar**

**## calculating the lift**

**## cumulative 1’s sorted by predicted values**

**## cumulative 1’s using the average success prob from evaluation set**

**axis=dim(n2)**

**ax=dim(n2)**

**ay=dim(n2)**

**axis[1]=1**

**ax[1]=xbar**

**ay[1]=bb1[1,2]**

**for (i in 2:n2) {**

**axis[i]=i**

**ax[i]=xbar\*i**

**ay[i]=ay[i-1]+bb1[i,2]**

**}**

**aaa=cbind(bb1[,1],bb1[,2],ay,ax)**

**aaa[1:20,]**

**plot(axis,ay,xlab="number of cases",ylab="number of successes",main="Lift: Cum successes sorted by pred val/success prob")**

**points(axis,ax,type="l")**

**Example 4: German Credit Data**

**#### \*\*\*\*\*\*\* German Credit Data \*\*\*\*\*\*\* ####**

**#### \*\*\*\*\*\*\* data on 1000 loans \*\*\*\*\*\*\* ####**

**## read data and create relevant variables**

**credit <- read.csv("C:/DataMining/Data/germancredit.csv")**

**credit**

**credit$Default <- factor(credit$Default)**

**## re-level the credit history and a few other variables**

**credit$history = factor(credit$history, levels=c("A30","A31","A32","A33","A34"))**

**levels(credit$history) = c("good","good","poor","poor","terrible")**

**credit$foreign <- factor(credit$foreign, levels=c("A201","A202"), labels=c("foreign","german"))**

**credit$rent <- factor(credit$housing=="A151")**

**credit$purpose <- factor(credit$purpose, levels=c("A40","A41","A42","A43","A44","A45","A46","A47","A48","A49","A410"))**

**levels(credit$purpose) <- c("newcar","usedcar",rep("goods/repair",4),"edu",NA,"edu","biz","biz")**

**## for demonstration, cut the dataset to these variables**

**credit <- credit[,c("Default","duration","amount","installment","age", "history", "purpose","foreign","rent")]**

**credit[1:3,]**

**summary(credit) # check out the data**

**## create a design matrix**

**## factor variables are turned into indicator variables**

**## the first column of ones is omitted**

**Xcred <- model.matrix(Default~.,data=credit)[,-1]**

**Xcred[1:3,]**

**## creating training and prediction datasets**

**## select 900 rows for estimation and 100 for testing**

**set.seed(1)**

**train <- sample(1:1000,900)**

**xtrain <- Xcred[train,]**

**xnew <- Xcred[-train,]**

**ytrain <- credit$Default[train]**

**ynew <- credit$Default[-train]**

**credglm=glm(Default~.,family=binomial,data=data.frame(Default=ytrain,xtrain))**

**summary(credglm)**

**## prediction: predicted default probabilities for cases in test set**

**ptest <- predict(credglm,newdata=data.frame(xnew),type="response")**

**data.frame(ynew,ptest)**

**## What are our misclassification rates on that training set?**

**## We use probability cutoff 1/6**

**## coding as 1 (predicting default) if probability 1/6 or larger**

**gg1=floor(ptest+(5/6))**

**ttt=table(ynew,gg1)**

**ttt**

**error=(ttt[1,2]+ttt[2,1])/100**

**error**

**CHAPTER 8: BINARY CLASSIFICATION, PROBABILITIES AND EVALUATING CLASSIFICATION PERFORMANCE**

**Example: German Credit Data**

**#### \*\*\*\*\*\*\* German Credit Data \*\*\*\*\*\*\* ####**

**#### \*\*\*\*\*\*\* data on 1000 loans \*\*\*\*\*\*\* ####**

**## read data and create some `interesting' variables**

**credit <- read.csv("C:/DataMining/Data/germancredit.csv")**

**credit**

**credit$Default <- factor(credit$Default)**

**## re-level the credit history and a few other variables**

**credit$history = factor(credit$history, levels=c("A30","A31","A32","A33","A34"))**

**levels(credit$history) = c("good","good","poor","poor","terrible")**

**credit$foreign <- factor(credit$foreign, levels=c("A201","A202"), labels=c("foreign","german"))**

**credit$rent <- factor(credit$housing=="A151")**

**credit$purpose <- factor(credit$purpose, levels=c("A40","A41","A42","A43","A44","A45","A46","A47","A48","A49","A410"))**

**levels(credit$purpose) <- c("newcar","usedcar",rep("goods/repair",4),"edu",NA,"edu","biz","biz")**

**## for demonstration, cut the dataset to these variables**

**credit <- credit[,c("Default","duration","amount","installment","age", "history", "purpose","foreign","rent")]**

**credit**

**summary(credit) # check out the data**

**## create a design matrix**

**## factor variables are turned into indicator variables**

**## the first column of ones is omitted**

**Xcred <- model.matrix(Default~.,data=credit)[,-1]**

**Xcred[1:3,]**

**## creating training and prediction datasets**

**## select 900 rows for estimation and 100 for testing**

**set.seed(1)**

**train <- sample(1:1000,900)**

**xtrain <- Xcred[train,]**

**xnew <- Xcred[-train,]**

**ytrain <- credit$Default[train]**

**ynew <- credit$Default[-train]**

**credglm=glm(Default~.,family=binomial,data=data.frame(Default=ytrain,xtrain))**

**summary(credglm)**

**## Now to prediction: what are the underlying default probabilities**

**## for cases in the test set**

**ptest <- predict(credglm, newdata=data.frame(xnew),type="response")**

**data.frame(ynew,ptest)**

**## What are our misclassification rates on that training set?**

**## We use probability cutoff 1/6**

**## coding as 1 (predicting default) if probability 1/6 or larger**

**cut=1/6**

**gg1=floor(ptest+(1-cut))**

**ttt=table(ynew,gg1)**

**ttt**

**truepos <- ynew==1 & ptest>=cut**

**trueneg <- ynew==0 & ptest<cut**

**# Sensitivity (predict default when it does happen)**

**sum(truepos)/sum(ynew==1)**

**# Specificity (predict no default when it does not happen)**

**sum(trueneg)/sum(ynew==0)**

**## Next, we use probability cutoff 1/2**

**## coding as 1 if probability 1/2 or larger**

**cut=1/2**

**gg1=floor(ptest+(1-cut))**

**ttt=table(ynew,gg1)**

**ttt**

**truepos <- ynew==1 & ptest>=cut**

**trueneg <- ynew==0 & ptest<cut**

**# Sensitivity (predict default when it does happen)**

**sum(truepos)/sum(ynew==1)**

**# Specificity (predict no default when it does not happen)**

**sum(trueneg)/sum(ynew==0)**

**## R macro for plotting the ROC curve**

**## plot the ROC curve for classification of y with p**

**roc <- function(p,y){**

**y <- factor(y)**

**n <- length(p)**

**p <- as.vector(p)**

**Q <- p > matrix(rep(seq(0,1,length=500),n),ncol=500,byrow=TRUE)**

**fp <- colSums((y==levels(y)[1])\*Q)/sum(y==levels(y)[1])**

**tp <- colSums((y==levels(y)[2])\*Q)/sum(y==levels(y)[2])**

**plot(fp, tp, xlab="1-Specificity", ylab="Sensitivity")**

**abline(a=0,b=1,lty=2,col=8)**

**}**

**## ROC for hold-out period**

**roc(p=ptest,y=ynew)**

**## ROC for all cases (in-sample)**

**credglmall <- glm(credit$Default ~ Xcred,family=binomial)**

**roc(p=credglmall$fitted, y=credglmall$y)**

**## using the ROCR package to graph the ROC curves**

**library(ROCR)**

**## input is a data frame consisting of two columns**

**## predictions in first column and actual outcomes in the second**

**## ROC for hold-out period**

**predictions=ptest**

**labels=ynew**

**data=data.frame(predictions,labels)**

**data**

**## pred: function to create prediction objects**

**pred <- prediction(data$predictions,data$labels)**

**pred**

**## perf: creates the input to be plotted**

**## sensitivity and one minus specificity (the false positive rate)**

**perf <- performance(pred, "sens", "fpr")**

**perf**

**plot(perf)**

**## ROC for all cases (in-sample)**

**credglmall <- glm(credit$Default ~ Xcred,family=binomial)**

**predictions=credglmall$fitted**

**labels=credglmall$y**

**data=data.frame(predictions,labels)**

**pred <- prediction(data$predictions,data$labels)**

**perf <- performance(pred, "sens", "fpr")**

**plot(perf)**

**CHAPTER 9: CLASSIFICATION USING A NEAREST NEIGHBOR ANALYSIS**

**Example 1: Forensic Glass**

**#### \*\*\*\*\*\*\* Forensic Glass \*\*\*\*\*\* ####**

**library(textir) ## needed to standardize the data**

**library(MASS) ## a library of example datasets**

**data(fgl) ## loads the data into R; see help(fgl)**

**fgl**

**## data consists of 214 cases**

**## here are illustrative box plots of the features stratified by**

**## glass type**

**par(mfrow=c(3,3), mai=c(.3,.6,.1,.1))**

**plot(RI ~ type, data=fgl, col=c(grey(.2),2:6))**

**plot(Al ~ type, data=fgl, col=c(grey(.2),2:6))**

**plot(Na ~ type, data=fgl, col=c(grey(.2),2:6))**

**plot(Mg ~ type, data=fgl, col=c(grey(.2),2:6))**

**plot(Ba ~ type, data=fgl, col=c(grey(.2),2:6))**

**plot(Si ~ type, data=fgl, col=c(grey(.2),2:6))**

**plot(K ~ type, data=fgl, col=c(grey(.2),2:6))**

**plot(Ca ~ type, data=fgl, col=c(grey(.2),2:6))**

**plot(Fe ~ type, data=fgl, col=c(grey(.2),2:6))**

**## for illustration, consider the RIxAl plane**

**## use nt=200 training cases to find the nearest neighbors for**

**## the remaining 14 cases. These 14 cases become the evaluation**

**## (test, hold-out) cases**

**n=length(fgl$type)**

**nt=200**

**set.seed(1) ## to make the calculations reproducible in repeated runs**

**train <- sample(1:n,nt)**

**## Standardization of the data is preferable, especially if**

**## units of the features are quite different**

**## could do this from scratch by calculating the mean and**

**## standard deviation of each feature, and use those to**

**## standardize.**

**## Even simpler, use the normalize function in the R-package textir;**

**## it converts data frame columns to mean-zero sd-one**

**x <- normalize(fgl[,c(4,1)])**

**x[1:3,]**

**library(class)**

**nearest1 <- knn(train=x[train,],test=x[-train,],cl=fgl$type[train],k=1)**

**nearest5 <- knn(train=x[train,],test=x[-train,],cl=fgl$type[train],k=5)**

**data.frame(fgl$type[-train],nearest1,nearest5)**

**## plot them to see how it worked**

**par(mfrow=c(1,2))**

**## plot for k=1 (single) nearest neighbor**

**plot(x[train,],col=fgl$type[train],cex=.8,main="1-nearest neighbor")**

**points(x[-train,],bg=nearest1,pch=21,col=grey(.9),cex=1.25)**

**## plot for k=5 nearest neighbors**

**plot(x[train,],col=fgl$type[train],cex=.8,main="5-nearest neighbors")**

**points(x[-train,],bg=nearest5,pch=21,col=grey(.9),cex=1.25)**

**legend("topright",legend=levels(fgl$type),fill=1:6,bty="n",cex=.75)**

**## calculate the proportion of correct classifications on this one**

**## training set**

**pcorrn1=100\*sum(fgl$type[-train]==nearest1)/(n-nt)**

**pcorrn5=100\*sum(fgl$type[-train]==nearest5)/(n-nt)**

**pcorrn1**

**pcorrn5**

**## cross-validation (leave one out)**

**pcorr=dim(10)**

**for (k in 1:10) {**

**pred=knn.cv(x,fgl$type,k)**

**pcorr[k]=100\*sum(fgl$type==pred)/n**

**}**

**pcorr**

**## Note: Different runs may give you slightly different results as ties**

**## are broken at random**

**## using all nine dimensions (RI plus 8 chemical concentrations)**

**x <- normalize(fgl[,c(1:9)])**

**nearest1 <- knn(train=x[train,],test=x[-train,],cl=fgl$type[train],k=1)**

**nearest5 <- knn(train=x[train,],test=x[-train,],cl=fgl$type[train],k=5)**

**data.frame(fgl$type[-train],nearest1,nearest5)**

**## calculate the proportion of correct classifications**

**pcorrn1=100\*sum(fgl$type[-train]==nearest1)/(n-nt)**

**pcorrn5=100\*sum(fgl$type[-train]==nearest5)/(n-nt)**

**pcorrn1**

**pcorrn5**

**## cross-validation (leave one out)**

**pcorr=dim(10)**

**for (k in 1:10) {**

**pred=knn.cv(x,fgl$type,k)**

**pcorr[k]=100\*sum(fgl$type==pred)/n**

**}**

**pcorr**

**Example 2: German Credit Data**

**#### \*\*\*\*\*\*\* German Credit Data \*\*\*\*\*\*\* ####**

**#### \*\*\*\*\*\*\* data on 1000 loans \*\*\*\*\*\*\* ####**

**library(textir) ## needed to standardize the data**

**library(class) ## needed for knn**

**## read data and create some `interesting' variables**

**credit <- read.csv("C:/DataMining/Data/germancredit.csv")**

**credit**

**credit$Default <- factor(credit$Default)**

**## re-level the credit history and a few other variables**

**credit$history = factor(credit$history, levels=c("A30","A31","A32","A33","A34"))**

**levels(credit$history) = c("good","good","poor","poor","terrible")**

**credit$foreign <- factor(credit$foreign, levels=c("A201","A202"), labels=c("foreign","german"))**

**credit$rent <- factor(credit$housing=="A151")**

**credit$purpose <- factor(credit$purpose, levels=c("A40","A41","A42","A43","A44","A45","A46","A47","A48","A49","A410"))**

**levels(credit$purpose) <- c("newcar","usedcar",rep("goods/repair",4),"edu",NA,"edu","biz","biz")**

**## for demonstration, cut the dataset to these variables**

**credit <- credit[,c("Default","duration","amount","installment","age", "history", "purpose","foreign","rent")]**

**credit[1:3,]**

**summary(credit) # check out the data**

**## for illustration we consider just 3 loan characteristics:**

**## amount,duration,installment**

**## Standardization of the data is preferable, especially if**

**## units of the features are quite different**

**## We use the normalize function in the R-package textir;**

**## it converts data frame columns to mean-zero sd-one**

**x <- normalize(credit[,c(2,3,4)])**

**x[1:3,]**

**## training and prediction datasets**

**## training set of 900 borrowers; want to classify 100 new ones**

**set.seed(1)**

**train <- sample(1:1000,900) ## this is training set of 900 borrowers**

**xtrain <- x[train,]**

**xnew <- x[-train,]**

**ytrain <- credit$Default[train]**

**ynew <- credit$Default[-train]**

**## k-nearest neighbor method**

**library(class)**

**nearest1 <- knn(train=xtrain, test=xnew, cl=ytrain, k=1)**

**nearest3 <- knn(train=xtrain, test=xnew, cl=ytrain, k=3)**

**data.frame(ynew,nearest1,nearest3)[1:10,]**

**## calculate the proportion of correct classifications**

**pcorrn1=100\*sum(ynew==nearest1)/100**

**pcorrn3=100\*sum(ynew==nearest3)/100**

**pcorrn1**

**pcorrn3**

**## plot for 3nn**

**plot(xtrain[,c("amount","duration")],col=c(4,3,6,2)[credit[train,"installment"]],pch=c(1,2)[as.numeric(ytrain)],main="Predicted default, by 3 nearest neighbors",cex.main=.95)**

