Assignment 1

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1. (a) The linear regression model can be written as,

$$P = \beta_0 + \beta_1 C + \epsilon$$

where,

- P is the prime interest rate
- C is the core inflation rate
- β_0 is the intercept of the regression line
- β_1 is the slope of the regression line
- ϵ is the error term

Assumptions of the linear regression model are,

i. **Linearity:** The relationship between P and C is linear
ii. **Independence:** The error term ϵ is independent of C
iii. **Normality:** The error term ϵ is normally distributed
iv. **Homoscedasticity:** The error term ϵ has a constant variance across all levels of C

2. **Remark:** from ch2A.pdf slide 9 and 13,

- $\hat{\beta}_0 = \bar{y} - \hat{\beta}_1 \bar{x}$
- $\hat{\beta}_1 = \frac{S_{xy}}{S_{xx}}$
- $S_{xy} = \sum_{i=1}^{n}(x_i - \bar{x})(y_i - \bar{y})$
- $S_{xx} = \sum_{i=1}^{n}(x_i - \bar{x})^2$

Let e_i be the ith residual term. Then for each observation, we can see that the residual for each observation i is defined as:

$$e_i = y_i - \hat{y}_i$$

then we can say that the predicted value $\hat{y}_i$ is equivalent to

$$\hat{y}_i = \hat{\beta}_0 + \hat{\beta}_1 x_i$$

(a) $\sum_{i=1}^{n} e_i = 0$

Proof. LHS:

$$\sum_{i=1}^{n} e_i = \sum_{i=1}^{n} (y_i - \hat{y}_i)$$
$$= \sum_{i=1}^{n} (y_i - \hat{\beta}_0 - \hat{\beta}_1 x_i)$$
$$= \sum_{i=1}^{n} (y_i - \bar{y} + \hat{\beta}_1 \bar{x} - \hat{\beta}_1 x_i)$$
$$= \sum_{i=1}^{n} y_i - n\bar{y} + \hat{\beta}_1 n\bar{x} - \hat{\beta}_1 \sum_{i=1}^{n} x_i$$
$$= n\bar{y} - n\bar{y} + \hat{\beta}_1 n\bar{x} - \hat{\beta}_1 n\bar{x}$$
$$= 0$$

$$LHS = 0 = RHS$$

$\therefore$ It is true that the sum of residuals e_i is zero. $\qquad\square$

(b) $\sum_{i=1}^{n} x_i e_i = 0$

Proof. LHS:

$$\sum_{i=1}^{n} x_i e_i = \sum_{i=1}^{n} x_i(y_i - \hat{y}_i)$$

$$= \sum_{i=1}^{n} x_i(y_i - \hat{\beta}_0 - \hat{\beta}_1 x_i)$$

$$= \sum_{i=1}^{n} (x_i y_i - x_i(\bar{y} - \hat{\beta}_1 \bar{x}) - \hat{\beta}_1 x_i^2)$$

$$= \sum_{i=1}^{n} (x_i y_i - x_i \bar{y} + x_i \hat{\beta}_1 \bar{x} - \hat{\beta}_1 x_i^2)$$

$$= \sum_{i=1}^{n} (x_i(y_i - \bar{y}) + \hat{\beta}_1(\bar{x} x_i - x_i^2))$$

$$= \sum_{i=1}^{n} x_i y_i - \bar{y} \sum_{i=1}^{n} x_i - \hat{\beta}_1 \left(\sum_{i=1}^{n} x_i^2 - \bar{x} \sum_{i=1}^{n} x_i \right)$$

$$= \left(\sum_{i=1}^{n} x_i y_i - n\bar{x}\bar{y} \right) - \hat{\beta}_1 \left(\sum_{i=1}^{n} x_i^2 - n\bar{x}^2 \right)$$

