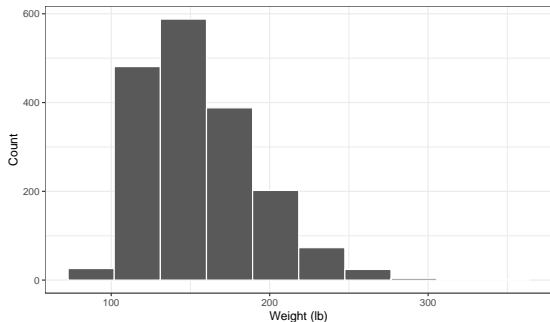


# Today's Agenda

Practice fitting, evaluating and making point estimates using multiple linear regression models (ch 6)

Justin Leinaweaver (Spring 2022)

# What is the most "useful" model of weight in the Ross (1990) dataset?



Source: Ross (1990)

## Predictors to Explore

- Height
- Exercise
- Age

## For Today

Evaluate our four models using Wheelan ch 12

- Model 1: Height
- Model 2: Height and Exercise
- Model 3: Height and Age
- Model 4: Height, Exercise and Age

## Common Regression Mistakes (Wheelan ch12)

- 1 Linear regression on nonlinear relationships
- 2 Correlation does not equal causation
- 3 Reverse causality
- 4 Omitted variable bias (too few variables)
- 5 Highly correlated explanatory variables (multicollinearity)
- 6 Extrapolating beyond the data
- 7 Data mining (too many variables)

## Common Regression Mistakes (Wheelan ch12)

- 1 Nonlinearity: Residuals Plots
- 2 Correlation does not equal causation
- 3 Reverse causality
- 4 Omitted variable bias (too few variables)
- 5 Multicollinearity: Correlation Matrix
- 6 Outside Data: Scatterplot
- 7 Data mining (too many variables)

# Common Regression Mistakes (Wheelan ch12)

## Check the Data

- 1 Nonlinearity: Residuals Plots
- 2 Multicollinearity: Correlation Matrix
- 3 Outside Data: Scatterplot

## Make an Argument

- 1 Correlation does not equal causation
- 2 Reverse causality
- 3 Omitted variable bias (too few variables)
- 4 Data mining (too many variables)

## For Today

Evaluate our four models using Wheelan ch 12

- Model 1: Height
- Model 2: Height and Exercise
- Model 3: Height and Age
- Model 4: Height, Exercise and Age

	Weight (lb)			
	(1)	(2)	(3)	(4)
height	4.95* (0.18)	5.21* (0.18)	5.15* (0.18)	5.29* (0.18)
exercise		-2.05* (0.30)		-1.40* (0.31)
age			0.33* (0.04)	0.27* (0.04)
Constant	-173.26* (11.91)	-184.54* (11.88)	-200.94* (12.14)	-203.76* (12.09)
Observations	1,788	1,788	1,788	1,788
Adjusted R <sup>2</sup>	0.30	0.32	0.33	0.33
Residual Std. Error	28.96 (df = 1786)	28.59 (df = 1785)	28.41 (df = 1785)	28.25 (df = 1784)
F Statistic	767.70* (df = 1; 1786)	417.44* (df = 2; 1785)	434.54* (df = 2; 1785)	299.65* (df = 3; 1784)

Note:

\*p < 0.05



# One approach to building a "best" multiple regression model

- 1 Choose the logical predictors
- 2 Fit a simple OLS regression to each predictor
- 3 Fit a multiple regression with the "best" of those
- 4 Evaluate the model using all five steps
- 5 Use the model to make predictions

# What is the "best" multiple regression model of earnings in the Ross (1990) dataset?

## Outcome

Yearly income in thousands of dollars (earnk2021)

## Predictors to Consider

Age, angry, education, ethnicity, exercise, father's education, height, male, mother's education, smoker, tense, walk and weight

# What is the "best" multiple regression model of earnings in the Ross (1990) dataset?

## Outcome

Yearly income in thousands of dollars (earnk2021)

## Predictors to Consider

**Age**, angry, **education**, ethnicity, **exercise**, father's education, **height**, male, **mother's education**, smoker, tense, walk and weight

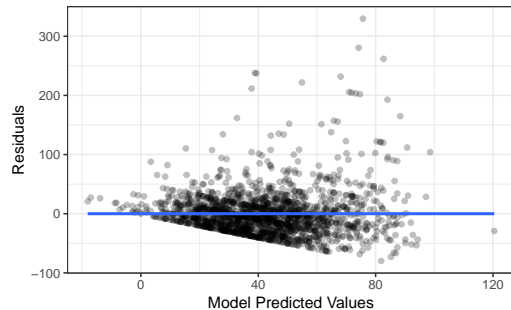
	Earnings (2021)				
	(1)	(2)	(3)	(4)	(5)
age	0.22* (0.06)				
education		5.57* (0.36)			
exercise			1.88* (0.42)		
height				3.08* (0.25)	
mother_education					6.21* (0.43)
Constant	33.17* (2.64)	-31.34* (4.89)	36.69* (1.62)	-162.54* (16.46)	-40.64* (5.87)
Observations	1,815	1,813	1,815	1,815	1,570
Adjusted R <sup>2</sup>	0.01	0.11	0.01	0.08	0.12
Residual Std. Error	41.81 (df = 1813)	39.50 (df = 1811)	41.75 (df = 1813)	40.28 (df = 1813)	40.45 (df = 1568)

Note:

\*p < 0.05

	Earnings (2021 USD)
Age	0.47* (0.05)
Education	5.42* (0.35)
Exercise	0.95* (0.41)
Height	2.84* (0.24)
Mother's Education	-241.27* (16.34)
Observations	1,813
Adjusted R <sup>2</sup>	0.21
Residual Std. Error	37.43 (df = 1808)
F Statistic	118.04* (df = 4; 1808)

Note: \*p < 0.05



	age	education	exercise
age	1	-0.15	-0.15
education	-0.15	1	0.18
exercise	-0.33	0.18	1
height	-0.14	0.11	0.11

	Earnings (2021)				
	(1)	(2)	(3)	(4)	(5)
Age	0.22* (0.06)				0.47* (0.05)
Education		5.57* (0.36)			5.42* (0.35)
Exercise			1.88* (0.42)		0.95* (0.41)
Height				3.08* (0.25)	2.84* (0.24)
Constant	33.17* (2.64)	−31.34* (4.89)	36.69* (1.62)	−162.54* (16.46)	−241.27* (16.34)
Observations	1,815	1,813	1,815	1,815	1,813
Adjusted R <sup>2</sup>	0.01	0.11	0.01	0.08	0.21
Residual Std. Error	41.81 (df = 1813)	39.50 (df = 1811)	41.75 (df = 1813)	40.28 (df = 1813)	37.43 (df = 1808)

Note:

\*p < 0.05

## For Tuesday - Make Predictions (w/ 95% PIs)

Establish a baseline prediction for a hypothetical person who is 25 (Age), Education 13, Exercise 1, Height 67

Then calculate the predicted income if:

- 1 Finish college? (16)
- 2 Finish grad school? (18)
- 3 Increase exercise to 1x / week? (4)
- 4 Increase exercise to 3x / week? (7)