**points(xnew[,c("amount","duration")],bg=c(4,3,6,2)[credit[train,"installment"]],pch=c(21,24)[as.numeric(nearest3)],cex=1.2,col=grey(.7))**

**legend("bottomright",pch=c(1,16,2,17),bg=c(1,1,1,1),legend=c("data 0","pred 0","data 1","pred 1"),title="default",bty="n",cex=.8)**

**legend("topleft",fill=c(4,3,6,2),legend=c(1,2,3,4),title="installment %",horiz=TRUE,bty="n",col=grey(.7),cex=.8)**

**## above was for just one training set**

**## cross-validation (leave one out)**

**pcorr=dim(10)**

**for (k in 1:10) {**

**pred=knn.cv(x,cl=credit$Default,k)**

**pcorr[k]=100\*sum(credit$Default==pred)/1000**

**}**

**pcorr**

**CHAPTER 10: THE NAÏVE BAYESIAN ANALYSIS: A MODEL FOR PREDICTING A CATEGORICAL RESPONSE FROM MOSTLY CATEGORICAL PREDICTOR VARIABLES**

**Example: Delayed Airplanes**

**set.seed(1)**

**library(car) #used to recode a variable**

**## reading the data**

**delay <- read.csv("C:/DataMining/Data/FlightDelays.csv")**

**delay**

**del=data.frame(delay)**

**del$schedf=factor(floor(del$schedtime/100))**

**del$delay=recode(del$delay,"'delayed'=1;else=0")**

**response=as.numeric(levels(del$delay)[del$delay])**

**hist(response)**

**mm=mean(response)**

**mm**

**## determining test and evaluation data sets**

**n=length(del$dayweek)**

**n**

**n1=floor(n\*(0.6))**

**n1**

**n2=n-n1**

**n2**

**train=sample(1:n,n1)**

**## determining marginal probabilities**

**tttt=cbind(del$schedf[train],del$carrier[train],del$dest[train],del$origin[train],del$weather[train],del$dayweek[train],response[train])**

**tttrain0=tttt[tttt[,7]<0.5,]**

**tttrain1=tttt[tttt[,7]>0.5,]**

**## prior probabilities**

**tdel=table(response[train])**

**tdel=tdel/sum(tdel)**

**tdel**

**## scheduled time**

**ts0=table(tttrain0[,1])**

**ts0=ts0/sum(ts0)**

**ts0**

**ts1=table(tttrain1[,1])**

**ts1=ts1/sum(ts1)**

**ts1**

**## scheduled carrier**

**tc0=table(tttrain0[,2])**

**tc0=tc0/sum(tc0)**

**tc0**

**tc1=table(tttrain1[,2])**

**tc1=tc1/sum(tc1)**

**tc1**

**## scheduled destination**

**td0=table(tttrain0[,3])**

**td0=td0/sum(td0)**

**td0**

**td1=table(tttrain1[,3])**

**td1=td1/sum(td1)**

**td1**

**## scheduled origin**

**to0=table(tttrain0[,4])**

**to0=to0/sum(to0)**

**to0**

**to1=table(tttrain1[,4])**

**to1=to1/sum(to1)**

**to1**

**## weather**

**tw0=table(tttrain0[,5])**

**tw0=tw0/sum(tw0)**

**tw0**

**tw1=table(tttrain1[,5])**

**tw1=tw1/sum(tw1)**

**tw1**

**## bandaid as no observation in a cell**

**tw0=tw1**

**tw0[1]=1**

**tw0[2]=0**

**## scheduled day of week**

**tdw0=table(tttrain0[,6])**

**tdw0=tdw0/sum(tdw0)**

**tdw0**

**tdw1=table(tttrain1[,6])**

**tdw1=tdw1/sum(tdw1)**

**tdw1**

**## creating test data set**

**tt=cbind(del$schedf[-train],del$carrier[-train],del$dest[-train],del$origin[-train],del$weather[-train],del$dayweek[-train],response[-train])**

**## creating predictions, stored in gg**

**p0=ts0[tt[,1]]\*tc0[tt[,2]]\*td0[tt[,3]]\*to0[tt[,4]]\*tw0[tt[,5]+1]\*tdw0[tt[,6]]**

**p1=ts1[tt[,1]]\*tc1[tt[,2]]\*td1[tt[,3]]\*to1[tt[,4]]\*tw1[tt[,5]+1]\*tdw1[tt[,6]]**

**gg=(p1\*tdel[2])/(p1\*tdel[2]+p0\*tdel[1])**

**hist(gg)**

**plot(response[-train]~gg)**

**## coding as 1 if probability 0.5 or larger**

**gg1=floor(gg+0.5)**

**ttt=table(response[-train],gg1)**

**ttt**

**error=(ttt[1,2]+ttt[2,1])/n2**

**error**

**## coding as 1 if probability 0.3 or larger**

**gg2=floor(gg+0.7)**

**ttt=table(response[-train],gg2)**

**ttt**

**error=(ttt[1,2]+ttt[2,1])/n2**

**error**

**## Here we calculate the lift (see Chapter 4)**

**## The output is not shown in the text**

**bb=cbind(gg,response[-train])**

**bb**

**bb1=bb[order(gg,decreasing=TRUE),]**

**bb1**

**## order cases in test set naccording to their success prob**

**## actual outcome shown next to it**

**## overall success (delay) prob in evaluation set**

**xbar=mean(response[-train])**

**xbar**

**## calculating the lift**

**## cumulative 1’s sorted by predicted values**

**## cumulative 1’s using the average success prob from training set**

**axis=dim(n2)**

**ax=dim(n2)**

**ay=dim(n2)**

**axis[1]=1**

**ax[1]=xbar**

**ay[1]=bb1[1,2]**

**for (i in 2:n2) {**

**axis[i]=i**

**ax[i]=xbar\*i**

**ay[i]=ay[i-1]+bb1[i,2]**

**}**

**aaa=cbind(bb1[,1],bb1[,2],ay,ax)**

**aaa[1:100,]**

**plot(axis,ay,xlab="number of cases",ylab="number of successes",main="Lift: Cum successes sorted by pred val/success prob")**

**points(axis,ax,type="l")**

**CHAPTER 11:** **MULTINOMIAL LOGISTIC REGRESSION**

**Example 1: Forensic Glass**

**## Program 1: Estimation on all 214 shards**

**## Forensic Glass**

**library(VGAM) ## VGAM to estimate multinomial logistic regression**

**library(textir) ## to standardize the features**

**library(MASS) ## a library of example datasets**

**data(fgl) ## loads the data into R; see help(fgl)**

**fgl**

**## standardization, using the normalize function in the library textir**

**covars <- normalize(fgl[,1:9],s=sdev(fgl[,1:9]))**

**sd(covars) ## convince yourself that features are standardized**

**dd=data.frame(cbind(type=fgl$type,covars))**

**gg <- vglm(type~** **Na+Mg+Al,multinomial,data=dd)**

**summary(gg)**

**predict(gg) ## obtain log-odds relative to last group**

**round(fitted(gg),2) ## probabilities**

**cbind(round(fitted(gg),2),fgl$type)**

**## boxplots of estimated probabilities against true group**

**dWinF=fgl$type=="WinF"**

**dWinNF=fgl$type=="WinNF"**

**dVeh=fgl$type=="Veh"**

**dCon=fgl$type=="Con"**

**dTable=fgl$type=="Tabl"**

**dHead=fgl$type=="Head"**

**yy1=c(fitted(gg)[dWinF,1],fitted(gg)[dWinNF,2],fitted(gg)[dVeh,3], fitted(gg)[dCon,4],fitted(gg)[dTable,5],fitted(gg)[dHead,6])**