$$= \left(\sum_{i=1}^{n} x_i y_i - n\bar{x}\bar{y} - n\bar{x}\bar{y} + n\bar{x}\bar{y} \right) - \hat{\beta}_1 \left(\sum_{i=1}^{n} x_i^2 - n\bar{x}\bar{x} - n\bar{x}\bar{x} + n\bar{x}\bar{x} \right)$$

$$= \left(\sum_{i=1}^{n} x_i y_i - n\bar{x}\bar{y} - n\bar{x}\bar{y} + n\bar{x}\bar{y} \right) - \hat{\beta}_1 \left(\sum_{i=1}^{n} x_i^2 - 2n\bar{x}\bar{x} + n\bar{x}\bar{x} \right)$$

$$= \left(\sum_{i=1}^{n} x_i y_i - \bar{y} \sum_{i=1}^{n} x_i - \bar{x} \sum_{i=1}^{n} y_i + n\bar{x}\bar{y} \right) - \hat{\beta}_1 \left(\sum_{i=1}^{n} x_i^2 - 2\bar{x} \sum_{i=1}^{n} x_i + n\bar{x}^2 \right)$$

$$= \sum_{i=1}^{n} (x_i y_i - \bar{y} x_i - \bar{x} y_i + \bar{x}\bar{y}) - \hat{\beta}_1 \sum_{i=1}^{n} (x_i^2 - 2\bar{x} x_i + \bar{x}^2)$$

$$= \sum_{i=1}^{n} (x_i(y_i - \bar{y}) + \bar{x}(y_i - \bar{y})) - \hat{\beta}_1 \sum_{i=1}^{n} (x_i - \bar{x})^2$$

$$= \sum_{i=1}^{n} (x_i + \bar{x})(y_i - \bar{y}) - \hat{\beta}_1 \sum_{i=1}^{n} (x_i - \bar{x})^2$$

$$= S_{xy} - \hat{\beta}_1 S_{xx}$$

$$= S_{xy} - \frac{S_{xy}}{S_{xx}} S_{xx}$$

$$= S_{xy} - S_{xy}$$

$$= 0$$

$$LHS = 0 = RHS$$

$$\square$$

$\therefore$ It is true that the independent variables x_i is completly uncorrelated to the residuals e_i.

(c) $\sum_{i=1}^{n} \hat{y}_i e_i = 0$

Proof. LHS:

$$\sum_{i=1}^{n} \hat{y}_i e_i = \sum_{i=1}^{n} \hat{y}_i (y_i - \hat{y}_i)$$

$$= \sum_{i=1}^{n} (y_i \hat{y}_i - \hat{y}_i{}^2)$$

$$= \sum_{i=1}^{n} (y_i(\hat{\beta}_0 + \hat{\beta}_1 x_i) - (\hat{\beta}_0 + \hat{\beta}_1 x_i)^2)$$

$$= \sum_{i=1}^{n} (y_i(\bar{y} - \hat{\beta}_1 \bar{x} + \hat{\beta}_1 x_i) - (\bar{y} - \hat{\beta}_1 \bar{x} + \hat{\beta}_1 x_i)^2)$$

$$= \sum_{i=1}^{n} (y_i \bar{y} - y_i \hat{\beta}_1 \bar{x} + y_i \hat{\beta}_1 x_i$$

$$- (\bar{y}^2 - 2\hat{\beta}_1 \bar{y}\bar{x} + \hat{\beta}_1{}^2 \bar{x}^2 + 2\hat{\beta}_1 \bar{y}x_i - 2\hat{\beta}_1{}^2 \bar{x}x_i + \hat{\beta}_1{}^2 x_i^2))$$

$$= (\sum_{i=1}^{n} y_i \bar{y} - \sum_{i=1}^{n} y_i \hat{\beta}_1 \bar{x} + \sum_{i=1}^{n} y_i \hat{\beta}_1 x_i$$

$$- \sum_{i=1}^{n} (\bar{y}^2 - 2\hat{\beta}_1 \bar{y}\bar{x} + \hat{\beta}_1{}^2 \bar{x}^2 + 2\hat{\beta}_1 \bar{y}x_i - 2\hat{\beta}_1{}^2 \bar{x}x_i + \hat{\beta}_1{}^2 x_i^2))$$

