

STAT 151A Lecture 24

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22 October 2025

Remark 0.1 (More on Inference for Linear Models)

NLM: $Y_{|\mathbf{X}} = \mathbf{X}\beta + \varepsilon, \varepsilon \sim \mathcal{N}(0, \sigma^2 \mathbb{I}_n)$

Big issue: What if ε is non-normal

What if $\text{Var}(\varepsilon_i|x_i) \neq \text{Var}(\varepsilon_j|x_j)$: Heteroskedasticity? If this happens, NLM inference can be very bad

Solutions:

- (1) Model/Adjust for Heteroskedasticity \rightarrow log transform (weighted least squares)
- (2) Bootstrap cases \rightarrow no assumptions on heteroskedasticity
- (3) Heteroskedastic Linear Model (HLM)

Method 0.2 (Heteroskedastic Linear Model)

$$Y_i = x_i^\top \beta + \varepsilon_i, \mathbb{E}(\varepsilon_i) = 0, \varepsilon_i \perp\!\!\!\perp \varepsilon_j, \text{Var}(\varepsilon_i) = \sigma_i^2$$

How can we get hypothesis tests and confidence intervals under the HLM? Key \rightarrow understand distribution of $\hat{\beta}$. We will need to let $m \rightarrow \infty$ and use CLT to do this

$$\hat{\beta} = (\mathbf{X}^\top \mathbf{X})^{-1} \mathbf{X}^\top \mathbf{Y}$$

$$\mathbb{E}(\hat{\beta}) \stackrel{HLM}{=} \beta$$

Steps:

- (1) $\text{Var}(\hat{\beta}) \rightarrow$ Define some quantities
$$B_n = \frac{1}{n} \sum x_i x_i^\top \in \mathbb{R}^{(p+1) \times (p+1)} = \frac{1}{n} \mathbf{X}^\top \mathbf{X}$$
$$M_n = \frac{1}{n} \sum \sigma_i^2 x_i x_i^\top$$
$$\text{Var}(\hat{\beta}) = \frac{1}{n} B_n^{-1} M_n B_n^{-1}$$
$$M_n \text{ depends on unknowns } \sigma_i^2. \text{ In practice estimate } \sigma_i^2 \text{ by } e_i^2 \text{ the residual of } y_i - x_i^\top \hat{\beta}$$
$$\widehat{\text{Var}}(\hat{\beta}) = \frac{1}{n} B_n^{-1} \hat{M}_n B_n^{-1}$$
$$\hat{M}_n = \frac{1}{n} \sum e_i^2 x_i x_i^\top \in \mathbb{R}^{(p+1) \times (p+1)} = \frac{1}{n} \mathbf{X}^\top \hat{\Omega} \mathbf{X}, \hat{\Omega} = \text{diag}(e_1^2, e_2^2, \dots, e_n^2)$$
- (2) Use CLT (generalized form) $\hat{\beta} \stackrel{n \rightarrow \infty}{\rightsquigarrow} \mathcal{N}(\beta, (\mathbf{X}^\top \mathbf{X})^{-1} \mathbf{X}^\top \hat{\Omega} \mathbf{X} (\mathbf{X}^\top \mathbf{X})^{-1})$

Remark 0.3 (Confidence Intervals Using HLM)

In Practice:

$$\text{HLM: } \hat{\beta}_j + z_{1-\alpha/2} \sqrt{\left[(\mathbf{X}^\top \mathbf{X})^{-1} \mathbf{X}^\top \hat{\Omega} \mathbf{X} (\mathbf{X}^\top \mathbf{X})^{-1} \right]_{jj}}$$

$$\text{NLM: } \hat{\beta}_j \pm t_{n-p-1, (1-\alpha/2)} \sqrt{\hat{\sigma}^2 [(\mathbf{X}^\top \mathbf{X})^{-1}]_{jj}}$$

Hypothesis tests are similar, instead of F -tests, you can get χ^2 -tests

R: sandwich package \rightarrow vcov H(c), calculates $\widehat{\text{Var}}(\hat{\beta})$

lmtest \rightarrow coeftest(), coefci()

Remark 0.4 (Regression Diagnostics)

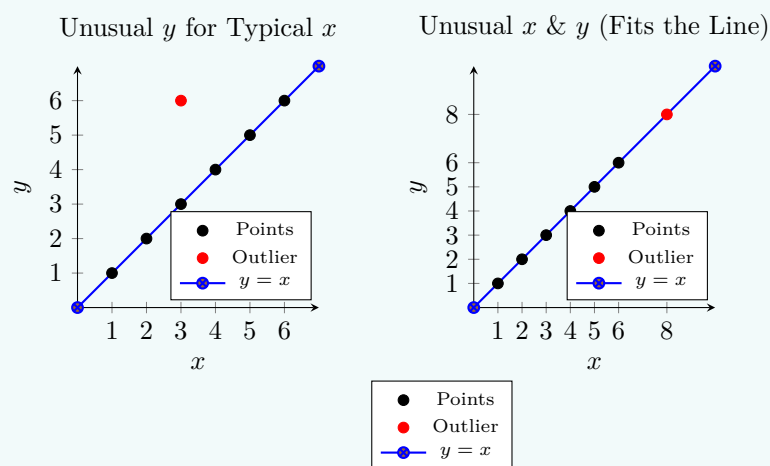
(1) look for individual points with outsize impact

- (a) Measurement error \rightarrow get rid of/fix
- (b) Technically correct but unduly influences the model
- (c) Indicate the presence of a ? but important group or subtle weakness in your model

How to detect/define “unusual” data points numerically?

Univariate data: another point is far away from all other points

Bivariate/Multivariate Data:



Unusual x & y (Not on Line)