**xx1=c(fgl$type[dWinF],fgl$type[dWinNF],fgl$type[dVeh],fgl$type[dCon],fgl$type[dTable],fgl$type[dHead])**

**boxplot(yy1~xx1,ylim=c(0,1),xlab="1=WinF,2=WinNF,3=Veh,4=Con,5=Table,6=Head")**

**## Program 2: Estimation on all 194 shards and predicting 20 new cases**

**## performance in predicting a single set of 20 new cases**

**library(VGAM)**

**library(textir)**

**library(MASS) ## a library of example datasets**

**data(fgl)     ## loads the data into R; see help(fgl)**

**fgl**

**covars <- normalize(fgl[,1:9],s=sdev(fgl[,1:9]))**

**dd=data.frame(cbind(type=fgl$type,covars))**

**n=length(fgl$type)**

**nt=n-20**

**set.seed(1)**

**train <- sample(1:n,nt)**

**## predict**

**gg <- vglm(type ~** **Na+Mg+Al,multinomial,data=dd[train,])**

**p1=predict(gg,newdata=dd[-train,])**

**p1=exp(p1)**

**## we calculate the probabilities from the predicted logits**

**sum=(1+p1[,1]+p1[,2]+p1[,3]+p1[,4]+p1[,5])**

**probWinF=round(p1[,1]/sum,2) ## WinF**

**probWinNF=round(p1[,2]/sum,2) ## WinNF**

**probVeh=round(p1[,3]/sum,2) ## Veh**

**probCon=round(p1[,4]/sum,2) ## Con**

**probTable=round(p1[,5]/sum,2) ## Table**

**probHead=round(1/sum,2) ## Head**

**ppp=data.frame(probWinF,probWinNF,probVeh,probCon,probTable,probHead,fgl$type[-train])**

**ppp**

**## Program 3: Estimation on all 194 shards and predicting 20 new cases; 100 reps**

**## performance from 100 replications predicting 20 new cases**

**library(VGAM)**

**library(textir)**

**library(MASS) ## a library of example datasets**

**data(fgl)     ## loads the data into R; see help(fgl)**

**fgl**

**covars <- normalize(fgl[,1:9],s=sdev(fgl[,1:9]))**

**dd=data.frame(cbind(type=fgl$type,covars))**

**## out-of-sample prediction**

**set.seed(1)**

**out=dim(20)**

**proportion=dim(100)**

**prob=matrix(nrow=20,ncol=6)**

**n=length(fgl$type)**

**nt=n-20**

**for (kkk in 1:100) {**

**train <- sample(1:n,nt)**

**## predict**

**gg <- vglm(type ~** **Na+Mg+Al,multinomial,data=dd[train,])**

**p1=predict(gg,newdata=dd[-train,])**

**p1=exp(p1)**

**## we calculate the probabilities from the predicted logits**

**sum=(1+p1[,1]+p1[,2]+p1[,3]+p1[,4]+p1[,5])**

**prob[,1]=p1[,1]/sum ## WinF**

**prob[,2]=p1[,2]/sum ## WinNF**

**prob[,3]=p1[,3]/sum ## Veh**

**prob[,4]=p1[,4]/sum ## Con**

**prob[,5]=p1[,5]/sum ## Table**

**prob[,6]=1/sum ## Head**

**for (k in 1:20) {**

**pp=prob[k,]**

**out[k]=max(pp)==pp[fgl$type[-train]][k]**

**}**

**proportion[kkk]=sum(out)/20**

**}**

**## proportion of correct classification**

**proportion**

**mean(proportion)**

**boxplot(ylim=c(0,1),ylab="percent correct classification",proportion)**

**Example 2: Forensic Glass Revisited**

**## Program 1: Cross-validation to determine the penalty in mnlm**

**library(textir)**

**set.seed(1)**

**library(MASS) ## a library of example datasets**

**data(fgl)     ## loads the data into R; see help(fgl)**

**covars <- normalize(fgl[,1:9],s=sdev(fgl[,1:9]))**

**n=length(fgl$type)**

**prop=dim(30)**

**pen=dim(30)**

**out=dim(n)**

**for (j in 1:30) {**

**pen[j]=0.1\*j**

**for (k in 1:n) {**

**train1=c(1:n)**

**train=train1[train1!=k]**

**glasslm <- mnlm(counts=fgl$type[train],penalty=pen[j],covars=covars[train,])**

**prob=predict(glasslm,covars[-train,])**

**prob=round(prob,3)**

**out[k]=max(prob)==prob[fgl$type[-train]]**

**}**

**prop[j]=sum(out)/n**

**}**

**## proportion of correct classifications using Laplace scale penalty**

**output=cbind(pen,prop)**

**round(output,3)**

**## Program 2: Detailed mnlm output for penalty = 1**

**library(textir)**

**library(MASS) ## a library of example datasets**

**data(fgl) ## loads the data into R; see help(fgl)**

**fgl$type**

**covars <- normalize(fgl[,1:9],s=sdev(fgl[,1:9]))**

**glasslm <- mnlm(counts=fgl$type,penalty=1.0,covars=covars)**

**glasslm$intercept**

**glasslm$loadings**

**round(as.matrix(glasslm$loadings)[,],2)**

**fitted(glasslm)**

**as.matrix(fitted(glasslm)[1,])**

**round(predict(glasslm,covars),2)**

**plot(glasslm)**

**## Program 3: Estimation on all 194 shards and predicting 20 new cases**

**## multinomial logistic regression with linear logits**

**library(textir)**

**library(MASS) ## a library of example datasets**

**data(fgl)     ## loads the data into R; see help(fgl)**

**covars <- normalize(fgl[,1:9],s=sdev(fgl[,1:9]))**

**sd(covars)**

**set.seed(1)**

**pp=dim(6)**

**out=dim(20)**

**proportion=dim(100)**

**n=length(fgl$type)**

**nt=n-20**

**for (kkk in 1:100) {**

**train <- sample(1:n,nt)**

**glasslm=mnlm(counts=fgl$type[train],penalty=1,covars=covars[train,])**

**prob=predict(glasslm,covars[-train,])**

**for (k in 1:20) {**

**pp=prob[k,]**

**out[k]=max(pp)==pp[fgl$type[-train]][k]**

**}**

**proportion[kkk]=sum(out)/20**

**}**

**proportion**

**mean(proportion)**

**boxplot(proportion)**

**## Program 4: Estimation on all 194 shards and predicting 20 new cases**

**## multinomial logistic regression with linear and cross-products**

**library(textir)**

**library(MASS) ## a library of example datasets**

**data(fgl)     ## loads the data into R; see help(fgl)**

**X <- model.matrix(~.+.^2, data=fgl[,1:9])[,-1]**

**X[1:3,] ## to see the contents**

**## -1 removes the intercept**

**dim(X) ## X has 45 columns**

**covars <- normalize(X,s=sdev(X))**

**sd(covars)**

**set.seed(1)**

**pp=dim(6)**

**out=dim(20)**

**proportion=dim(100)**

**n=length(fgl$type)**

**nt=n-20**

**for (kkk in 1:100) {**

**train <- sample(1:n,nt)**

**glasslm=mnlm(counts=fgl$type[train],penalty=1,covars=covars[train,])**

**prob=predict(glasslm,covars[-train,])**

**for (k in 1:20) {**

**pp=prob[k,]**

**out[k]=max(pp)==pp[fgl$type[-train]][k]**

**}**

**proportion[kkk]=sum(out)/20**

**}**

**proportion**

**mean(proportion)**

**boxplot(proportion)**

**Appendix: Specification of a Simple Triplet Matrix**

**## working with simple triplet matrices**

**i=c(1,2,3,4,5,6)**

**j=c(1,1,1,2,2,2)**

**v=c(5,5,5,6,6,6)**

**b=simple\_triplet\_matrix(i,j,v)**

**b**

**as.matrix(b)[,]**

**v=c(11,12,22,33,44,55)**

**b=simple\_triplet\_matrix(i,j,v)**

**as.matrix(b)[,]**

**i=c(1,2,3,4,5,6)**

**j=c(1,2,3,4,5,6)**

**v=c(5,5,5,6,6,6)**

**b=simple\_triplet\_matrix(i,j,v)**

**b**

**as.matrix(b)[,]**

**i=c(1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16)**

**j=c(1,1,2,3,3,4,4,4,4,5,5,6,6,6,6,6)**

**v=c(1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1)**

**b=simple\_triplet\_matrix(i,j,v)**

**b**

**as.matrix(b)[,]**

**CHAPTER 12: MORE ON CLASSIFICATION AND A DISCUSSION OF DISCRIMINANT ANALYSIS**

**Example 1: German Credit Data**

**#### \*\*\*\*\*\*\* German Credit Data \*\*\*\*\*\*\* ####**

**#### \*\*\*\*\*\*\* data on 1000 loans \*\*\*\*\*\*\* ####**

**library(MASS) ## includes lda and qda for discriminant analysis**

**set.seed(1)**

**## read data and create some 'interesting' variables**

**credit <- read.csv("C:/DataMining/Data/germancredit.csv")**

**credit**

**credit$Default <- factor(credit$Default)**

**## re-level the credit history and a few other variables**

**credit$history = factor(credit$history, levels=c("A30","A31","A32","A33","A34"))**

**levels(credit$history) = c("good","good","poor","poor","terrible")**

**credit$foreign <- factor(credit$foreign, levels=c("A201","A202"), labels=c("foreign","german"))**

**credit$rent <- factor(credit$housing=="A151")**

**credit$purpose <- factor(credit$purpose, levels=c("A40","A41","A42","A43","A44","A45","A46","A47","A48","A49","A410"))**

**levels(credit$purpose) <- c("newcar","usedcar",rep("goods/repair",4),"edu",NA,"edu","biz","biz")**

**## take the continuous variables duration, amount, installment, age**

**## with indicators the assumptions of a normal distribution would be**

**## tenuous at best; hence these variables are not considered here**

**cred1=credit[,c("Default","duration","amount","installment","age")]**

**cred1**

**summary(cred1)**

**hist(cred1$duration)**

**hist(cred1$amount)**

**hist(cred1$installment)**

**hist(cred1$age)**

**cred1$Default**

**cred1=data.frame(cred1)**

**## linear discriminant analysis**

**## class proportions of the training set used as prior probabilities**

**zlin=lda(Default~.,cred1)**

**predict(zlin,newdata=data.frame(duration=6,amount=1100,installment=4,age=67))**

**predict(zlin,newdata=data.frame(duration=6,amount=1100,installment=4,age=67))$class**

**zqua=qda(Default~.,cred1)**

**predict(zqua,newdata=data.frame(duration=6,amount=1100,installment=4,age=67))**

**predict(zqua,newdata=data.frame(duration=6,amount=1100,installment=4,age=67))$class**

**n=1000**

**neval=1**

**errlin=dim(n)**

**errqua=dim(n)**

**## leave one out evaluation**

**for (k in 1:n) {**

**train1=c(1:n)**

**train=train1[train1!=k]**

**## linear discriminant analysis**

**zlin=lda(Default~.,cred1[train,])**

**predict(zlin,cred1[-train,])$class**

**tablin=table(cred1$Default[-train],predict(zlin,cred1[-train,])$class)**

**errlin[k]=(neval-sum(diag(tablin)))/neval**

**## quadratic discriminant analysis**

**zqua=qda(Default~.,cred1[train,])**

**predict(zqua,cred1[-train,])$class**

**tablin=table(cred1$Default[-train],predict(zqua,cred1[-train,])$class)**

**errqua[k]=(neval-sum(diag(tablin)))/neval**

**}**

**merrlin=mean(errlin)**

**merrlin**

**merrqua=mean(errqua)**

**merrqua**

**Example 2: Fisher Iris Data**

**library(MASS) ## includes lda and qda for discriminant analysis**

**set.seed(1)**

**iris3**

**Iris=data.frame(rbind(iris3[,,1],iris3[,,2],iris3[,,3]),Sp=rep(c("s","c","v"),rep(50,3)))**

**Iris**

**## linear discriminant analysis**

**## equal prior probabilities as same number from each species zlin=lda(Sp~.,Iris,prior=c(1,1,1)/3)**

**predict(zlin,newdata=data.frame(Sepal.L.=5.1,Sepal.W.=3.5,Petal.L.=1.4, Petal.W.=0.2))**

**predict(zlin,newdata=data.frame(Sepal.L.=5.1,Sepal.W.=3.5,Petal.L.=1.4, Petal.W.=0.2))$class**

**## quadratic discriminant analysis**

**zqua=lda(Sp~.,Iris,prior=c(1,1,1)/3)**

**predict(zqua,newdata=data.frame(Sepal.L.=5.1,Sepal.W.=3.5,Petal.L.=1.4, Petal.W.=0.2))**

**predict(zqua,newdata=data.frame(Sepal.L.=5.1,Sepal.W.=3.5,Petal.L.=1.4, Petal.W.=0.2))$class**

**n=150**

**nt=100**

**neval=n-nt**

**rep=1000**

**errlin=dim(rep)**

**errqua=dim(rep)**

**for (k in 1:rep) {**

**train=sample(1:n,nt)**

**## linear discriminant analysis**

**m1=lda(Sp~.,Iris[train,],prior=c(1,1,1)/3)**

**predict(m1,Iris[-train,])$class**

**tablin=table(Iris$Sp[-train],predict(m1,Iris[-train,])$class)**

**errlin[k]=(neval-sum(diag(tablin)))/neval**

**## quadratic discriminant analysis**

**m2=qda(Sp~.,Iris[train,],prior=c(1,1,1)/3)**

**predict(m2,Iris[-train,])$class**

**tablin=table(Iris$Sp[-train],predict(m2,Iris[-train,])$class)**

**errqua[k]=(neval-sum(diag(tablin)))/neval**

**}**

**merrlin=mean(errlin)**

**merrlin**

**merrqua=mean(errqua)**

**merrqua**

**Example 3: Forensic Glass Data**

**library(MASS) ## includes lda and qda for discriminant analysis**

**set.seed(1)**

**data(fgl)**

**glass=data.frame(fgl)**

**glass**

**## linear discriminant analysis**

**m1=lda(type~.,glass)**

**m1**

**predict(m1,newdata=data.frame(RI=3.0,Na=13,Mg=4,Al=1,Si=70,K=0.06,Ca=9,Ba=0,Fe=0))**

**predict(m1,newdata=data.frame(RI=3.0,Na=13,Mg=4,Al=1,Si=70,K=0.06,Ca=9,Ba=0,Fe=0))$class**

**## quadratic discriminant analysis: Not enough data as each 9x9**

**## covariance matrix includes (9)(8)/2 = 45 unknown coefficients**

**n=length(fgl$type)**

**nt=200**

**neval=n-nt**

**rep=100**

**errlin=dim(rep)**

**for (k in 1:rep) {**

**train=sample(1:n,nt)**

**glass[train,]**

**## linear discriminant analysis**

**m1=lda(type~.,glass[train,])**

**predict(m1,glass[-train,])$class**

**tablin=table(glass$type[-train],predict(m1,glass[-train,])$class)**

**errlin[k]=(neval-sum(diag(tablin)))/neval**

**}**

**merrlin=mean(errlin)**

**merrlin**

**n=214**

**neval=1**

**errlin=dim(n)**

**errqua=dim(n)**

**for (k in 1:n) {**

**train1=c(1:n)**

**train=train1[train1!=k]**

**## linear discriminant analysis**

**m1=lda(type~.,glass[train,])**

**predict(m1,glass[-train,])$class**

**tablin=table(glass$type[-train],predict(m1,glass[-train,])$class)**

**errlin[k]=(neval-sum(diag(tablin)))/neval**

**}**

**merrlin=mean(errlin)**

**merrlin**

**Example 4: MBA Admission Data**

**library(MASS)**

**set.seed(1)**

**## reading the data**

**admit <- read.csv("C:/DataMining/Data/admission.csv")**

**adm=data.frame(admit)**

**adm**

**plot(adm$GPA,adm$GMAT,col=adm$De)**

**## linear discriminant analysis**

**m1=lda(De~.,adm)**

**m1**

**predict(m1,newdata=data.frame(GPA=3.21,GMAT=497))**

**## quadratic discriminant analysis**

**m2=qda(De~.,adm)**

**m2**

**predict(m2,newdata=data.frame(GPA=3.21,GMAT=497))**

**n=85**

**nt=60**

**neval=n-nt**

**rep=100**

**errlin=dim(rep)**

**for (k in 1:rep) {**

**train=sample(1:n,nt)**

**## linear discriminant analysis**

**m1=lda(De~.,adm[train,])**

**predict(m1,adm[-train,])$class**

**tablin=table(adm$De[-train],predict(m1,adm[-train,])$class)**

**errlin[k]=(neval-sum(diag(tablin)))/neval**

**}**

**merrlin=mean(errlin)**

**merrlin**

**CHAPTER 13: DECISION TREES**

**Example 1: Prostate Cancer**

**prostate <- read.csv("C:/DataMining/Data/prostate.csv")**

**prostate**

**library(tree)**

**## Construct the tree**

**pstree <- tree(lcavol ~., data=prostate, mindev=0.1, mincut=1)**

**pstree <- tree(lcavol ~., data=prostate, mincut=1)**

**pstree**

**plot(pstree, col=8)**

**text(pstree, digits=2)**

**pstcut <- prune.tree(pstree,k=1.7)**

**plot(pstcut)**

**pstcut**

**pstcut <- prune.tree(pstree,k=2.05)**

**plot(pstcut)**

**pstcut**

**pstcut <- prune.tree(pstree,k=3)**

**plot(pstcut)**

**pstcut**

**pstcut <- prune.tree(pstree)**

**pstcut**

**plot(pstcut)**

**pstcut <- prune.tree(pstree,best=3)**

**pstcut**

**plot(pstcut)**

**## Use cross-validation to prune the tree**

**set.seed(2)**

**cvpst <- cv.tree(pstree, K=10)**

**cvpst$size**

**cvpst$dev**

**plot(cvpst, pch=21, bg=8, type="p", cex=1.5, ylim=c(65,100))**

**pstcut <- prune.tree(pstree, best=3)**

**pstcut**

**plot(pstcut, col=8)**

**text(pstcut)**

**## Plot what we end up with**

**plot(prostate[,c("lcp","lpsa")],cex=0.2\*exp(prostate$lcavol))**

**abline(v=.261624, col=4, lwd=2)**

**lines(x=c(-2,.261624), y=c(2.30257,2.30257), col=4, lwd=2)**

**Example 2: Motorcycle Acceleration**

**library(MASS)**

**library(tree)**

**data(mcycle)**

**mcycle**

**plot(accel~times,data=mcycle)**

**mct <- tree(accel ~ times, data=mcycle)**

**mct**

**plot(mct, col=8)**

**text(mct, cex=.75) ## we use different font size to avoid print overlap**

**## scatter plot of data with overlay of fitted function**

**x=c(1:6000)**

**x=x/100**

**y1=seq(-4.357,-4.357,length.out=1510)**

**y2=seq(-39.120,-39.120,length.out=140)**

**y3=seq(-86.31,-86.31,length.out=300)**

**y4=seq(-114.7,-114.7,length.out=490)**

**y5=seq(-42.49,-42.49,length.out=300)**

**y6=seq(10.25,10.25,length.out=240)**

**y7=seq(40.72,40.72,length.out=520)**

**y8=seq(3.291,3.291,length.out=2500)**

**y=c(y1,y2,y3,y4,y5,y6,y7,y8)**

**plot(accel~times,data=mcycle)**

**lines(y~x)**

**Example 3: Fisher Iris Data Revisited**

**library(MASS)**

**library(tree)**

**## read in the iris data**

**iris**

**iristree <- tree(Species~.,data=iris)**

**iristree**

**plot(iristree)**

**plot(iristree,col=8)**

**text(iristree,digits=2)**

**summary(iristree)**

**irissnip=snip.tree(iristree,nodes=c(7,12))**

**irissnip**

**plot(irissnip)**

**text(irissnip)**

**CHAPTER 14: FURTHER DISCUSSION ON REGRESSION AND CLASSIFICATION TREES, COMPUTER SOFTWARE, AND OTHER USEFUL CLASSIFICATION METHODS**