$$= (n\bar{y}^2 - \hat{\beta}_1 \bar{y}\bar{x} + \hat{\beta}_1 \bar{y}\hat{\beta}_1 x_i$$

$$- (\sum_{i=1}^{n} \bar{y}^2 - \sum_{i=1}^{n} 2\hat{\beta}_1 \bar{y}\bar{x} + \sum_{i=1}^{n} \hat{\beta}_1{}^2 \bar{x}^2 + \sum_{i=1}^{n} 2\hat{\beta}_1 \bar{y}x_i - \sum_{i=1}^{n} 2\hat{\beta}_1{}^2 \bar{x}x_i + \sum_{i=1}^{n} \hat{\beta}_1{}^2 x_i^2))$$

$$= (n\bar{y}^2 - (n\bar{y}^2 - 2\hat{\beta}_1 n\bar{y}\bar{x} + \hat{\beta}_1{}^2 n\bar{x}^2 + 2\hat{\beta}_1 n\bar{y}\bar{x} - 2\hat{\beta}_1{}^2 n\bar{x}\bar{x} + \hat{\beta}_1{}^2 \sum_{i=1}^{n} x_i^2))$$

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proof continued.

$$\sum_{i=1}^{n} \hat{y}_i e_i = (n\bar{y}^2 - (n\bar{y}^2 - \hat{\beta}_1^{\,2}n\bar{x}^2 + \hat{\beta}_1^{\,2}n\bar{x}^2))$$

$$= (n\bar{y}^2 - n\bar{y}^2)$$

$$= 0$$

$$LHS = 0 = RHS$$

$\square$

$\therefore$ It is true that the predicted values $\hat{y}_i$ is completely orthogonal to the residuals e_i.

3. (a) It is given that:

- $\hat{\beta}_1 = \frac{S_{xx}}{S_{xy}}$
- $S_{xy} = \sum_{i=1}^{n}(x_i - \bar{x})(y_i - \bar{y})$
- $S_{xx} = \sum_{i=1}^{n}(x_i - \bar{x})^2$
- $y_i = \hat{\beta}_0 + \hat{\beta}_1 x_i + \epsilon_i$
- $\bar{y} = \beta_0 + \beta_1 \bar{x}$

We want to show that

$$\hat{\beta}_1 \sim N(\beta_1, \frac{\sigma^2}{S_{xx}})$$

Where β_1 is the mean of the distribution and $\frac{\sigma^2}{S_{xx}}$ is the variance.

Proof. Let $k_i = \frac{x_i - \bar{x}}{S_{xx}}$ then we have

$$\hat{\beta}_1 = \sum k_i(y_i - \bar{y})$$

$$E[\hat{\beta}_1] = E\left[\sum k_i(y_i - \bar{y})\right]$$

$$= \sum k_i E[(y_i - \bar{y})]$$

$$= \sum k_i E[(\hat{\beta}_0 + \hat{\beta}_1 x_i + \epsilon_i - \beta_0 - \beta_1 \bar{x})]$$

$$= \sum k_i (E[\hat{\beta}_0] + E[\hat{\beta}_1 x_i] + E[\epsilon_i] - E[\beta_0] - E[\beta_1 \bar{x}])$$

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$$= \sum k_i(0 + \beta_1 x_i + 0 - 0 - \beta_1 \bar{x})$$

$$= \sum k_i(\beta_1 x_i - \beta_1 \bar{x})$$

$$= \beta_1 \sum k_i(x_i - \bar{x})$$

$$= \beta_1 \sum \frac{x_i - \bar{x}}{S_{xx}}(x_i - \bar{x})$$

$$= \beta_1 \sum \frac{(x_i - \bar{x})^2}{(x_i - \bar{x})^2}$$

$$= \beta_1$$

$$\therefore E[\hat{\beta}_1] = \beta_1 \qquad \qquad \square$$

Using k_i from earlier, we can proof that $Var[\hat{\beta}_1] = \frac{\sigma^2}{S_{xx}}$

