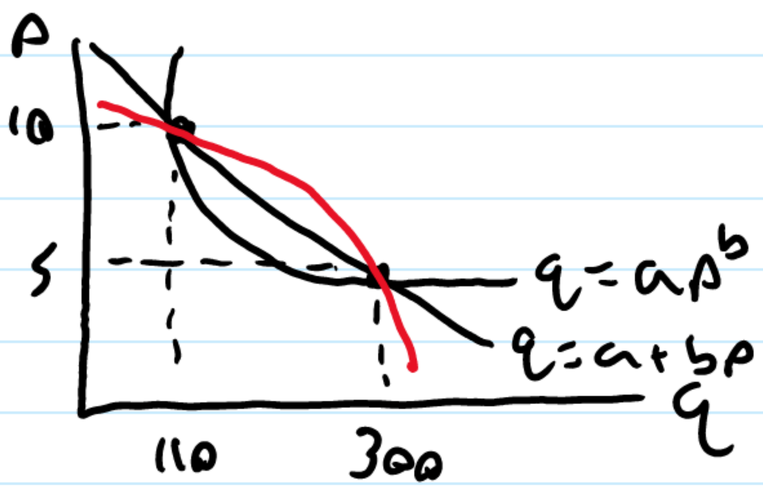
5.1 Estimating and

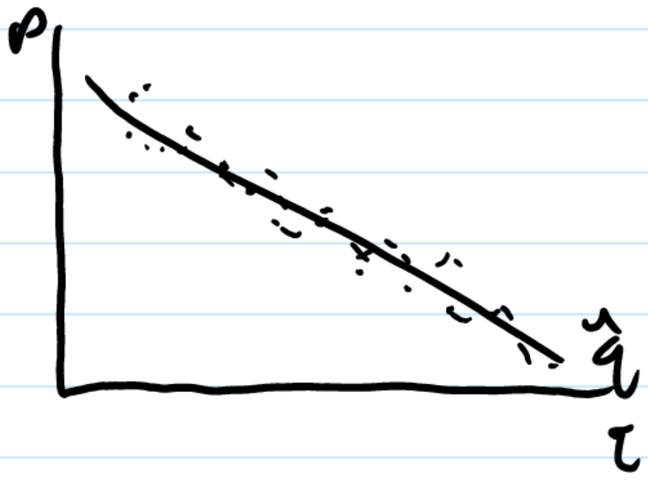
Tuesday, February 9, 2021 4:40 PM



→ b = elasticity

est demand → est $P^* = 15$

simple w/ 1 predictor, complex w/ many



Regression

$\sum_i (Y_i - \hat{Y}_i)^2 = SSR$ choose $\hat{B}_0, \hat{B}_1, \hat{B}_k$

Evaluating a Regression

1) To predict Y only

$RMSE = s_Y$

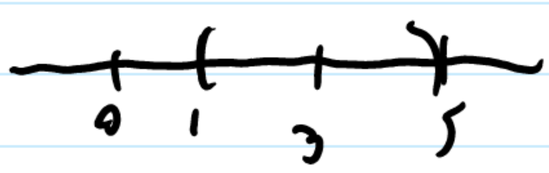
not s

$95\% = \hat{Y} \pm 2s$

$RMSE = \sqrt{SSR/(N-k-1)}$

Evaluating coefficients

$\hat{Y} = 1 + 3X$

B_0 B_1 $s_{\hat{B}_1} = .5$

95 CI $= \hat{B}_1 \pm 2s_{\hat{B}_1}$