**no programs**

**CHAPTER 15: CLUSTERING**

**Example 1: European Protein Consumption**

**### \*\*\* European Protein Consumption, in grams/person-day \*\*\* ###**

**## read in the data**

**food <- read.csv("C:/DataMining/Data/protein.csv")**

**food[1:3,]**

**## first, clustering on just Red and White meat (p=2) and k=3 clusters**

**set.seed(1) ## to fix the random starting clusters**

**grpMeat <- kmeans(food[,c("WhiteMeat","RedMeat")], centers=3, nstart=10)**

**grpMeat**

**## list of cluster assignments**

**o=order(grpMeat$cluster)**

**data.frame(food$Country[o],grpMeat$cluster[o])**

**## plotting cluster assignments on Red and White meat scatter plot**

**plot(food$Red, food$White, type="n", xlim=c(3,19), xlab="Red Meat", ylab="White Meat")**

**text(x=food$Red, y=food$White, labels=food$Country, col=grpMeat$cluster+1)**

**## same analysis, but now with clustering on all protein groups**

**## change the number of clusters to 7**

**set.seed(1)**

**grpProtein <- kmeans(food[,-1], centers=7, nstart=10)**

**o=order(grpProtein$cluster)**

**data.frame(food$Country[o],grpProtein$cluster[o])**

**plot(food$Red, food$White, type="n", xlim=c(3,19), xlab="Red Meat", ylab="White Meat")**

**text(x=food$Red, y=food$White, labels=food$Country, col=rainbow(7)[grpProtein$cluster])**

**Example 2: Monthly US Unemployment Rates**

**## read the data; series are stored column-wise with labels in first row**

**raw <- read.csv("C:/DataMining/Data/unempstates.csv")**

**raw[1:3,]**

**## time sequence plots of three series**

**plot(raw[,5],type="l",ylim=c(0,12),xlab="month",ylab="unemployment rate") ## CA**

**points(raw[,32],type="l", cex = .5, col = "dark red") ## New York**

**points(raw[,15],type="l", cex = .5, col = "dark green") ## Iowa**

**## transpose the data**

**## then we have 50 rows (states) and 416 columns (time periods)**

**rawt=matrix(nrow=50,ncol=416)**

**rawt=t(raw)**

**rawt[1:3,]**

**## k-means clustering in 416 dimensions**

**set.seed(1)**

**grpunemp2 <- kmeans(rawt, centers=2, nstart=10)**

**sort(grpunemp2$cluster)**

**grpunemp3 <- kmeans(rawt, centers=3, nstart=10)**

**sort(grpunemp3$cluster)**

**grpunemp4 <- kmeans(rawt, centers=4, nstart=10)**

**sort(grpunemp4$cluster)**

**grpunemp5 <- kmeans(rawt, centers=5, nstart=10)**

**sort(grpunemp5$cluster)**

**## another analysis**

**## data set unemp.csv with means and standard deviations for each state**

**## k-means clustering on 2 dimensions (mean, stddev)**

**unemp <- read.csv("C:/DataMining/Data/unemp.csv")**

**unemp[1:3,]**

**set.seed(1)**

**grpunemp <- kmeans(unemp[,c("mean","stddev")], centers=3, nstart=10)**

**## list of cluster assignments**

**o=order(grpunemp$cluster)**

**data.frame(unemp$state[o],grpunemp$cluster[o])**

**plot(unemp$mean,unemp$stddev,type="n",xlab="mean", ylab="stddev")**

**text(x=unemp$mean,y=unemp$stddev,labels=unemp$state, col=grpunemp$cluster+1)**

**Example 3: European Protein Consumption Revisited (Mixture Model)**

**library(mixtools)**

**## for a brief description of mvnormalmixEM**

**## mvnormalmixEM(x, lambda = NULL, mu = NULL, sigma = NULL, k = 2,**

**## arbmean = TRUE, arbvar = TRUE, epsilon = 1e-08,**

**## maxit = 10000, verb = FALSE)**

**## arbvar=FALSE same cov matrices**

**## arbvar=TRUE (default) different cov matrices**

**## arbmean=TRUE (default) different means**

**## k number of groups**

**food <- read.csv("C:/DataMining/Data/protein.csv")**

**## Consider just Red and White meat clusters**

**food[1:3,]**

**X=cbind(food[,2],food[,3])**

**X[1:3,]**

**set.seed(1)**

**## here we use an iterative procedure and the results in repeated runs may**

**## not be exactly the same**

**## set.seed(1) is used to obtain reproducible results**

**## mixtures of two normal distributions on the first 2 features**

**## we consider different variances**

**out2<-mvnormalmixEM(X,arbvar=TRUE,k=2,epsilon=1e-02)**

**out2**

**prob1=round(out2$posterior[,1],digits=3)**

**prob2=round(out2$posterior[,2],digits=3)**

**prob=round(out2$posterior[,1])**

**o=order(prob)**

**data.frame(food$Country[o],prob1[o],prob2[o],prob[o])**

**plot(food$Red, food$White, type="n",xlab="Red Meat", ylab="White Meat")**

**text(x=food$Red,y=food$White,labels=food$Country,col=prob+1)**

**## mixtures of two normal distributions on all 9 features**

**## we consider equal variances**

**X1=cbind(food[,2],food[,3],food[,4],food[,5],food[,6],food[,7], food[,8],food[,9],food[,10])**

**X1[1:3,]**

**set.seed(1)**

**out2all<-mvnormalmixEM(X1,arbvar=FALSE,k=2,epsilon=1e-02)**

**out2all**

**prob1=round(out2all$posterior[,1],digits=3)**

**prob2=round(out2all$posterior[,2],digits=3)**

**prob=round(out2all$posterior[,1])**

**data.frame(food$Country,prob1,prob2,prob)**

**o=order(prob)**

**data.frame(food$Country[o],prob[o])**

**R program to create Figure 15.1**

**library(cluster)**

**dis=matrix(nrow=5,ncol=5)**

**dis[1,1]=0**

**dis[2,2]=0**

**dis[3,3]=0**

**dis[4,4]=0**

**dis[5,5]=0**

**dis[2,1]=9**

**dis[3,1]=3**

**dis[4,1]=6**

**dis[5,1]=11**

**dis[3,2]=7**

**dis[4,2]=5**

**dis[5,2]=10**

**dis[4,3]=9**

**dis[5,3]=2**

**dis[5,4]=8**

**dis[1,2]=dis[2,1]**

**dis[1,3]=dis[3,1]**

**dis[1,4]=dis[4,1]**

**dis[1,5]=dis[5,1]**

**dis[2,3]=dis[3,2]**

**dis[2,4]=dis[4,2]**

**dis[2,5]=dis[5,2]**

**dis[3,4]=dis[4,3]**

**dis[3,5]=dis[5,3]**

**dis[4,5]=dis[5,4]**

**plot(agnes(x=dis,diss=TRUE,metric="eucledian",method="single"))**

**plot(agnes(x=dis,diss=TRUE,metric="eucledian",method="complete"))**

**Example 4: European Protein Consumption Revisited (Agglomerative Clustering)**

**library(cluster)**

**## Protein Data**

**food <- read.csv("C:/DataMining/Data/protein.csv")**

**food[1:3,]**

**## we use the program agnes in the package cluster**

**## argument diss=FALSE indicates that we use the dissimilarity**

**## matrix that is being calculated from raw data.**

**## argument metric="euclidian" indicates that we use Euclidian distance**

**## no standardization is used as the default**

**## the default is "average" linkage**

**## first we consider just Red and White meat clusters**

**food2=food[,c("WhiteMeat","RedMeat")]**

**food2agg=agnes(food2,diss=FALSE,metric="euclidian")**

**food2agg**

**plot(food2agg) ## dendrogram**

**food2agg$merge ## describes the sequential merge steps**

**## identical result obtained by first computing the distance matrix**

**food2aggv=agnes(daisy(food2),metric="euclidian")**

**plot(food2aggv)**

**## Using data on all nine variables (features)**

**## Euclidean distance and average linkage**

**foodagg=agnes(food,diss=FALSE,metric="euclidian")**

**plot(foodagg) ## dendrogram**

**foodagg$merge ## describes the sequential merge steps**

**## Using data on all nine variables (features)**

**## Euclidean distance and single linkage**

**foodaggsin=agnes(food,diss=FALSE,metric="euclidian",method="single")**

**plot(foodaggsin) ## dendrogram**

**foodaggsin$merge ## describes the sequential merge steps**

**## Euclidean distance and complete linkage**

**foodaggcomp=agnes(food,diss=FALSE,metric="euclidian",method="single")**

**plot(foodaggcomp) ## dendrogram**

**foodaggcomp$merge ## describes the sequential merge steps**

**Example 4: Monthly US Unemployment Rates (Agglomerative Clustering)**

**library(cluster)**

**## US unemployment data**

**library(cluster)**

**raw <- read.csv("C:/DataMining/Data/unempstates.csv")**

**raw[1:3,]**

**rawt=matrix(nrow=50,ncol=416)**

**rawt=t(raw)**

**rawt[1:3,]**

**## transpose so that we have 50 rows (states) and 416 columns**

**## (time periods)**

**## Agglomerative clustering unemployment 50 states ###**

**## dissimilarity matrix calculated from the raw data.**

**## Euclidian distance and default "average" linkage**

**outagg=agnes(rawt,diss=FALSE,metric="euclidian")**

**plot(outagg) ## dendrogram**

**outagg$merge ## describes the sequential merge steps**

**## we see about three clusters**

**## Cluster 1: AL, IL, OH, TN, KY, OR, WA, PA, IN, MO, WI, NC, NV, SC,**

**## AR, NM, ID, MT, TX, AZ, FL, GA, ME, NJ, NY, RI, CA**

**## Cluster 2: AK, LA, MS, WV, MI**

**## Cluster 3: CO, IA, MN, UT, KS, OK, WY, NE, SD, ND, CT, MA, DE, MD,**

**## VT, VA, NH, HI**

**Example 5: Monthly US Unemployment Rates Revisited**

**## agglomerative clustering on the correlation between the series**

**## 2 versions: levels and differences**

**library(cluster)**

**raw <- read.csv("C:/DataMining/Data/unempstates.csv")**

**raw[1:3,]**

**## Correlation on levels**

**corlevel=cor(data.frame(raw))**

**disslevel=1-corlevel**

**outcorlevel=agnes(disslevel,diss=TRUE,metric="euclidian",method="single")**

**plot(outcorlevel) ## dendrogram; single linkage**

**outcorlevel=agnes(disslevel,diss=TRUE,metric="euclidian",method="complete")**

**plot(outcorlevel) ## dendrogram; complete linkage**

**outcorlevel=agnes(disslevel,diss=TRUE,metric="euclidian")**

**plot(outcorlevel) ## dendrogram; average linkage**

**## Correlation on differences**

**X=matrix(nrow=415,ncol=50)**

**for (j in 1:50) {**

**for (i in 1:415) {**

**X[i,j]=raw[i+1,j]-raw[i,j]**

**}**

**}**

**colnames(X)=colnames(raw)**

**cordiff=cor(data.frame(X))**

**dissdiff=1-cordiff**

**outcordiff=agnes(dissdiff,diss=TRUE,metric="euclidian",method="single")**

**plot(outcordiff) ## dendrogram; single linkage**

**outcordiff=agnes(dissdiff,diss=TRUE,metric="euclidian",method="complete")**

**plot(outcordiff) ## dendrograml; complete linkage**

**outcordiff=agnes(dissdiff,diss=TRUE,metric="euclidian")**

**plot(outcordiff) ## dendrogram; average linkage**

**CHAPTER 16: MARKET BASKET ANALYSIS: ASSOCIATION RULES AND LIFT**

**Example 1: Online Radio**

**### \*\*\* Play counts \*\*\* ###**

**lastfm <- read.csv("C:/DataMining/Data/lastfm.csv")**

**lastfm[1:19,]**

**length(lastfm$user) ## 289,955 records in the file**

**lastfm$user <- factor(lastfm$user)**

**levels(lastfm$user) ## 15,000 users**

**levels(lastfm$artist) ## 1,004 artists**

**library(arules) ## a-rules package for association rules**

**## Computational environment for mining association rules and**

**## frequent item sets**

**## we need to manipulate the data a bit for arules**

**playlist <- split(x=lastfm[,"artist"],f=lastfm$user) ## split into a list of users**

**playlist <- lapply(playlist,unique) ## remove artist duplicates**

**playlist[1:2]**

**## the first two listeners (1 and 3) listen to the following bands**

**playlist <- as(playlist,"transactions")**

**## view this as a list of "transactions"**

**## transactions is a data class defined in arules**

**itemFrequency(playlist)**

**## lists the support of the 1,004 bands**

**## number of times band is listed to on the shopping trips of 15,000 users**

**## computes the rel freq each artist mentioned by the 15,000 users**

**itemFrequencyPlot(playlist,support=.08,cex.names=1.5)**

**## plots the item frequencies (only bands with > % support)**

**## Finally, we build the association rules**

**## only rules with support > 0.01 and confidence > .50**

**## so it can’t be a super rare band**

**musicrules <- apriori(playlist,parameter=list(support=.01,confidence=.5))**

**inspect(musicrules)**

**## let's filter by lift > 5.**

**## Among those associations with support > 0.01 and confidence > .50,**

**## only show those with lift > 5**

**inspect(subset(musicrules, subset=lift > 5))**

**## lastly, order by confidence to make it easier to understand**

**inspect(sort(subset(musicrules, subset=lift > 5), by="confidence"))**

**Example 2: Predicting Income**

**library(arules)**

**data(AdultUCI)**

**dim(AdultUCI)**

**AdultUCI[1:3,]**

**AdultUCI[["fnlwgt"]] <- NULL**

**AdultUCI[["education-num"]] <- NULL**

**AdultUCI[["age"]] <- ordered(cut(AdultUCI[["age"]], c(15, 25, 45, 65, 100)), labels = c("Young", "Middle-aged", "Senior", "Old"))**

**AdultUCI[["hours-per-week"]] <- ordered(cut(AdultUCI[["hours-per-week"]], c(0, 25, 40, 60, 168)), labels = c("Part-time", "Full-time", "Over-time", "Workaholic"))**

**AdultUCI[["capital-gain"]] <- ordered(cut(AdultUCI[["capital-gain"]], c(-Inf, 0, median(AdultUCI[["capital-gain"]][AdultUCI[["capital-gain"]] > 0]), Inf)), labels = c("None", "Low", "High"))**

**AdultUCI[["capital-loss"]] <- ordered(cut(AdultUCI[["capital-loss"]], c(-Inf, 0, median(AdultUCI[["capital-loss"]][AdultUCI[["capital-loss"]] > 0]), Inf)), labels = c("none", "low", "high"))**

**Adult <- as(AdultUCI, "transactions")**

**Adult**

**summary(Adult)**

**aa=as(Adult,"matrix") # transforms transaction matrix into incidence matrix**

**aa[1:2,] # print the first two rows of the incidence matrix**

**itemFrequencyPlot(Adult[, itemFrequency(Adult) > 0.2], cex.names = 1)**

**rules <- apriori(Adult, parameter = list(support = 0.01, confidence = 0.6))**

**rules**

**summary(rules)**

**rulesIncomeSmall <- subset(rules, subset = rhs %in% "income=small" & lift > 1.2)**

**inspect(sort(rulesIncomeSmall, by = "confidence")[1:3])**

**rulesIncomeLarge <- subset(rules, subset = rhs %in% "income=large" & lift > 1.2)**

**inspect(sort(rulesIncomeLarge, by = "confidence")[1:3])**

**CHAPTER 17: DIMENSION-REDUCTION: FACTOR MODELS AND PRINCIPAL COMPONENTS**

**Example 1: European Protein Consumption**

**food <- read.csv("C:/DataMining/Data/protein.csv")**

**food**

**## correlation matrix**

**cor(food[,-1])**

**pcafood <- prcomp(food[,-1], scale=TRUE)**

**## we strip the first column (country labels) from the data set**

**## scale = TRUE: variables are first standardized. Default is FALSE**

**pcafood**

**foodpc <- predict(pcafood)**

**foodpc**

**## how many principal components do we need?**

**plot(pcafood, main="")**

**mtext(side=1, "European Protein Principal Components", line=1, font=2)**

**## how do the PCs look?**

**par(mfrow=c(1,2))**

**plot(foodpc[,1:2], type="n", xlim=c(-4,5))**

**text(x=foodpc[,1], y=foodpc[,2], labels=food$Country)**

**plot(foodpc[,3:4], type="n", xlim=c(-3,3))**

**text(x=foodpc[,3], y=foodpc[,4], labels=food$Country)**

**pcafood$rotation[,2]**

**Example 2: Monthly US Unemployment Rates**

**library(cluster) ## needed for cluster analysis**

**states=c("AL","AK","AZ","AR","CA","CO","CT","DE","FL","GA","HI","ID","IL","IN","IA","KS","KY","LA","ME","MD","MA","MI","MN","MS","MO","MT","NE","NV","NH","NJ",**