$$Var[\hat{\beta}_1] = Var[\sum k_i(y_i - \bar{y})]$$

$$Var[\hat{\beta}_1] = \sum Var[k_i(y_i - \bar{y})]$$

$$Var[\hat{\beta}_1] = \sum k_i^2 Var[(y_i - \bar{y})]$$

4. Given the model:
$$y_i = \beta_1 + \beta_2 i + \epsilon_i$$

(a) Let us derive the least-squares estimators for β_1 and β_2.

$$S(\beta_1, \beta_2) = \sum(y_i - \beta_1 x_i - \beta_2 i)^2$$

$$\frac{\delta S}{\delta \beta_1} = -2 \sum(y_i - \beta_1 x_i - \beta_2 i)x_i = 0$$

$$= -2 \sum(y_i x_i - \beta_1 x_i^2 - \beta_2 i x_i) = 0$$

$$\sum y_i x_i = \beta_1 \sum x_i^2 + \beta_2 \sum x_i i$$

$$\frac{\delta S}{\delta \beta_2} = -2 \sum(y_i - \beta_1 x_i - \beta_2 i)i = 0$$

$$= -2 \sum(y_i i - \beta_1 x_i i - \beta_2 i^2) = 0$$

$$\sum y_i i = \beta_1 \sum x_i i + \beta_2 \sum i^2$$

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Solving for β_2

$$\sum y_i x_i = \beta_1 \sum x_i^2 + \beta_2 \sum x_i i$$

$$\beta_1 \sum x_i^2 = \sum y_i x_i - \beta_2 \sum x_i i$$

$$\beta_1 = \frac{\sum y_i x_i - \beta_2 \sum x_i i}{\sum x_i^2}$$

$$\sum y_i i = \beta_1 \sum x_i i + \beta_2 \sum i^2$$

$$\beta_1 \sum x_i i = \sum y_i i - \beta_2 \sum i^2$$

$$\beta_1 = \frac{\sum y_i i - \beta_2 \sum i^2}{\sum x_i i}$$

Now set them equal to each other and solve for β_2

$$\frac{\sum y_i x_i - \beta_2 \sum x_i i}{\sum x_i^2} = \frac{\sum y_i i - \beta_2 \sum i^2}{\sum x_i i}$$

$$(\sum y_i x_i - \beta_2 \sum x_i i)(\sum x_i i) = (\sum x_i^2)(\sum y_i i - \beta_2 \sum i^2)$$

$$\sum y_i x_i (\sum x_i i) - \beta_2 (\sum x_i i)^2 = \sum y_i i (\sum x_i^2) - \beta_2 \sum i^2 (\sum x_i^2)$$

$$\beta_2 \sum i^2 \sum x_i^2 - \beta_2 (\sum x_i i)^2 = \sum y_i i \sum x_i^2 - \sum y_i x_i \sum x_i i$$

$$\beta_2 (\sum i^2 \sum x_i^2 - (\sum x_i i)^2) = \sum y_i i \sum x_i^2 - \sum y_i x_i \sum x_i i$$

Finally, we have:

$$\beta_2 = \frac{\sum y_i i \sum x_i^2 - \sum y_i x_i \sum x_i i}{\sum i^2 \sum x_i^2 - (\sum x_i i)^2}$$

