CHRISTOPHER PRENER, PH.D.
FALL, 2016

WEEK 07
LECTURE 09

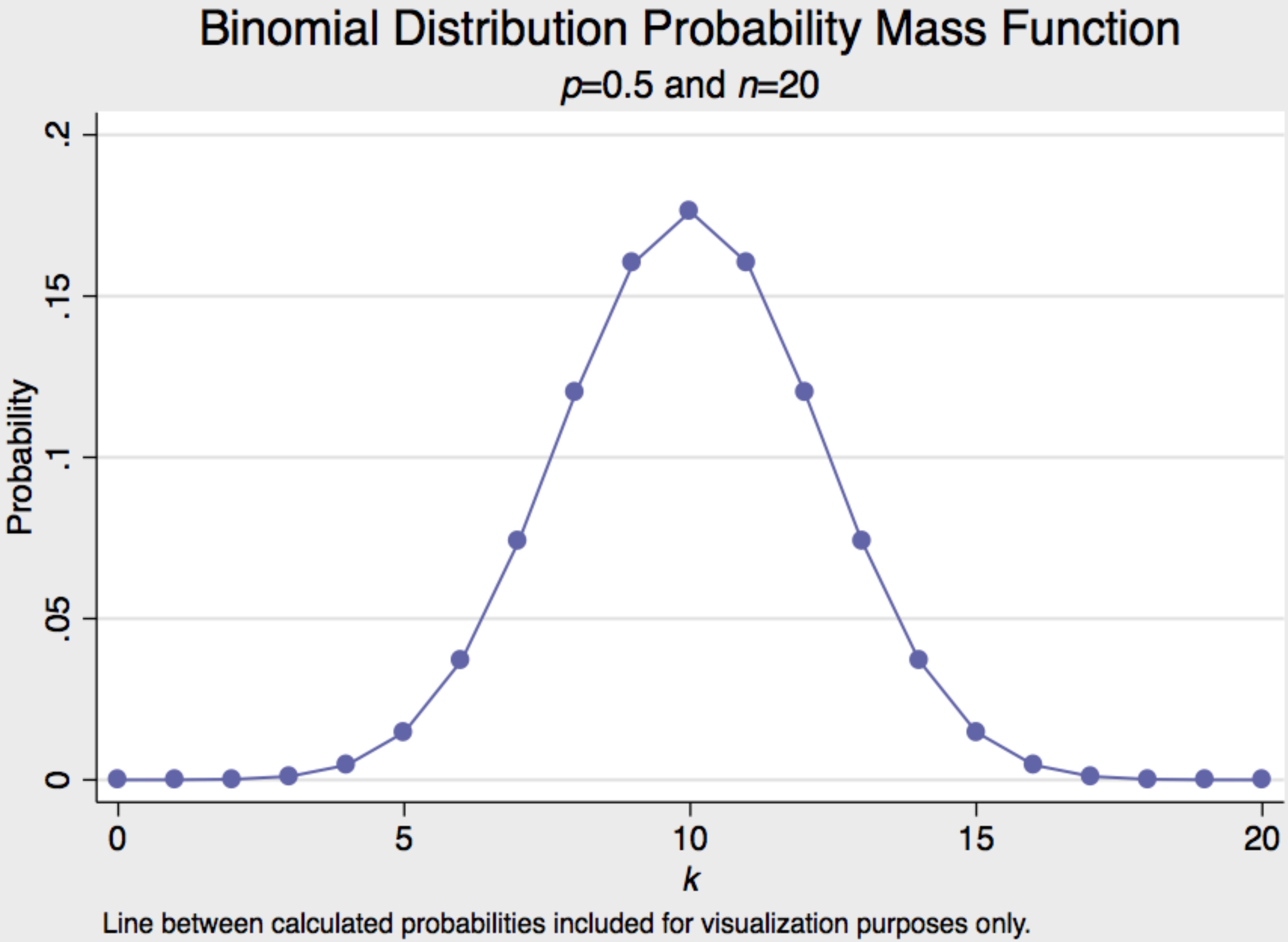
QUANTITATIVE ANALYSIS

FOUNDATIONS FOR INFERENCE

AGENDA

1. Follow-up
2. Inferential Goals
3. Central Limit Theorem
4. Confidence Intervals
5. Hypothesis Testing
6. Normality Testing Review