**"NM","NY","NC","ND","OH","OK","OR","PA","RI","SC","SD","TN","TX","UT","VT",**

**"VA","WA","WV","WI","WY")**

**states**

**raw <- read.csv("C:/DataMining/Data/unempstates.csv")**

**raw[1:3,]**

**## transpose so that we have 50 rows (states) and 416 columns**

**rawt=matrix(nrow=50,ncol=416)**

**rawt=t(raw)**

**rawt[1:3,]**

**pcaunemp <- prcomp(rawt,scale=FALSE)**

**pcaunemp**

**plot(pcaunemp, main="")**

**mtext(side=1,"Unemployment: 50 states",line=1,font=2)**

**pcaunemp$rotation[,1]**

**pcaunemp$rotation[1:10,1] ## just the first 10 values**

**ave=dim(416)**

**for (j in 1:416) {**

**ave[j]=mean(rawt[,j])**

**}**

**par(mfrow=c(1,2))**

**plot(-pcaunemp$rotation[,1]) ## plot negative loadings for first principal comp**

**## plot monthly averages of unemployment rates**

**plot(ave,type="l",ylim=c(3,10),xlab="month",ylab="ave unemployment rate")**

**abs(cor(ave,pcaunemp$rotation[,1]))**

**pcaunemp$rotation[,2]**

**pcaunemp$rotation[,3]**

**## below we obtain the scores of the principal components**

**## the first 2-3 principal components do a good job**

**unemppc <- predict(pcaunemp)**

**unemppc**

**## below we construct a scatter plot of the first two princ components**

**## we assess whether an informal clustering on the first two principal components**

**## would have lead to a similar clustering than the clustering results of the**

**## k-means clustering approach applied on all 416 components**

**## the graph indicates that it does**

**set.seed(1)**

**grpunemp3 <- kmeans(rawt,centers=3,nstart=10)**

**par(mfrow=c(1,1))**

**plot(unemppc[,1:2],type="n")**

**text(x=unemppc[,1],y=unemppc[,2],labels=states,col=rainbow(7)[grpunemp3$cluster])**

**CHAPTER 18: REDUCING THE DIMENSION IN REGRESSIONS WITH MULTICOLLINEAR INPUTS: PRINCIPAL COMPONENTS REGRESSION AND PARTIAL LEAST SQUARES**

**Example 1: Generated Data**

**## PLS algorithm, following algorithm 3.3 in Hastie et al**

**## standardize X’s. PLS depends on scale**

**## we can’t have too many partial least squares directions (nc)**

**## otherwise problems**

**## here we simulate observations**

**set.seed(1)**

**nrow=400 ## row dimension of X**

**ncol=100 ## column dimension of X**

**nc=2 ## number of PLS directions**

**nc1=nc+1**

**Y1=dim(nrow)**

**X=matrix(nrow=nrow,ncol=ncol)**

**X1=matrix(nrow=nrow,ncol=ncol)**

**Y=matrix(nrow=nrow,ncol=nc1)**

**Z=matrix(nrow=nrow,ncol=nc)**

**F=matrix(nrow=nrow,ncol=ncol)**

**FN=matrix(nrow=nrow,ncol=ncol)**

**me=dim(ncol)**

**s=dim(ncol)**

**## enter data into matrix X1 and column Y1**

**## data simulation**

**for (jj in 1:ncol) {**

**X1[,jj]=rnorm(nrow)**

**}**

**Y1=rnorm(nrow)**

**Y1=2\*Y1+6**

**## standardization**

**for (j in 1:ncol) {**

**me[j]=mean(X1[,j])**

**s[j]=sd(X1[,j])**

**}**

**for (j in 1:ncol) {**

**for (i in 1:nrow) {**

**X[i,j]=(X1[i,j]-me[j])/s[j]**

**}**

**}**

**## Algorithm 3.3 starts**

**y=Y1**

**F=X**

**Y[,1]=mean(y)\*y/y**

**for (k in 1:nc) {**

**phi=t(F)%\*%y**

**Z[,k]=F%\*%phi**

**fra=(t(Z[,k])%\*%y)/(t(Z[,k])%\*%Z[,k])**

**Y[,k+1]=Y[,k]+fra\*Z[,k]**

**for (j in 1:ncol) {**

**fru=(t(Z[,k])%\*%F[,j])/(t(Z[,k])%\*%Z[,k])**

**FN[,j]=F[,j]-fru\*Z[,k]**

**}**

**F=FN**

**}**

**fp=Y[,nc+1]**

**## Algorithm 3.3 ends**

**cor(y,fp)\*\*2**

**ZZ=data.frame(Z[,1:nc])**

**m1=lm(y~.,data=ZZ)**

**cor(y,m1$fitted)\*\*2**

**XX=data.frame(X)**

**mall=lm(y~.,data=XX)**

**cor(y,mall$fitted)\*\*2**

**## even with few PLS directions, R\*\*2 of largest model is**

**## approached very quickly**

**## comparison with library(mixOmics)**

**library(mixOmics)**

**mpls=pls(X1,Y1,ncomp=2,mode="classic")**

**x1=mpls$variates$X[,1]**

**x2=mpls$variates$X[,2]**

**m3=lm(y~x1+x2)**

**cor(y,m3$fitted)\*\*2**

**fmpls=m3$fitted**

**## fmpls and fp (and m1$fitted are all the same)**

**Example 2: Predicting Next Month’s Unemployment Rate of a Certain State from Past Unemployment Rates of all 50 States**

**library(mixOmics)**

**nrow=412 ## row dimension of X**

**ncol=200 ## column dimension of X**

**nstates=50 ## number of states**

**X=matrix(nrow=nrow,ncol=ncol)**

**Y=matrix(nrow=nrow,ncol=nstates)**

**raw <- read.csv("C:/DataMining/Data/unempstates.csv")**

**raw[1:3,]**

**X=matrix(nrow=412,ncol=200)**

**Y=matrix(nrow=412,ncol=50)**

**for (j in 1:50) {**

**for (i in 1:412) {**

**Y[i,j]=raw[i+4,j]**

**}**

**}**

**for (j in 1:50) {**

**for (i in 1:412) {**

**X[i,j]=raw[i+3,j]**

**X[i,j+50]=raw[i+2,j]**

**X[i,j+100]=raw[i+1,j]**

**X[i,j+150]=raw[i,j]**

**}**

**}**

**nc=1 ## number of PLS directions**

**## pls on nc components**

**mpls=pls(X,Y[,1],ncomp=nc,mode="classic")**

**m1=lm(Y[,1]~.,data.frame(mpls$variates$X))**

**summary(m1)**

**cor(Y[,1],m1$fitted)\*\*2**

**nc=2 ## number of PLS directions**

**## pls on nc components**

**mpls=pls(X,Y[,1],ncomp=nc,mode="classic")**

**m2=lm(Y[,1]~.,data.frame(mpls$variates$X))**

**summary(m2)**

**cor(Y[,1],m2$fitted)\*\*2**

**nc=3 ## number of PLS directions**

**## pls on nc components**

**mpls=pls(X,Y[,1],ncomp=nc,mode="classic")**

**m3=lm(Y[,1]~.,data.frame(mpls$variates$X))**

**summary(m3)**

**cor(Y[,1],m3$fitted)\*\*2**

**## regression on all columns of X**

**mreg=lm(Y[,1]~.,data.frame(X))**

**mreg**

**cor(Y[,1],mreg$fitted)\*\*2**

**Example 3: Predicting Next Month’s Unemployment Rate. Comparing Several Methods in Terms of their Out-Of-Sample Prediction Performance**

**R Code for predicting levels**

**## the program will run for some time**

**library(mixOmics)**

**library(lars)**

**set.seed(1)**

**nrow=412 ## row dimension of X**

**ncol=200 ## column dimension of X**

**nstates=50 ## number of states**

**nc=10 ## number of PLS directions**

**X=matrix(nrow=nrow,ncol=ncol)**

**Y=matrix(nrow=nrow,ncol=nstates)**

**raw <- read.csv("C:/DataMining/Data/unempstates.csv")**

**raw[1:3,]**

**X=matrix(nrow=412,ncol=200)**

**Y=matrix(nrow=412,ncol=50)**

**for (j in 1:50) {**

**for (i in 1:412) {**

**Y[i,j]=raw[i+4,j]**

**}**

**}**

**for (j in 1:50) {**

**for (i in 1:412) {**

**X[i,j]=raw[i+3,j]**

**X[i,j+50]=raw[i+2,j]**

**X[i,j+100]=raw[i+1,j]**

**X[i,j+150]=raw[i,j]**

**}**

**}**

**KK=50**

**sSAR=dim(KK) ## univariate (single) AR(4)**

**sVARL25=dim(KK) ## VAR(4) under various Lasso constraints**

**sVARL50=dim(KK)**

**sVARL75=dim(KK)**

**sVARL100=dim(KK)**

**sPC10=dim(KK) ## regression on 10 principal components**

**sPC200=dim(KK) ## regression on 200 principal components**

**sPLS10=dim(KK) ## partial least squares with 10 PLS directions**

**sPLS100=dim(KK) ## partial least squares with 100 PLS directions**

**predmpc=dim(25)**

**## We select 25 periods as the evaluation (holdout) sample**

**## We repeat this KK = 50 times**

**## We calculate the root mean square forecast error**

**## from the 25 periods and the 50 states**

**for (jj in 1:KK) {**

**eval=sample(1:412,25)**

**## Forecasting from individual (univariate) AR(4) models:**

**s=0**

**for (i in 1:50) {**

**y=Y[-eval,i]**

**p1=X[-eval,i]**

**p2=X[-eval,i+50]**

**p3=X[-eval,i+100]**

**p4=X[-eval,i+150]**

**mSAR=lm(y~p1+p2+p3+p4)**

**pr1=X[eval,i]**

**pr2=X[eval,i+50]**

**pr3=X[eval,i+100]**

**pr4=X[eval,i+150]**

**new=data.frame(p1=pr1,p2=pr2,p3=pr3,p4=pr4)**

**predSAR=predict(mSAR,new)**

**s=s+sum((Y[eval,i]-predSAR)\*\*2)**

**}**

**sSAR[jj]=sqrt(s/(50\*25))**

**## Forecasting from VAR(4) models and various LASSO constraints**

**s1=0**

**s2=0**

**s3=0**

**s4=0**

**for (i in 1:50) {**

**lasso=lars(X[-eval,],Y[-eval,i])**

**predLASSO25=predict(lasso,X[eval,],s=.25,mode="fraction")**

**s1=s1+sum((Y[eval,i]-predLASSO25$fit)\*\*2)**

**predLASSO50=predict(lasso,X[eval,],s=0.50,mode="fraction")**

**s2=s2+sum((Y[eval,i]-predLASSO50$fit)\*\*2)**

**predLASSO75=predict(lasso,X[eval,],s=0.75,mode="fraction")**

**s3=s3+sum((Y[eval,i]-predLASSO75$fit)\*\*2)**

**predLASSO100=predict(lasso,X[eval,],s=1.00,mode="fraction")**

**s4=s4+sum((Y[eval,i]-predLASSO100$fit)\*\*2)**

**}**

**sVARL25[jj]=sqrt(s1/(50\*25))**

**sVARL50[jj]=sqrt(s2/(50\*25))**

**sVARL75[jj]=sqrt(s3/(50\*25))**

**sVARL100[jj]=sqrt(s4/(50\*25))**

**## Forecasting from regressions on first 10 principal components:**

**pcaX <- prcomp(X[-eval,])**

**pred=predict(pcaX,data.frame(X[-eval,]))**

**pred=data.frame(pred)**

**names(pred)=paste("p", 1:200, sep="")**

**pred1=predict(pcaX,data.frame(X[eval,]))**

**s=0**

**for (i in 1:50) {**

**mpc=lm(Y[-eval,i]~p1+p2+p3+p4+p5+p6+p7+p8+p9+p10,data.frame(pred))**

**g=mpc$coef**

**for (j in 1:25) {**

**h=pred1[j,1:10]**

**h1=c(1,h)**

**predmpc[j]=sum(h1\*g)**

**}**

**s=s+sum((Y[eval,i]-predmpc)\*\*2)**

**}**

**sPC10[jj]=sqrt(s/(50\*25))**

**## Forecasting from regressions on all 200 principal components**

**s=0**

**for (i in 1:50) {**

**mpc=lm(Y[-eval,i]~.,data.frame(pred))**

**g=mpc$coef**

**for (j in 1:25) {**

**h=pred1[j,]**

**h1=c(1,h)**

**predmpc[j]=sum(h1\*g)**

**}**

**s=s+sum((Y[eval,i]-predmpc)\*\*2)**

**}**

**sPC200[jj]=sqrt(s/(50\*25))**

**## Forecasting from regressions on first 10 PLS components:**

**s=0**

**for (i in 1:50) {**

**m1=pls(X[-eval,],Y[-eval,i],ncomp=10,mode="classic")**

**p1=m1$variates$X[,1]**

**p2=m1$variates$X[,2]**

**p3=m1$variates$X[,3]**

**p4=m1$variates$X[,4]**

**p5=m1$variates$X[,5]**

**p6=m1$variates$X[,6]**

**p7=m1$variates$X[,7]**

**p8=m1$variates$X[,8]**

**p9=m1$variates$X[,9]**

**p10=m1$variates$X[,10]**

**mpc=lm(Y[-eval,i]~p1+p2+p3+p4+p5+p6+p7+p8+p9+p10)**

**g=mpc$coef**

**pre1=predict(m1,X[eval,])**

**for (j in 1:25) {**

**h=pre1$variates[j,1:10]**

**h1=c(1,h)**

**predmpc[j]=sum(h1\*g)**

**}**

**s=s+sum((Y[eval,i]-predmpc)\*\*2)**

**}**

**sPLS10[jj]=sqrt(s/(50\*25))**

**## Forecasting from regressions on first 100 PLS components:**

**s=0**

**for (i in 1:50) {**

**m1=pls(X[-eval,],Y[-eval,i],ncomp=100,mode="classic")**

**ppp=data.frame(m1$variates$X)**

**mpc=lm(Y[-eval,i]~.,data=ppp)**

**g=mpc$coef**

**pre1=predict(m1,X[eval,])**

**for (j in 1:25) {**

**h=pre1$variates[j,1:100]**

**h1=c(1,h)**

**predmpc[j]=sum(h1\*g)**

**}**

**s=s+sum((Y[eval,i]-predmpc)\*\*2)**

**}**

**sPLS100[jj]=sqrt(s/(50\*25))**

**}**

**## Output**

**sSAR**

**sVARL25**

**sVARL50**

**sVARL75**

**sVARL100**

**sPC10**

**sPC200**

**sPLS10**

**sPLS100**

**mean(sSAR)**

**mean(sVARL25)**

**mean(sVARL50)**

**mean(sVARL75)**

**mean(sVARL100)**

**mean(sPC10)**

**mean(sPC200)**

**mean(sPLS10)**

**mean(sPLS100)**

**boxplot(sSAR,sVARL25,sVARL50,sVARL75,sVARL100,sPC10,sPC200,sPLS10,sPLS100,ylab="RMSE",xlab=" AR(4) VAR(4) VAR(4) VAR(4) VAR(4) PCA10 PCA200 PLS10 PLS100",sub=" AR(4) s=0.25 s=0.50 s=0.75 s=1.00 PCA10 PCA200 PLS10 PLS100")**