Solving for β_1 using same approach:

$$\sum y_i x_i = \beta_1 \sum x_i^2 + \beta_2 \sum x_i i$$

$$\beta_2 \sum x_i i = \sum y_i x_i - \beta_1 \sum x_i^2$$

$$\beta_2 = \frac{\sum y_i x_i - \beta_1 \sum x_i^2}{\sum x_i i}$$

$$\sum y_i i = \beta_1 \sum x_i i + \beta_2 \sum i^2$$

$$\beta_2 \sum i^2 = \sum y_i i - \beta_1 \sum x_i i$$

$$\beta_2 = \frac{\sum y_i i - \beta_1 \sum x_i i}{\sum i^2}$$

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Now set them equal to each other and solve for β_1

$$\frac{\sum y_i x_i - \beta_1 \sum x_i^2}{\sum x_i i} = \frac{\sum y_i i - \beta_1 \sum x_i i}{\sum i^2}$$

$$\left(\sum y_i x_i - \beta_1 \sum x_i^2\right)\left(\sum i^2\right) = \left(\sum x_i i\right)\left(\sum y_i i - \beta_1 \sum x_i i\right)$$

$$\sum y_i x_i \sum i^2 - \beta_1 \sum x_i^2 \sum i^2 = \sum y_i i \sum x_i i - \beta_1\left(\sum x_i i\right)^2$$

$$\beta_1\left(\sum x_i i\right)^2 - \beta_1 \sum x_i^2 \sum i^2 = \sum y_i i \sum x_i i - \sum y_i x_i \sum i^2$$

$$\beta_1\left(\left(\sum x_i i\right)^2 - \sum x_i^2 \sum i^2\right) = \sum y_i i \sum x_i i - \sum y_i x_i \sum i^2$$

Finally, we have:

$$\beta_1 = \frac{\sum y_i i \sum x_i i - \sum y_i x_i \sum i^2}{\left(\sum x_i i\right)^2 - \sum x_i^2 \sum i^2}$$

To find the conditions where x_i makes the estimators not well-defined, we let $x_i = i$. so then we have our β_1,

$$\beta_1 = \frac{\sum y_i i \sum x_i i - \sum y_i x_i \sum i^2}{\left(\sum x_i\right)^2 - \sum x_i^2 \sum i^2}$$

$$= \frac{\sum y_i i \sum i^2 - \sum y_i i \sum i^2}{\left(\sum i^2\right)^2 - \sum i^2 \sum i^2}$$

$$= \frac{\sum y_i i \sum i^2 - \sum y_i i \sum i^2}{\sum i^2 \sum i^2 - \sum i^2 \sum i^2}$$

$$= \frac{0}{0}$$

and then our β_2,

$$\beta_2 = \frac{\sum y_i i \sum x_i^2 - \sum y_i x_i \sum x_i i}{\sum i^2 \sum x_i^2 - \left(\sum x_i i\right)^2}$$

$$= \frac{\sum y_i i \sum i^2 - \sum y_i i \sum i^2}{\left(\sum i^2\right)^2 - \sum i^2 \sum i^2}$$

$$= \frac{\sum y_i i \sum i^2 - \sum y_i i \sum i^2}{\sum i^2 \sum i^2 - \sum i^2 \sum i^2}$$

$$= \frac{0}{0}$$

$\therefore$ The estimator β_1 and β_2 is not well-defined at $x_i = i$.

(b) For the case where the coefficient estimators are well-defined, the unbiased estimator for σ^2 is:

$$E[\sum \epsilon^2] = (n-2)\sigma^2$$

$$\sigma^2 = \frac{\sum \epsilon^2}{n-2}$$

Derived from, Question 3b.

[(a)]

5. *Proof.* We want to show that MSE is an unbiased estimator σ^2 then we want to show that:

$$E[MSE] = E\left[\frac{1}{n-1}\sum(y_i - \bar{y})^2\right] = \sigma^2$$

so then we can start by recalling the model,

$$y_i = \alpha + \epsilon_i$$

then it is true that the sample mean is,

$$\bar{y} = \alpha + \bar{\epsilon}$$

then, $y_i - \bar{y}$ can be rewritten as,

$$y_i - \bar{y} = (\alpha + \epsilon_i) - (\alpha + \bar{\epsilon}) = \epsilon_i - \bar{\epsilon}$$