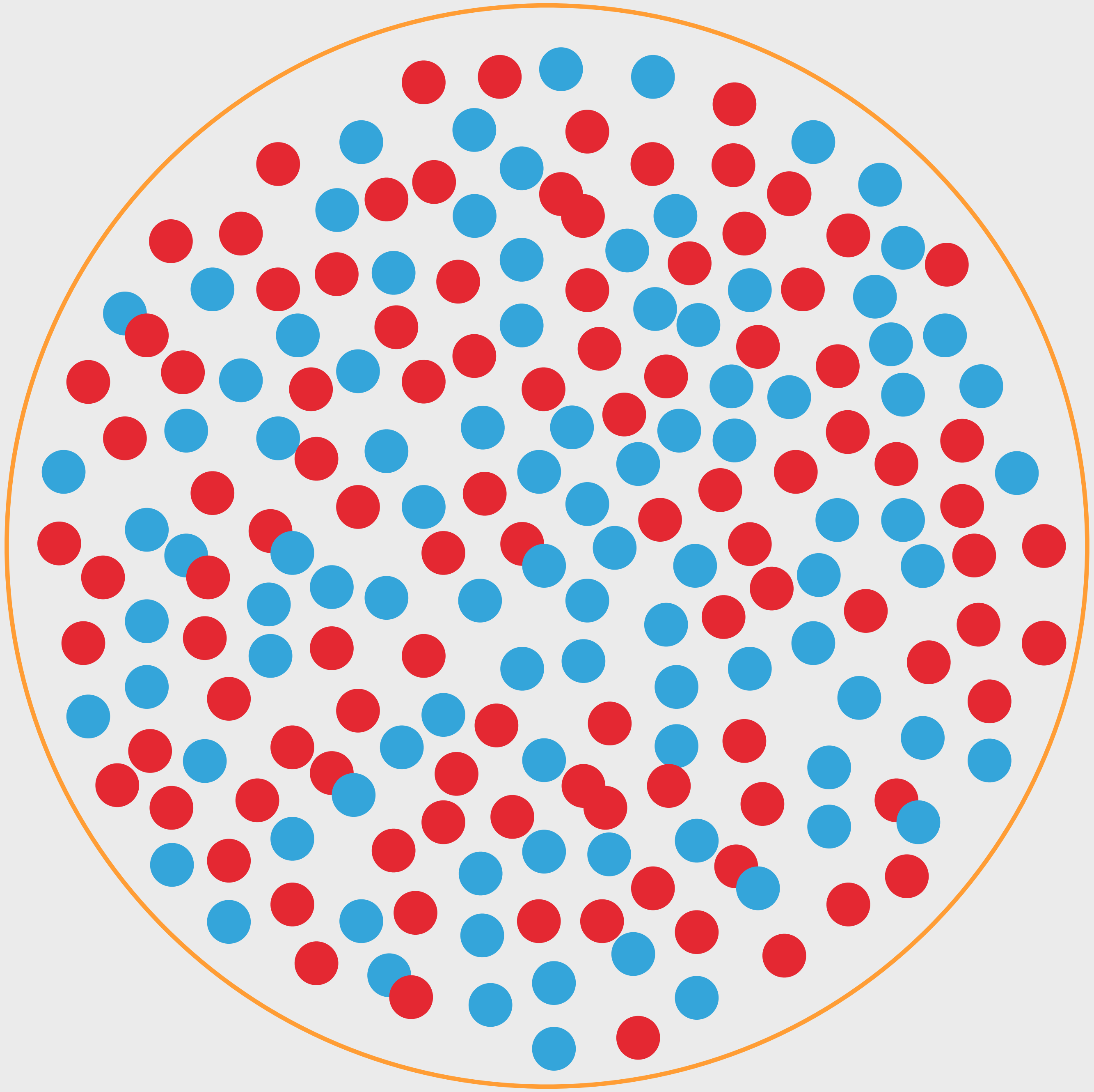
1 FOLLOW-UP


Binomial Distribution Probability Mass Function
p=0.5 and n=20
Probability
0
.05
.1
.15
.2
0
5
10
15
20
k
Line between calculated probabilities included for visualization purposes only.