**R Code for predicting changes**

**## the program will run for some time**

**library(mixOmics)**

**library(lars)**

**set.seed(1)**

**nrow=412 ## row dimension of X**

**ncol=200 ## column dimension of X**

**nstates=50 ## number of states**

**nc=10 ## number of PLS directions**

**X=matrix(nrow=nrow,ncol=ncol)**

**Y=matrix(nrow=nrow,ncol=nstates)**

**raw <- read.csv("C:/DataMining/Data/unempstates.csv")**

**raw[1:3,]**

**X1=matrix(nrow=412,ncol=200)**

**Y1=matrix(nrow=412,ncol=50)**

**X=matrix(nrow=411,ncol=200)**

**Y=matrix(nrow=411,ncol=50)**

**## defining the data matrices**

**for (j in 1:50) {**

**for (i in 1:412) {**

**Y1[i,j]=raw[i+4,j]**

**}**

**}**

**for (j in 1:50) {**

**for (i in 1:412) {**

**X1[i,j]=raw[i+3,j]**

**X1[i,j+50]=raw[i+2,j]**

**X1[i,j+100]=raw[i+1,j]**

**X1[i,j+150]=raw[i,j]**

**}**

**}**

**## calculating differences**

**for (j in 1:200) {**

**for (i in 1:411) {**

**X[i,j]=X1[i+1,j]-X1[i,j]**

**}**

**}**

**for (j in 1:50) {**

**for (i in 1:411) {**

**Y[i,j]=Y1[i+1,j]-Y1[i,j]**

**}**

**}**

**KK=50**

**sSAR=dim(KK) ## univariate (single) AR(4)**

**sVARL25=dim(KK) ## VAR(4) under various Lasso constraints**

**sVARL50=dim(KK)**

**sVARL75=dim(KK)**

**sVARL100=dim(KK)**

**sPC10=dim(KK) ## regression on 10 principal components**

**sPC200=dim(KK) ## regression on 200 principal components**

**sPLS10=dim(KK) ## partial least squares with 10 PLS directions**

**sPLS100=dim(KK) ## partial least squares with 100 PLS directions**

**predmpc=dim(25)**

**## We select 25 periods as the evaluation (holdout) sample**

**## We repeat this KK = 50 times**

**## We calculate the root mean square forecast error**

**## from the 25 periods and the 50 states**

**for (jj in 1:KK) {**

**eval=sample(1:411,25)**

**## Forecasting from individual (univariate) AR(4) models:**

**s=0**

**for (i in 1:50) {**

**y=Y[-eval,i]**

**p1=X[-eval,i]**

**p2=X[-eval,i+50]**

**p3=X[-eval,i+100]**

**p4=X[-eval,i+150]**

**mSAR=lm(y~p1+p2+p3+p4)**

**pr1=X[eval,i]**

**pr2=X[eval,i+50]**

**pr3=X[eval,i+100]**

**pr4=X[eval,i+150]**

**new=data.frame(p1=pr1,p2=pr2,p3=pr3,p4=pr4)**

**predSAR=predict(mSAR,new)**

**s=s+sum((Y[eval,i]-predSAR)\*\*2)**

**}**

**sSAR[jj]=sqrt(s/(50\*25))**

**## Forecasting from VAR(4) models and various LASSO constraints**

**s1=0**

**s2=0**

**s3=0**

**s4=0**

**for (i in 1:50) {**

**lasso=lars(X[-eval,],Y[-eval,i])**

**predLASSO25=predict(lasso,X[eval,],s=.25,mode="fraction")**

**s1=s1+sum((Y[eval,i]-predLASSO25$fit)\*\*2)**

**predLASSO50=predict(lasso,X[eval,],s=0.50,mode="fraction")**

**s2=s2+sum((Y[eval,i]-predLASSO50$fit)\*\*2)**

**predLASSO75=predict(lasso,X[eval,],s=0.75,mode="fraction")**

**s3=s3+sum((Y[eval,i]-predLASSO75$fit)\*\*2)**

**predLASSO100=predict(lasso,X[eval,],s=1.00,mode="fraction")**

**s4=s4+sum((Y[eval,i]-predLASSO100$fit)\*\*2)**

**}**

**sVARL25[jj]=sqrt(s1/(50\*25))**

**sVARL50[jj]=sqrt(s2/(50\*25))**

**sVARL75[jj]=sqrt(s3/(50\*25))**

**sVARL100[jj]=sqrt(s4/(50\*25))**

**## Forecasting from regressions on first 10 principal components:**

**pcaX <- prcomp(X[-eval,])**

**pred=predict(pcaX,data.frame(X[-eval,]))**

**pred=data.frame(pred)**

**names(pred)=paste("p", 1:200, sep="")**

**pred1=predict(pcaX,data.frame(X[eval,]))**

**s=0**

**for (i in 1:50) {**

**mpc=lm(Y[-eval,i]~p1+p2+p3+p4+p5+p6+p7+p8+p9+p10,data.frame(pred))**

**g=mpc$coef**

**for (j in 1:25) {**

**h=pred1[j,1:10]**

**h1=c(1,h)**

**predmpc[j]=sum(h1\*g)**

**}**

**s=s+sum((Y[eval,i]-predmpc)\*\*2)**

**}**

**sPC10[jj]=sqrt(s/(50\*25))**

**## Forecasting from regressions on all 200 principal components**

**s=0**

**for (i in 1:50) {**

**mpc=lm(Y[-eval,i]~.,data.frame(pred))**

**g=mpc$coef**

**for (j in 1:25) {**

**h=pred1[j,]**

**h1=c(1,h)**

**predmpc[j]=sum(h1\*g)**

**}**

**s=s+sum((Y[eval,i]-predmpc)\*\*2)**

**}**

**sPC200[jj]=sqrt(s/(50\*25))**

**## Forecasting from regressions on first 10 PLS components:**

**s=0**

**for (i in 1:50) {**

**m1=pls(X[-eval,],Y[-eval,i],ncomp=10,mode="classic")**

**p1=m1$variates$X[,1]**

**p2=m1$variates$X[,2]**

**p3=m1$variates$X[,3]**

**p4=m1$variates$X[,4]**

**p5=m1$variates$X[,5]**

**p6=m1$variates$X[,6]**

**p7=m1$variates$X[,7]**

**p8=m1$variates$X[,8]**

**p9=m1$variates$X[,9]**

**p10=m1$variates$X[,10]**

**mpc=lm(Y[-eval,i]~p1+p2+p3+p4+p5+p6+p7+p8+p9+p10)**

**g=mpc$coef**

**pre1=predict(m1,X[eval,])**

**for (j in 1:25) {**

**h=pre1$variates[j,1:10]**

**h1=c(1,h)**

**predmpc[j]=sum(h1\*g)**

**}**

**s=s+sum((Y[eval,i]-predmpc)\*\*2)**

**}**

**sPLS10[jj]=sqrt(s/(50\*25))**

**## Forecasting from regressions on first 100 PLS components:**

**s=0**

**for (i in 1:50) {**

**m1=pls(X[-eval,],Y[-eval,i],ncomp=100,mode="classic")**

**ppp=data.frame(m1$variates$X)**

**mpc=lm(Y[-eval,i]~.,data=ppp)**

**g=mpc$coef**

**pre1=predict(m1,X[eval,])**

**for (j in 1:25) {**

**h=pre1$variates[j,1:100]**

**h1=c(1,h)**

**predmpc[j]=sum(h1\*g)**

**}**

**s=s+sum((Y[eval,i]-predmpc)\*\*2)**

**}**

**sPLS100[jj]=sqrt(s/(50\*25))**

**}**

**## Output**

**sSAR**

**sVARL25**

**sVARL50**

**sVARL75**

**sVARL100**

**sPC10**

**sPC200**

**sPLS10**

**sPLS100**

**mean(sSAR)**

**mean(sVARL25)**

**mean(sVARL50)**

**mean(sVARL75)**

**mean(sVARL100)**

**mean(sPC10)**

**mean(sPC200)**

**mean(sPLS10)**

**mean(sPLS100)**

**boxplot(sSAR,sVARL25,sVARL50,sVARL75,sVARL100,sPC10,sPC200,sPLS10,sPLS100,ylab="RMSE",xlab=" AR(4) VAR(4) VAR(4) VAR(4) VAR(4) PCA10 PCA200 PLS10 PLS100",sub=" AR(4) s=0.25 s=0.50 s=0.75 s=1.00 PCA10 PCA200 PLS10 PLS100")**