Now, we have

$$E[MSE] = E\left[\frac{1}{n-1}\sum(\epsilon_i - \bar{\epsilon})^2\right]$$
$$= \frac{1}{n-1}E\left[\left(\sum \epsilon_i^2 - \sum \bar{\epsilon}^2\right)\right]$$
$$= \frac{1}{n-1}\left(\sum E[\epsilon_i^2] - E[n\bar{\epsilon}^2]\right)$$

We know that

$$E[\epsilon_i] = 0 \Rightarrow E[\epsilon_i^2] = Var[\epsilon_i] + E[\epsilon_i]^2 = \sigma^2$$

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$$\sum E[\epsilon_i] = n\sigma^2$$

now we find that,

$$E[n\bar{\epsilon}^2] = nE[\bar{\epsilon}^2]$$
$$\Rightarrow E[\bar{\epsilon}^2] = Var[\bar{\epsilon}] + E[\bar{\epsilon}]^2$$
$$= \frac{\sigma^2}{n}$$
$$\Leftrightarrow Var[\bar{\epsilon}] = Var[\frac{1}{n}\sum \epsilon_i]$$
$$= \frac{1}{n^2}\sum Var[\epsilon_i]$$
$$= \frac{1}{n^2}\sum \sigma^2$$
$$= \frac{1}{n^2}n\sigma^2 = \frac{\sigma^2}{n}$$
$$\Leftrightarrow E[\bar{\epsilon}]^2 = E[\frac{1}{n}\sum e_i]^2$$
$$= (\frac{1}{n}\sum E[e_i])^2$$
$$= (\frac{1}{n}\cdot 0)^2 = 0$$
$$E[n\bar{\epsilon}^2] = n\cdot \frac{\sigma^2}{n} = \sigma^2$$

so then finally we have:

$$E[MSE] = \frac{1}{n-1}(n\sigma^2 - \sigma^2)$$

$$= \frac{1}{n-1}(n-1)\sigma^2$$

$$= \sigma^2$$

$\therefore MSE$ is an unbiased estimator for σ^2. $\qquad\square$

6. (a) The linear regression model can be written as,

$$R = \beta_0 + \beta_1 W + \epsilon$$

Where,

- R is the rate of the spread of a wildfire m/s
- W is the wind speed km/h
- β_0 is the the rate of spread when $W = 0$
- β_1 is the slope the rate of spread increases with one-unit wind speed
- ϵ is the error term

(b) Assumptions that is made on the error term ϵ are:

   i. **Independence:** The error term ϵ is independent of W

   ii. $E[\epsilon] = 0$

   iii. $Var[\epsilon] = \sigma^2$

(c) The expected value of R given that $W = x$ is:

$$E[R|W = x] = \beta_0 + \beta_1 x \Leftrightarrow E[\epsilon] = 0$$

(d) The variance of R given that $W = x$ is:

$$Var[R|W = x] = Var(\beta_0 + \beta_1 x + \epsilon | x) = \sigma^2$$

(e) Given that W is a random variable with mean μ_W and variance σ_W^2,

   i. The unconditional expected value of R is:

$$E[R] = E[\beta_0 + \beta_1 W + \epsilon] = \beta_0 + \beta_1 E[W] + E[\epsilon] = \beta_0 + \beta_1 \mu_W$$

Here, μ_W is the mean of the wind speed. This contrasts with part (c) because in (c) we are looking for the expected value of R given $W = x$, and here we are looking for expected value of R given that W is a random variable.

   ii. The unconditional variance of R is:

$$Var[R] = Var[\beta_0 + \beta_1 W + \epsilon] = Var[\beta_0] + \beta_1^2 Var[W] + Var[\epsilon]$$

$$= \beta_1^2 \sigma_W^2 + \sigma^2$$

This contrasts with part (d) because in (d) we are looking for the specific condition where speed is fixed at x and which equates to σ^2. Now, we are including all of the variability of W instead of fixing it to a particular value.