2 INFERENTIAL GOALS

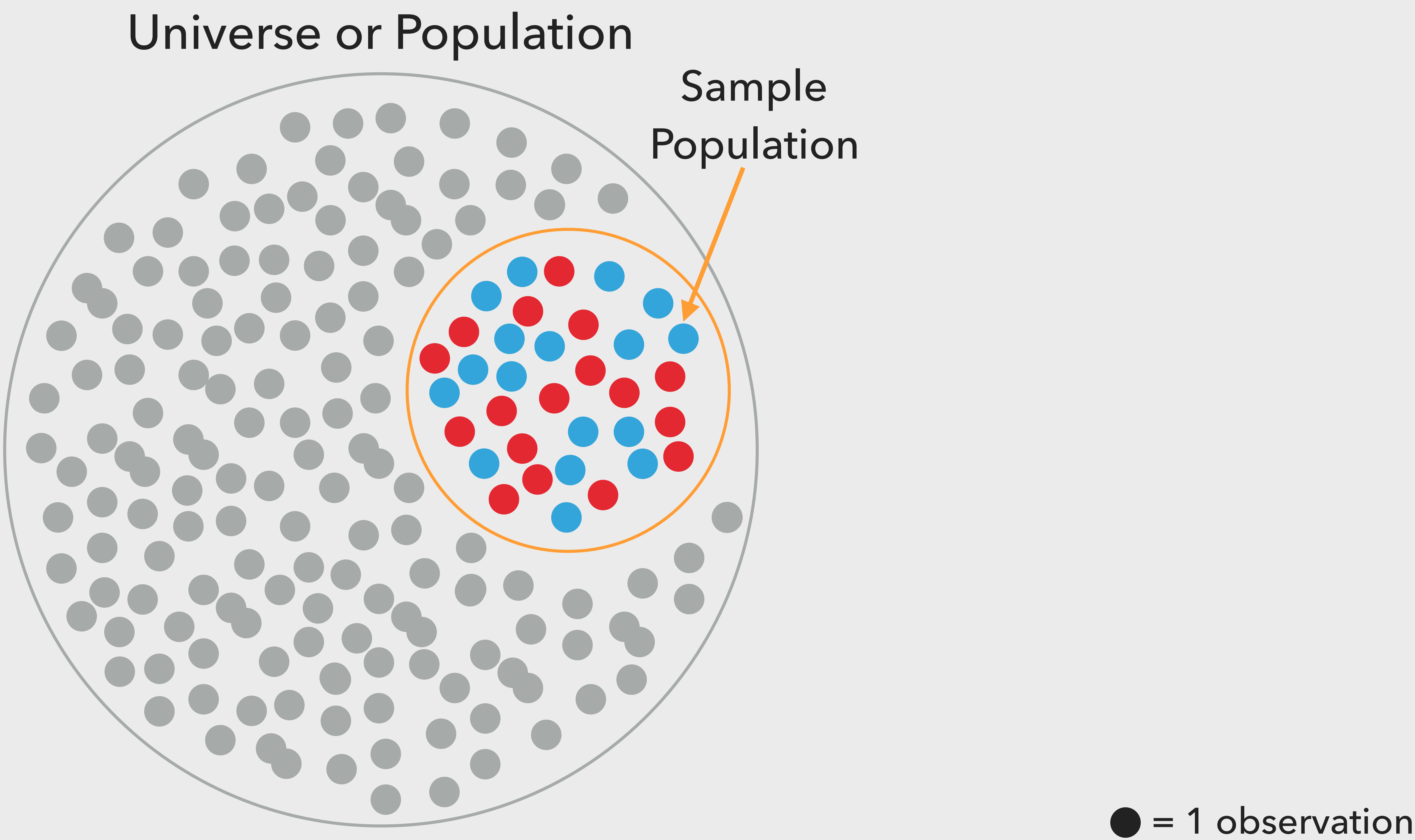
DRAWING INFERENCE

Universe or Population

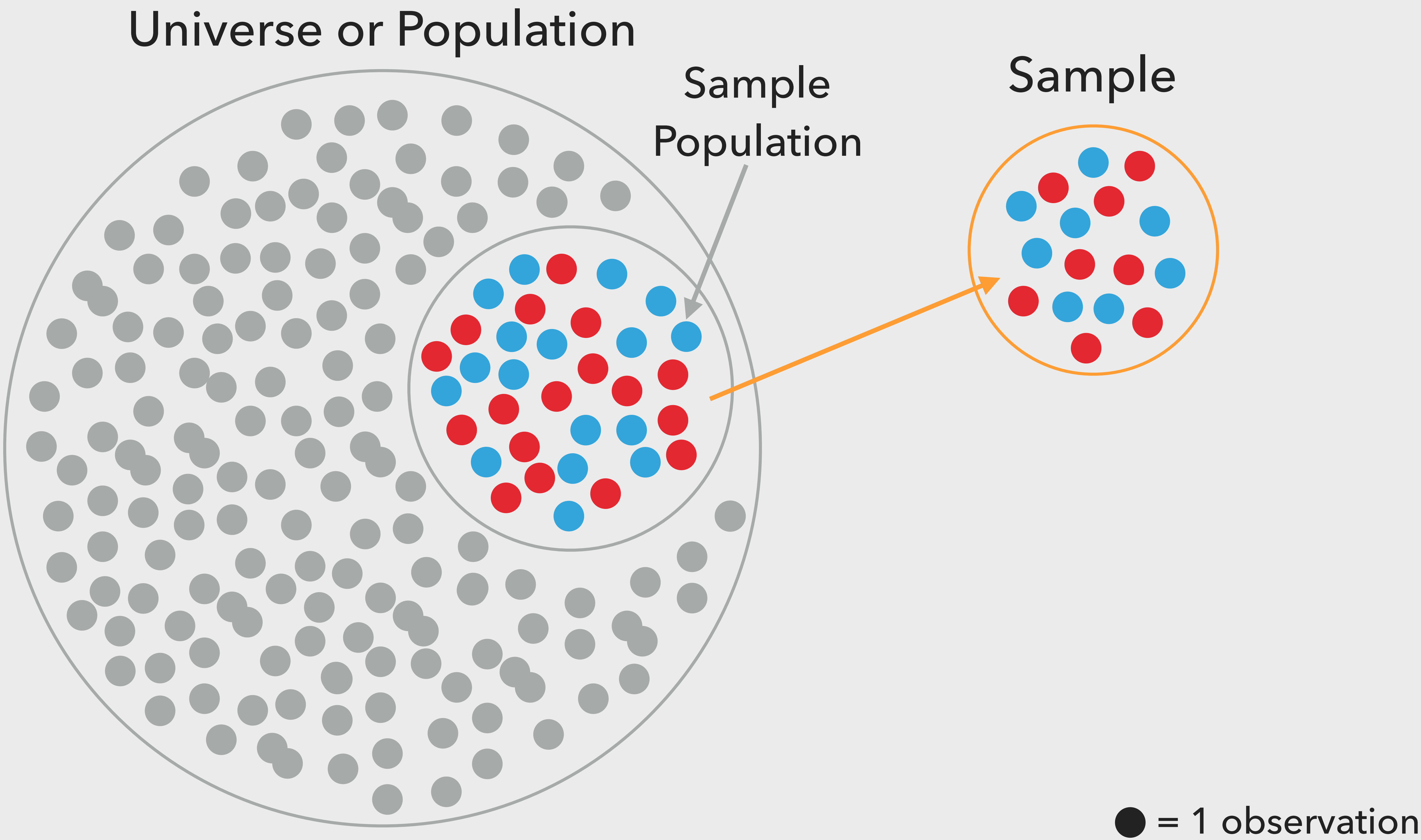


● = 1 observation

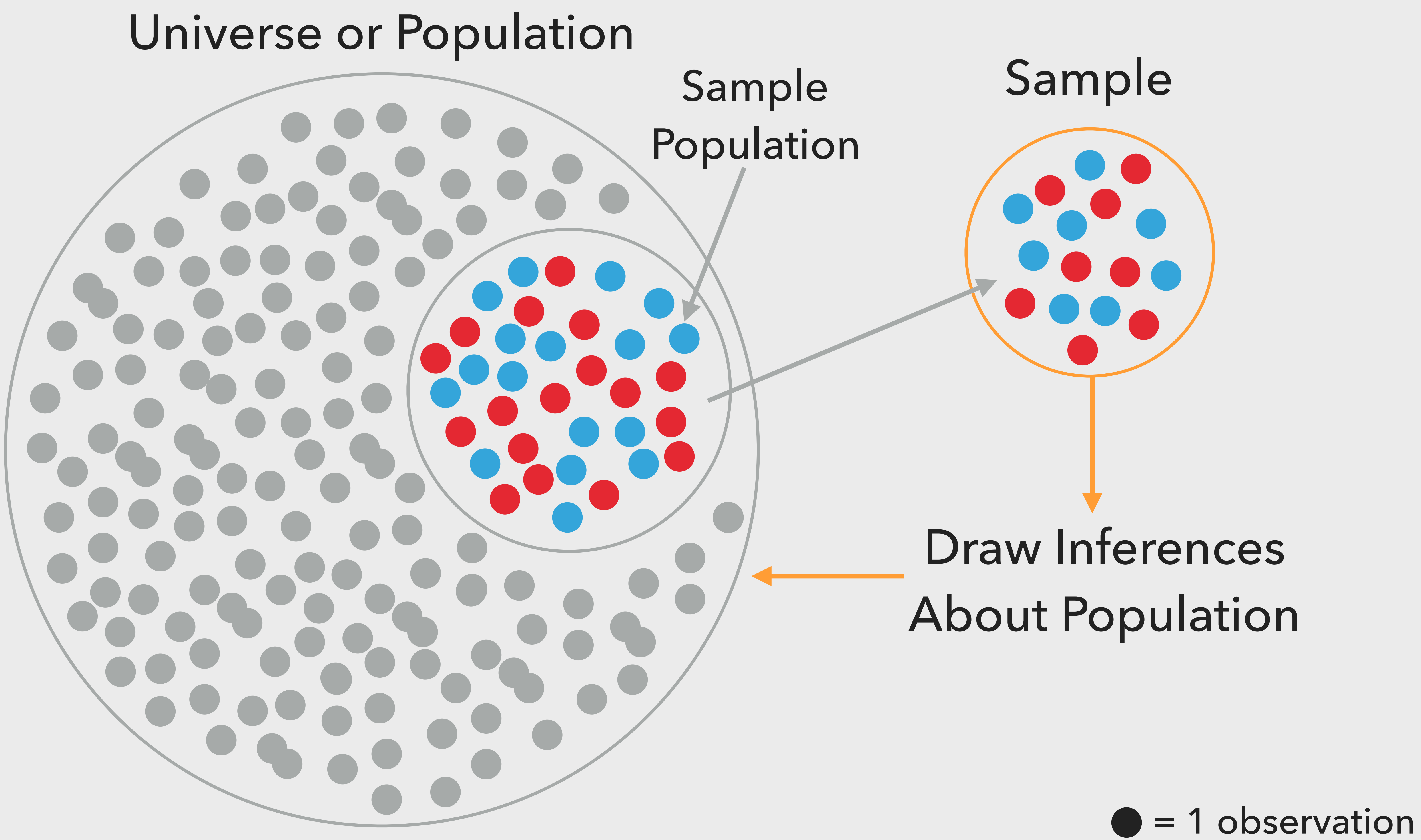
DRAWING INFERENCE



DRAWING INFERENCE



DRAWING INFERENCE



SAMPLE SIZE

Polling Data								
Poll	**Date**	**Sample**	**MoE**	**Clinton (D)**	**Trump (R)**	**Johnson (L)**	**Stein (G)**	**Spread**
RCP Average	**9/21 - 9/29**	**--**	**--**	**43.4**	**41.1**	**7.0**	**2.4**	**Clinton +2.3**
FOX News	9/27 - 9/29	911 LV	3.0	43	40	8	4	Clinton +3