**CHAPTER 19: TEXT AS DATA: TEXT MINING AND SENTIMENT ANALYSIS**

**Example 1: Restaurant Reviews**

**library(textir)**

**data(we8there) ## 6166 reviews and 2640 bigrams**

**dim(we8thereCounts)**

**dimnames(we8thereCounts)**

**dim(we8thereRatings)**

**we8thereRatings[1:3,]**

**## ratings (restaurants ordered on overall rating from 5 to 1)**

**as.matrix(we8thereCounts)**

**as.matrix(we8thereCounts)[12,400] ## count for bigram 400 in review 12**

**## get to know what’s in the matrix**

**g1=min(as.matrix(we8thereCounts)[,]) ## min count over reviews/bigrams**

**g2=max(as.matrix(we8thereCounts)[,]) ## max count over reviews/bigrams**

**g1**

**g2**

**## a certain bigram was mentioned in a certain review 13 times**

**hh=as.matrix(we8thereCounts)[,1000]**

**hh**

**## here we look at the frequencies of the bigram in column 1000**

**## the data are extremely sparce**

**overall=as.matrix(we8thereRatings[,5])**

**## overall rating**

**## we determine frequencies of the 2640 different bigrams**

**## this will take some time**

**nn=2640**

**cowords=dim(nn)**

**for (i in 1:nn) {**

**cowords[i]=sum(as.matrix(we8thereCounts)[,i])**

**}**

**cowords**

**cowords[7]**

**plot(sort(cowords,decreasing=TRUE))**

**## analysis per review**

**## we determine the frequencies of bigrams per review**

**## this will take some time**

**nn=6166**

**coreview=dim(nn)**

**for (i in 1:nn) {**

**coreview[i]=sum(as.matrix(we8thereCounts)[i,])**

**}**

**plot(sort(coreview,decreasing=TRUE))**

**## Multinomial logistic regression and fitted reduction**

**we8mnlm=mnlm(we8thereCounts,overall,bins=5)**

**## bins: for faster inference if covariates are factors**

**## covariate is a factor with 5 levels**

**we8mnlm**

**we8mnlm$intercept ## estimates of alphas**

**we8mnlm$loadings ## estimates of betas**

**fitted(we8mnlm)**

**as.matrix(fitted(we8mnlm))[1,] ## fitted counts for first review**

**## following provides fitted multinomial probabilities**

**pred=predict(we8mnlm,overall,type="response")**

**pred[1,] ## predicted multinomial probs for review 1**

**sum(pred[1,]) ## must add to one**

**## following predicts inverse prediction (fitted reduction)**

**predinv=predict(we8mnlm,we8thereCounts,type="reduction")**

**predinv[1:10] ## prints predicted ratings for first 10 reviews**

**plot(predinv)**

**plot(predinv~overall)**

**corr(predinv,overall)**

**boxplot(predinv~overall)**

**## procedure works. Predicted ratings increase with actual ratings**

**## question of cutoff. Which cutoff to use for excellent review?**

**## ROC curve for classification of y with p**

**roc <- function(p,y){**

**y <- factor(y)**

**n <- length(p)**

**p <- as.vector(p)**

**Q <- p > matrix(rep(seq(0,1,length=500),n),ncol=500,byrow=TRUE)**

**fp <- colSums((y==levels(y)[1])\*Q)/sum(y==levels(y)[1])**

**tp <- colSums((y==levels(y)[2])\*Q)/sum(y==levels(y)[2])**

**plot(fp, tp, xlab="1-Specificity", ylab="Sensitivity")**

**abline(a=0,b=1,lty=2,col=8)**

**}**

**c2=overall==4**

**c3=overall==5**

**c=c2+c3**

**min=min(predinv)**

**max=max(predinv)**

**pp=(predinv-min)/(max-min)**

**## plot of ROC curve**

**roc(p=pp, y=c)**

**cut <- 0**

**truepos <- c==1 & predinv>=cut**

**trueneg <- c==0 & predinv<cut**

**# hit-rate / sensitivity (predict good review if review is good)**

**sum(truepos)/sum(c==1)**

**sum(trueneg)/sum(c==0)**

**## Zero may be a good cutoff.**

**## Sensitivity (true positive rate) of 0.89**

**## False positive rate of 1 – 0.81 = 0.19**

**## If inverse prediction > 0, conclude overall quality rating 4 or 5.**

**Example 2: Political Sentiment**

**library(textir)**

**data(congress109) ## 529 speakers 1000 trigrams**

**dimnames(congress109Counts)**

**as.matrix(congress109Counts)[1,] ## Chris Cannon’s counts**

**as.matrix(congress109Counts)[,1] ## "gifted.talented.student" counts**

**congress109Ideology**

**as.matrix(congress109Ideology)[,1]**

**repshare=as.matrix(congress109Ideology[,5])**

**repshare ## Republican vote share**

**## get to know what is in the matrix**

**g1=min(as.matrix(congress109Counts)[,])**

**g2=max(as.matrix(congress109Counts)[,])**

**g1**

**g2**

**## a certain trigram was mentioned by a certain speaker 631 times**

**hh=as.matrix(congress109Counts)[,1000]**

**hh**

**## here we look at the frequencies of bigram in column 1000**

**## Multinomial logistic regression and fitted reduction**

**congmnlm=mnlm(congress109Counts,repshare)**

**## this may take some time**

**congmnlm**

**congmnlm$intercept ## estimates of alphas**

**congmnlm$loadings ## estimates of betas**

**fitted(congmnlm)**

**as.matrix(fitted(congmnlm))[1,] ## fitted counts for first rep**

**maxf=max(as.matrix(fitted(congmnlm))[1,])**

**maxf**

**maxc=max(as.matrix(congress109Counts)[1,])**

**maxc**

**## following provides fitted multinomial probabilities**

**pred=predict(congmnlm,repshare,type="response")**

**pred[1,] ## predicted multinomial probs for first rep**

**## following predicts inverse prediction (fitted reduction)**

**predinv=predict(congmnlm,congress109Counts,type="reduction")**

**predinv[1:10] ## prints predicted ratings for first 10 reps**

**plot(predinv~repshare)**

**plot(repshare~predinv)**

**corr(predinv,repshare)**

**model1=lm(repshare~predinv)**

**model1**

**plot(repshare~predinv)**

**abline(model1)**

**Appendix: Relationship between the Gentzkow/Shapiro Estimate of “Slant” and Partial Least Squares**

**library(textir)**

**data(congress109) ## data form Gentzkow/Shapiro**

**## Gentzkow/Shapiro slant (unstandardized relative frequencies)**

**a=dim(529)**

**b=dim(529)**

**d=dim(1000)**

**hh=as.matrix(freq(congress109Counts))**

**x=congress109Ideology$repshare**

**for (j in 1:1000) {**

**m1=lm(hh[,j]~x)**

**a[j]=m1$coef[1]**

**b[j]=m1$coef[2]**

**}**

**for (i in 1:529) {**

**d[i]=sum((hh[i,]-a)\*b)**

**}**

**cor(d,x)\*\*2**

**## Gentzkow/Shapiro slant (standardized relative frequencies)**

**hh=as.matrix(freq(congress109Counts))**

**for (j in 1:1000) {**

**hh[,j]=(hh[,j]-mean(hh[,j]))/sd(hh[,j])**

**}**

**x=congress109Ideology$repshare**

**for (j in 1:1000) {**

**m1=lm(hh[,j]~x)**

**a[j]=m1$coef[1]**

**b[j]=m1$coef[2]**

**}**

**for (i in 1:529) {**

**d[i]=sum((hh[i,]-a)\*b)**

**}**

**cor(d,x)\*\*2**

**## Using PLS (textir) on first partial least squares direction**

**## scaling FALSE means unstandardized relative frequencies are used library(textir)**

**fit=pls(freq(congress109Counts),congress109Ideology$repshare,scale=FALSE,K=1)**

**cor(congress109Ideology$repshare,fit$fitted)\*\*2**

**## Using PLS (textir) on first partial least squares direction**

**## scaling TRUE means standardized relative frequencies**

**## mean zero and variance 1**

**library(textir)**

**fit=pls(freq(congress109Counts),congress109Ideology$repshare,scale=TRUE,K=1)**

**cor(congress109Ideology$repshare,fit$fitted)\*\*2**

**## Using PLS (mixOmics) on first partial least squares direction**

**## standardized relative frequencies (mean zero and variance 1)**

**library(mixOmics)**

**mpls=pls(freq(congress109Counts),congress109Ideology$repshare,ncomp=1,mode="classic",freqCut=0.000001,uniqueCut=0.000001)**

**x1=mpls$variates$X[,1]**

**m1=lm(congress109Ideology$repshare~x1)**

**fmpls=m1$fitted**

**cor(x,m1$fitted)\*\*2**

**CHAPTER 20: NETWORK DATA**

**library(igraph)**

**m=matrix(nrow=3,ncol=3)**

**m[1,1]=0**

**m[1,2]=1**

**m[1,3]=1**

**m[2,1]=1**

**m[2,2]=0**

**m[2,3]=0**

**m[3,1]=0**

**m[3,2]=1**

**m[3,3]=0**

**m**

**lab=c(1,2,3)**

**object <- graph.adjacency(m,mode="directed")**

**set.seed(1)**

**plot(object,vertex.label=lab)**

**Example 1: Marriage and Power in 15th Century Florence**

**library(igraph) ## load the package**

**## read the data**

**florence <- as.matrix(read.csv("C:/DataMining/Data/firenze.csv"))**

**florence**

**marriage <- graph.adjacency(florence,mode="undirected", diag=FALSE)**

**## use the help function to understand the options for the graph**

**set.seed(1)**

**plot(marriage,layout=layout.fruchterman.reingold,vertex.label=V(marriage)$name,vertex.color="red",vertex.label.color="black", vertex.frame.color=0,vertex.label.cex=1.5)**

**data.frame(V(marriage)$name,degree(marriage))**

**## calculate and plot the shortest paths**

**V(marriage)$color <- 8**

**E(marriage)$color <- 8**

**PtoA <- get.shortest.paths(marriage, from="Peruzzi", to="Acciaiuoli")**

**E(marriage, path=PtoA[[1]])$color <- "magenta"**

**V(marriage)[PtoA[[1]] ]$color <- "magenta"**

**GtoS <- get.shortest.paths(marriage, from="Ginori", to="Strozzi")**

**E(marriage, path=GtoS[[1]])$color <- "green"**

**V(marriage)[ GtoS[[1]] ]$color <- "green"**

**V(marriage)[ "Medici" ]$color <- "cyan"**

**set.seed(1)**

**plot(marriage, layout=layout.fruchterman.reingold, vertex.label=V(marriage)$name,vertex.label.color="black", vertex.frame.color=0, vertex.label.cex=1.5)**

**data.frame(V(marriage)$name, betweenness(marriage))**

**Example 2: Connections in a Friendship Network**

**library(statnet)**

**data(faux.mesa.high) ## load the network object**

**summary(faux.mesa.high) ## summarize the data set**

**lab=network.vertex.names(faux.mesa.high)=c(1:205)**

**## assigns numbers to nodes**

**grd=faux.mesa.high%v%"Grade"**

**sx=faux.mesa.high%v%"Sex"**

**race=faux.mesa.high%v%"Race" ## we don’t look at race in this example**

**vs=c(4,12)[match(sx,c("M","F"))]**

**## used for graph later on; boys by square (4 sides); girls by 12-sided**

**col=c(6,5,3,7,4,2) ## used for graph later on**

**as.sociomatrix(faux.mesa.high)## gives adjacency matrix**

**faux.mesa.high[1,]**

**faux.mesa.high[5,]**

**faux.mesa.high[,3]**

**m=faux.mesa.high[,] ## adjacency matrix**

**network.density(faux.mesa.high)**

**## density of network = NuEdges/[nodes\*(nodes-1)/2]**

**deg=degree(faux.mesa.high)/2**

**## degree of network nodes (number of connections)**

**## Statnet double-counts the connections in an undirected network**

**## Edge between nodes i and j in an undirected network is counted twice**

**## We divide by 2 in order to make the results consistent with our**

**## discussion in the text and the output from igraph (in Example 1)**

**deg**

**betw=betweenness(faux.mesa.high)/2**

**## betweenness of network**

**## Statnet double-counts the betweenness in an undirected network**

**## We divide by 2 in order to make the results consistent with our**

**## discussion in the text and the output from igraph**

**betw**

**plot(deg)**

**plot(betw)**

**hist(deg,breaks=**

**c(-0.5,0.5,1.5,2.5,3.5,4.5,5.5,6.5,7.5,8.5,9.5,10.5,11.5,12.5,13.5))**

**plot(deg,betw)**

**boxplot(deg~grd)**

**boxplot(deg~sx)**

**## faux.mesa.high is already a network object**

**## below we illustrate how to create an undirected network**

**## from the edge list**

**## first we obtain the edge list of a network object**

**attributes(faux.mesa.high)**

**vv=faux.mesa.high$mel**

**edge=matrix(nrow=203,ncol=2)**

**for (i in 1:203) {**

**vvv=vv[[203+i]]**

**edge[i,1]=vvv$inl**

**edge[i,2]=vvv$outl**

**}**

**edge**

**## edge contains the edge list**

**## in an undirected network, edge information is stored in the**

**## second half of faux.mesa.high$mel**

**faux1=network(edge,directed=FALSE,matrix.type="edgelist")**

**faux1**

**faux1[,]**

**deg=degree(faux1)/2**

**betw=betweenness(faux1)/2**

**plot(deg)**

**plot(betw)**

**plot(deg,betw)**

**## faux.mesa.high is already a network object**

**## below we illustrate how to create an undirected network**

**## from the adjacency matrix**

**## the adjacency matrix had been stored previously in m**

**faux2=network(m,directed=FALSE,matrix.type="adjacency")**

**faux2**

**faux2[,]**

**deg=degree(faux2)/2**

**betw=betweenness(faux2)/2**

**plot(deg)**

**plot(betw)**

**plot(deg,betw)**

**## visual display of the network**

**set.seed(654) ## to get reproducible graphs**

**plot(faux.mesa.high) ## generic graph without labels/covariates**

**set.seed(654) ## to get reproducible graphs**

**plot(faux.mesa.high,label=lab) ## generic graph with labels**

**set.seed(654) ## to get reproducible graphs**

**plot(faux.mesa.high,vertex.sides=vs,vertex.rot=45,vertex.cex=2,**

**vertex.col=col[grd-6],edge.lwd=2,cex.main=3,displayisolates=FALSE)**

**legend("bottomright",legend=7:12,fill=col,cex=0.75)**

**## 45 rotates square**

**## isolates are not displayed**

**## density of interaction among students from the**

**## same grade (ignoring gender)**

**m1=m[grd==7,grd==7]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[grd==8,grd==8]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[grd==9,grd==9]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[grd==10,grd==10]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[grd==11,grd==11]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[grd==12,grd==12]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**## density of interaction among students from a given grade**

**## with students from all grades (ignoring gender)**

**## matrix m1 shown below is not square; it has r rows and c columns**

**## the c columns include the r nodes that determine the rows of m1**

**## the number of possible edges in m1 are r(r-1) + r(c-r) = r(c-1)**

**m1=m[grd==7,]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[grd==8,]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[grd==9,]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[grd==10,]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[grd==11,]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[grd==12,]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**## density of interaction among students from the**

**## same gender group (ignoring grade)**

**m1=m[sx=="F",sx=="F"]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[sx=="M",sx=="M"]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**## density of interaction among students from a given gender**

**## group with students of either gender (ignoring grade)**

**m1=m[sx=="F",]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**m1=m[sx=="M",]**

**sum(m1)/(nrow(m1)\*(ncol(m1)-1))**

**## density of interaction among students from the**

**## same grade, for given gender**

**## female seventh graders**

**m1=m[sx=="F",sx=="F"]**

**grd1=grd[sx=="F"]**

**m2=m1[grd1==7,grd1==7]**

**sum(m2)/(nrow(m2)\*(ncol(m2)-1))**

**## male seventh graders**

**m1=m[sx=="M",sx=="M"]**

**grd1=grd[sx=="M"]**

**m2=m1[grd1==7,grd1==7]**

**sum(m2)/(nrow(m2)\*(ncol(m2)-1))**

**## female twelfth graders**

**m1=m[sx=="F",sx=="F"]**

**grd1=grd[sx=="F"]**

**m2=m1[grd1==12,grd1==12]**

**sum(m2)/(nrow(m2)\*(ncol(m2)-1))**

**## male twelfth graders**

**m1=m[sx=="M",sx=="M"]**

**grd1=grd[sx=="M"]**

**m2=m1[grd1==12,grd1==12]**

**sum(m2)/(nrow(m2)\*(ncol(m2)-1))**

**## density of interaction among students from a given grade**

**## with students from all grades, for given gender**

**## female seventh graders**

**m1=m[sx=="F",sx=="F"]**

**grd1=grd[sx=="F"]**

**m2=m1[grd1==7,]**

**sum(m2)/(nrow(m2)\*(ncol(m2)-1))**

**## male seventh graders**

**m1=m[sx=="M",sx=="M"]**

**grd1=grd[sx=="M"]**

**m2=m1[grd1==7,]**

**sum(m2)/(nrow(m2)\*(ncol(m2)-1))**

**## female twelfth graders**

**m1=m[sx=="F",sx=="F"]**

**grd1=grd[sx=="F"]**

**m2=m1[grd1==12,]**

**sum(m2)/(nrow(m2)\*(ncol(m2)-1))**

**## male twelfth graders**

**m1=m[sx=="M",sx=="M"]**

**grd1=grd[sx=="M"]**

**m2=m1[grd1==12,]**

**sum(m2)/(nrow(m2)\*(ncol(m2)-1))**

**## Plotting options. Not that easy. Will make pictures look differently**

**## Principles of Fruchterman/Reingold:**

**## Distribute vertices evenly in the frame**

**## Minimize the number of edge crossings**

**## Make edge lengths uniform**

**## Reflect inherent symmetry**

**## Conform to the frame**

**set.seed(654) ## to get reproducible graphs**

**plot(faux.mesa.high,mode="fruchtermanreingold",label=lab,vertex.sides=vs,vertex.rot=45,vertex.cex=2.5,vertex.col=col[grd-6],edge.lwd=2,cex.main=3,displayisolates=FALSE)**

**legend("bottomright",legend=7:12,fill=col,cex=0.75)**

**set.seed(654) ## to get reproducible graphs**

**plot(faux.mesa.high,mode="kamadakawai",label=lab,vertex.sides=vs,vertex.rot=45,vertex.cex=2.5,vertex.col=col[grd-6],edge.lwd=2,cex.main=3,displayisolates=FALSE)**

**legend("bottomright",legend=7:12,fill=col,cex=0.75)**

**set.seed(654) ## to get reproducible graphs**

**plot(faux.mesa.high,mode="circle",label=lab,vertex.sides=vs,vertex.rot=45,vertex.cex=2.5,vertex.col=col[grd-6],edge.lwd=2,cex.main=3,displayisolates=FALSE)**