(f) If the rate of spread of a wildfire W is linearly related to the square root of wind speed $\sqrt{W}$, then the model will intuitively be:
$$R = \beta_0 + \beta_1\sqrt{W} + \epsilon$$

7. From Question 6, we have,
$$R : \{30, 32, 18, 35, 12\}$$
$$W : \{35, 40, 20, 50, 15\}$$

(a)

$$\hat{\beta}_1 = \frac{S_{xy}}{S_{xx}} = \frac{\sum_{i=1}^{n}(x_i - \bar{x})(y_i - \bar{y})}{\sum_{i=1}^{n}(x_i - \bar{x})^2}$$
$$= \frac{\sum_{i=1}^{n}(W_i - \bar{W})(R_i - \bar{R})}{\sum_{i=1}^{n}(W_i - \bar{W})^2}$$
$$\bar{R} = \frac{30 + 32 + 18 + 35 + 12}{5} = 25.4$$
$$\bar{W} = \frac{35 + 40 + 20 + 50 + 15}{5} = 32$$

Calculating S_{xy}:

W_i	R_i	$W_i - \bar{W}$	$R_i - \bar{R}$	$(W_i - \bar{W})(R_i - \bar{R})$
35	30	$35 - 32 = 3$	$30 - 25.4 = 4.6$	$3 \cdot 4.6 = 13.8$
40	32	$40 - 32 = 8$	$32 - 25.4 = 6.6$	$8 \cdot 6.6 = 52.8$
20	18	$20 - 32 = -12$	$18 - 25.4 = -7.4$	$-12 \cdot -7.4 = 88.8$
50	35	$50 - 32 = 18$	$35 - 25.4 = 9.6$	$18 \cdot 9.6 = 172.8$
15	12	$15 - 32 = -17$	$12 - 25.4 = -13.4$	$-17 \cdot -13.4 = 227.8$

$$S_{xy} = 13.8 + 52.8 + 88.8 + 172.8 + 227.8 = 556$$

Calculating S_{xx}:

W_i	$W_i - \bar{W}$	$(W_i - \bar{W})^2$
35	$35 - 32 = 3$	$3^2 = 9$
40	$40 - 32 = 8$	$8^2 = 64$
20	$20 - 32 = -12$	$(-12)^2 = 144$
50	$50 - 32 = 18$	$18^2 = 324$
15	$15 - 32 = -17$	$(-17)^2 = 289$

$$S_{xx} = 9 + 64 + 144 + 324 + 289 = 830$$

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Finally, we have:
$$\hat{\beta}_1 = \frac{556}{830} = 0.6707$$

(b) Recall from (a) that $\bar{R} = 25.4$ and $\bar{W} = 32$. We can now calculate $\hat{\beta}_0$:

$$\begin{aligned}
\hat{\beta}_0 &= \bar{R} - \hat{\beta}_1 \bar{W} \\
&= 25.4 - 0.6707 \cdot 32 \\
&= 25.4 - 21.47 \\
&= 3.9376
\end{aligned}$$

(c)
$$\hat{\sigma}^2 = \frac{1}{n-2} \sum (y_i - \hat{y}_i)^2 = \frac{1}{5-2} \sum (R_i - \hat{R}_i)^2$$

With the values, our model is now:

$$\hat{R} = 3.9376 + 0.6707W$$

W_i	R_i	$\hat{R}_i$	$R_i - \hat{R}_i$	$(R_i - \hat{R}_i)^2$
35	30	27.4121	2.5879	6.6972
40	32	30.7656	1.2344	1.5237
20	18	17.3516	0.6484	0.4204
50	35	37.4726	-2.4726	6.1137
15	12	13.9981	-1.9981	3.9924

$$\hat{\sigma}^2 = \frac{6.6972 + 1.5237 + 0.4204 + 6.1137 + 3.9924}{3} = \frac{18.7474}{6.2491} \simeq 6.25$$

(d) Code:
```
R <- c(30, 32, 18, 35, 12)
W <- c(35, 40, 20, 50, 15)
speedwind <- data.frame(R, W)
```

(e) Code:
```
model <- lm(R ~ W, data = speedwind)
summary(model)
```