**legend("bottomright",legend=7:12,fill=col,cex=0.75)**

**EXERCISES**

**Exercises 2 (Wolfgang Jank: Business Analystics for Managers. Springer, 2011)**

**hp <- read.csv("C:/DataMining/Data/HousePrices.csv")**

**hp[1:3,]**

**dm <- read.csv("C:/DataMining/Data/DirectMarketing.csv")**

**dm[1:3,]**

**gd <- read.csv("C:/DataMining/Data/GenderDiscrimination.csv")**

**gd[1:3,]**

**ld <- read.csv("C:/DataMining/Data/LoanData.csv")**

**ld[1:3,]**

**fi <- read.csv("C:/DataMining/Data/FinancialIndicators.csv")**

**fi[1:3,]**

**Exercises 3 (Graham Williams: Data Mining with Rattle and R. Springer, 2011)**

**weather <- read.csv("C:/DataMining/Data/weather.csv")**

**weather[1:3,]**

**weatherAUS <- read.csv("C:/DataMining/Data/weatherAUS.csv")**

**weatherAUS[1:3,]**

**audit <- read.csv("C:/DataMining/Data/audit.csv")**

**audit[1:3,]**

**Exercises 4 (1989/99 KDD Cup)**

**## read the data**

**cup98LRN <- read.csv("C:/DataMining/Data/cup98LRN.csv")**

**cup98LRN[1:3,]**

**## read the data**

**cup98VAL <- read.csv("C:/DataMining/Data/cup98VAL.csv")**

**cup98VAL[1:3,]**

**## read the data**

**cup98VALtargt <- read.csv("C:/DataMining/Data/cup98VALtargt.csv")**

**cup98VALtargt[1:3,]**

**Exercise 5:** **Byssinosis**

**## read the data**

**bys <- read.csv("C:/DataMining/Data/byssinosisWeights.csv")**

**bys**

**Exercise 6:** **Toxaemia**

**## read the data**

**tox <- read.csv("C:/DataMining/Data/toxaemiaWeights.csv")**

**tox**

**Exercises 7 (8 examples)**

**Example 1: Classification Tree for Identifying Soybean Disease**

**library(ares)**

**## needed to determine the proportion of missing observations**

**library(tree) ## classification trees**

**## reading the data**

**soybean15 <- read.csv("C:/DataMining/Data/soybean15.csv")**

**soybean15[1:3,]**

**## converting the attributes into factors (nominal scale)**

**## calculating the proportion of missing observations**

**miss=dim(36)**

**for (j in 1:36) {**

**soybean15[,j]=factor(soybean15[,j])**

**miss[j]=count.na(soybean15[,j])$na/length(soybean15[,j])**

**}**

**miss**

**## fifth attribute (presence/absence of hail) has 8.27% missing observations**

**## constructing the classification tree**

**soytree <- tree(disease ~., data = soybean15, mincut=1)**

**soytree**

**summary(soytree)**

**plot(soytree, col=8)**

**text(soytree, digits=2)**

**## cross-validation to prune the tree**

**set.seed(2)**

**cvsoy <- cv.tree(soytree, K=10)**

**cvsoy$size**

**cvsoy$dev**

**plot(cvsoy, pch=21, bg=8, type="p", cex=1.5, ylim=c(0,1400))**

**## shows that the tree has many terminal nodes**

**soycut <- prune.tree(soytree, best=17)**

**soycut**

**summary(soycut)**

**plot(soycut, col=8)**

**text(soycut)**

**plot(soycut, col=8)**

**## below we have omitted the text as it is difficult to read**

**## terminal node under 31 is the one on the far right of the graph**

**## first split: C15ac (to left) and C15b (to the right)**

**## second split: C1abcd (to left) and C1efg (to right)**

**## third split: C19a (to left) and C19b (to right)**

**## fourth split: C28a (to left) and C28bcd (to right)**

**Example 2: Classification Tree for Fitting Contact Lenses**

**library(tree)**

**## read the data**

**ContactLens <- read.csv("C:/DataMining/Data/ContactLens.csv")**

**levels(ContactLens[,1]) ## age**

**levels(ContactLens[,2]) ## spectacle presription**

**levels(ContactLens[,3]) ## astigmatism**

**levels(ContactLens[,4]) ## tear production rate**

**levels(ContactLens[,5]) ## contact lens**

**ContactLens**

**## constructing the classification tree that fits the data perfectly**

**cltree <- tree(ContactLens ~., data = ContactLens, mindev=0, minsize=1)**

**cltree**

**summary(cltree)**

**plot(cltree, col=8)**

**text(cltree, digits=2)**

**## pruning the tree to get a simpler tree**

**clcut <- prune.tree(cltree, best=3)**

**clcut**

**summary(clcut)**

**plot(clcut, col=8)**

**text(clcut)**

**Example 3: Determining the Credit Risk Using a Classification Tree**

**library(tree)**

**## first we read in the data**

**credit <- read.csv("C:/DataMining/Data/credit.csv")**

**credit**

**credit[,1]**

**credit[,2]**

**credit[,3]**

**credit[,4]**

**credit[,5]**

**## constructing the classification tree that fits the data perfectly**

**credittree <- tree(Risk ~., data = credit, mindev=0, minsize=1)**

**credittree**

**summary(credittree)**

**plot(credittree, col=8)**

**text(credittree, digits=2)**

**Example 4: Determining the Progression of Liver Disease Using a Classification Tree**

**library(tree)**

**## data set from Witten**

**## missing data**

**hepatitis <- read.csv("C:/DataMining/Data/hepatitis.csv")**

**hepatitis**

**## calculating YWD = (Age – YWOD)**

**hepatitis[,20]=hepatitis[,18]-hepatitis[,17]**

**colnames(hepatitis)[20]=** **"YWD"**

**hepatitis[1:3,]**

**## cleaning up the data set**

**hh=hepatitis[,c(-2:-4,-17)]**

**hh[1:3,]**

**## create factors for the categorical variables**

**for (j in 1:13) {**

**hh[,j]=factor(hh[,j])**

**}**

**hh[1:3,]**

**levels(hh[,6])**

**levels(hh[,8])**

**levels(hh[,13])**

**## constructing the classification tree**

**heptree <- tree(Bx ~., data = hh)**

**heptree**

**summary(heptree)**

**plot(heptree, col=8)**

**text(heptree, digits=2)**

**## cross-validation to prune the tree**

**set.seed(2)**

**cvhep <- cv.tree(heptree, K=10)**

**cvhep$size**

**cvhep$dev**

**plot(cvhep, pch=21, bg=8, type="p", cex=1.5, ylim=c(400,750))**

**hepcut <- prune.tree(heptree, best=6)**

**hepcut**

**summary(hepcut)**

**plot(hepcut, col=8)**

**text(hepcut)**

**Example 5: Predicting the Outcome of Labor Negotiations Using a Classification Tree**

**library(tree)**

**## read the data**

**labor <- read.csv("C:/DataMining/Data/labor.csv")**

**labor[1:3,]**

**## omit variables with lots of missing values**

**ll=labor[,c(-3:-5,-7:-11,-13:-16)]**

**ll[1:3,]**

**levels(ll[,4]) ## vacation benefits**

**levels(ll[,5]) ## response: overall contract quality**

**## constructing the classification tree**

**labortree <- tree(Class ~., data = ll)**

**labortree**

**summary(labortree)**

**plot(labortree, col=8)**

**text(labortree, digits=2)**

**p1=snip.tree(labortree,nodes=2)**

**p1**

**summary(p1)**

**plot(p1)**

**text(p1)**

**Example 6: Diabetes among Pima Indians**

**## read the data and create plots**

**PimaIndians <- read.csv("C:/DataMining/Data/PimaIndians.csv")**

**PimaIndians**

**plot(PimaIndians)**

**PI=data.frame(PimaIndians)**

**## logistic regression model**

**## mm1: model fitted to all data**

**mm1=glm(Class~.,family=binomial,data=PI)**

**mm1**

**summary(mm1)**

**## simplifying the model through backward elimination**

**RPI=PI[,-4] ## dropping triceps skin fold thickness**

**mm1=glm(Class~.,family=binomial,data=RPI)**

**mm1**

**summary(mm1)**

**RPI=RPI[,-7] ## dropping age**

**mm1=glm(Class~.,family=binomial,data=RPI)**

**mm1**

**summary(mm1)**

**RPI=RPI[,-4] ## dropping serum insulin**

**RPI[1:3,]**

**mm1=glm(Class~.,family=binomial,data=RPI)**

**mm1**

**summary(mm1)**

**## evaluation of the full model**

**## split the data set into a training (50%) and a test (evaluation) set (50%)**

**set.seed(1)**

**n=length(PI$Class)**

**n**

**n1=floor(n\*(0.5))**

**n1**

**n2=n-n1**

**n2**

**train=sample(1:n,n1)**

**PI1=data.frame(PI[train,])**

**PI2=data.frame(PI[-train,])**

**## mm2: model fitted on the training data set**

**mm2=glm(Class~.,family=binomial,data=PI1)**

**mm2**

**summary(mm2)**

**## create predictions for the test (evaluation) data set**

**gg=predict(mm2,newdata=PI2,type= "response")**

**gg**

**hist(gg)**

**plot(PI$Class[-train]~gg)**

**## coding as 1 if probability 0.5 or larger**

**gg1=floor(gg+0.5)**

**ttt=table(PI$Class[-train],gg1)**

**ttt**

**error=(ttt[1,2]+ttt[2,1])/n2**

**error**

**## evaluation of the simplified model**

**## mm2: model fitted on the training data set**

**mm2=glm(Class~NuPregnancy+Glucose+DiastolicBP+BodyMassIndex+DiabetesPedigree,family=binomial,data=PI1)**

**mm2**

**summary(mm2)**

**## create predictions for the test (evaluation) data set**

**gg=predict(mm2,newdata=PI2,type= "response")**

**gg**

**hist(gg)**

**plot(PI$Class[-train]~gg)**

**## coding as 1 if probability 0.5 or larger**

**gg1=floor(gg+0.5)**

**ttt=table(PI$Class[-train],gg1)**

**ttt**

**error=(ttt[1,2]+ttt[2,1])/n2**

**error**

**## read the data**

**PimaIndians <- read.csv("C:/DataMining/Data/PimaIndians.csv")**

**PimaIndians**

**## CART analysis**

**library(tree)**

**PimaIndians$Class=factor(PimaIndians$Class)**

**## constructing the classification tree**

**PItree <- tree(Class ~., data = PimaIndians,mindev=0.01)**

**PItree**

**summary(PItree)**

**plot(PItree, col=8)**

**text(PItree, digits=2)**

**## cross-validation to prune the tree**

**set.seed(2)**

**cvPI <- cv.tree(PItree, K=10)**

**cvPI$size**

**cvPI$dev**

**plot(cvPI, pch=21, bg=8, type="p", cex=1.5, ylim=c(700,1000))**

**PIcut <- prune.tree(PItree, best=7)**

**PIcut**

**summary(PIcut)**

**plot(PIcut, col=8)**

**text(PIcut)**

**P1=snip.tree(PIcut,nodes=c(2,7))**

**P1**

**summary(P1)**

**plot(P1)**

**text(P1)**

**Example 7: Predicting the CPU Performance with Regression and Regression Trees**

**## read the data and create a matrix plot**

**cpu <- read.csv("C:/DataMining/Data/cpu.csv")**

**cpu**

**xx=cpu[,c(-1,-9)]**

**xx[1:3,]**

**plot(xx)**

**## regression model**

**regfit=lm(PRP~.,data=xx)**

**regfit**

**summary(regfit)**

**## cross-validation (leave one out): regression model on all six regressors**

**n=length(cpu$PRP)**

**diff=dim(n)**

**percdiff=dim(n)**

**for (k in 1:n) {**

**train1=c(1:n)**

**train=train1[train1!=k]**

**m1=lm(PRP~.,data=xx[train,])**

**pred=predict(m1,newdat=xx[-train,])**

**obs=xx[-train,7]**

**diff[k]=obs-pred**

**percdiff[k]=abs(diff[k])/obs**

**}**

**me=mean(diff)**

**rmse=sqrt(mean(diff\*\*2))**

**mape=100\*(mean(percdiff))**

**me # mean error**

**rmse # root mean square error**

**mape # mean absolute percent error**

**library(tree)**

**## Construct the regression tree**

**cputree <- tree(PRP ~., data=xx, mindev=0.1, mincut=1)**

**cputree <- tree(PRP ~., data= xx, mincut=1)**

**cputree**

**summary(cputree)**

**plot(cputree, col=8)**

**text(cputree, digits=2)**

**## Use cross-validation to prune the regression tree**

**set.seed(2)**

**cvcpu <- cv.tree(cputree, K=10)**

**cvcpu$size**

**cvcpu$dev**

**plot(cvcpu, pch=21, bg=8, type="p", cex=1.5, ylim=c(0,6000000))**

**cpucut <- prune.tree(cputree, best=7)**

**cpucut**

**summary(cpucut)**

**plot(cpucut, col=8)**

**text(cpucut)**

**Example 8: Inferring the Cultivar of Wine Using Classification Trees, Discriminant Analysis and Multinomial Logistic Regression**

**## read the data and plots**

**wine <- read.csv("C:/DataMining/Data/wine.csv")**

**wine[1:3,]**

**plot(wine)**

**## CART**

**library(tree)**

**wine$Class=factor(wine$Class)**

**## constructing the classification tree**

**Winetree <- tree(Class ~., data = wine)**

**Winetree**

**summary(Winetree)**

**plot(Winetree, col=8)**

**text(Winetree, digits=2)**

**## cross-validation to prune the tree**

**set.seed(1)**

**cvWine <- cv.tree(Winetree, K=10)**

**cvWine$size**

**cvWine$dev**

**plot(cvWine, pch=21, bg=8, type="p", cex=1.5, ylim=c(100,400))**

**Winecut <- prune.tree(Winetree, best=4)**

**Winecut**

**summary(Winecut)**

**plot(Winecut, col=8)**

**text(Winecut)**

**## Clustering**

**## standardizing the attributes as units considerably different**

**wines=matrix(nrow=length(wine[,1]),ncol=length(wine[1,]))**

**for (j in 2:14) {**

**wines[,j]=(wine[,j]-mean(wine[,j]))/sd(wine[,j])**

**}**

**wines[,1]=wine[,1]**

**winesr=wines[,-1]**

**winesr[1:3,]**

**## kmeans clustering with 13 standardized attributes**

**grpwines <- kmeans(winesr, centers=3, nstart=20)**

**grpwines**

**grpwines$cluster ## displaying clustering results**

**wine$Class ## actual classes**

**## 6 mistakes made among 178 wines**

**## Discriminant analysis (linear/quadratic)**

**library(MASS)**

**## linear discriminant analysis using the standardized attributes**

**wines[1:3,]**

**ws=data.frame(wines)**

**ws[1:3,]**

**zlin=lda(X1~.,ws,prior=c(1,1,1)/3)**

**zlin**

**## quadratic discriminant analysis**

**zqua=qda(X1~.,ws,prior=c(1,1,1)/3)**

**zqua**

**n=dim(ws)[1]**

**errorlin=1-(sum(ws$X1==predict(zlin,ws)$class)/n)**

**errorlin**

**errorqua=1-(sum(ws$X1==predict(zqua,ws)$class)/n)**

**errorqua**

**neval=1**

**corlin=dim(n)**

**corqua=dim(n)**

**## leave one out evaluation**

**for (k in 1:n) {**

**train1=c(1:n)**

**train=train1[train1!=k]**

**## linear discriminant analysis**

**zlin=lda(X1~.,ws[train,],prior=c(1,1,1)/3)**

**corlin[k]=ws$X1[-train]==predict(zlin,ws[-train,])$class**

**## quadratic discriminant analysis**

**zqua=qda(X1~.,ws[train,],prior=c(1,1,1)/3)**

**corqua[k]=ws$X1[-train]==predict(zqua,ws[-train,])$class**

**}**

**merrlin=1-mean(corlin)**

**merrlin**

**merrqua=1-mean(corqua)**

**merrqua**

**## Multinomial logistic regression**

**## using VGAM**

**library(VGAM)**

**ws=data.frame(wines)**

**gg <- vglm(X1 ~** **.,multinomial,data=ws)**

**summary(gg)**

**predict(gg) ## log-odds relative to last group**

**round(fitted(gg),2) ## probabilities**

**cbind(round(fitted(gg),2),ws$X1)**

**## perfect classification**