Rasmussen Reports	9/27 - 9/29	1500 LV	2.5	43	42	6	2	Clinton +1
PPP (D)	9/27 - 9/28	933 LV	3.2	44	40	6	1	Clinton +4
Rasmussen Reports	9/26 - 9/28	1500 LV	2.5	42	41	7	2	Clinton +1
Reuters/Ipsos	9/22 - 9/26	1041 LV	3.5	42	38	7	2	Clinton +4
Quinnipiac	9/22 - 9/25	1115 LV	2.9	44	43	8	2	Clinton +1
Bloomberg	9/21 - 9/24	1002 LV	3.1	41	43	8	4	Trump +2
Monmouth	9/22 - 9/25	729 LV	3.6	46	42	8	2	Clinton +4
Economist/YouGov	9/22 - 9/24	948 RV	3.8	44	41	5	2	Clinton +3
NBC News/SM	9/19 - 9/25	13598 LV	1.1	45	40	10	3	Clinton +5
ABC News/Wash Post	9/19 - 9/22	651 LV	4.5	46	44	5	1	Clinton +2
Rasmussen Reports	9/20 - 9/21	1000 LV	3.0	39	44	8	2	Trump +5
Gravis	9/20 - 9/20	1560 LV	2.5	44	40	5	2	Clinton +4
Economist/YouGov	9/18 - 9/19	936 RV	4.0	40	38	7	2	Clinton +2
Reuters/Ipsos	9/15 - 9/19	1111 LV	3.4	37	39	7	2	Trump +2
McClatchy/Marist	9/15 - 9/20	758 LV	3.6	45	39	10	4	Clinton +6
NBC News/Wall St. Jrnl	9/16 - 9/19	922 LV	3.2	43	37	9	2	Clinton +6
Associated Press-GfK	9/15 - 9/16	1251 LV	--	45	39	9	2	Clinton +6
NBC News/SM	9/12 - 9/18	13320 LV	1.2	45	40	10	4	Clinton +5
FOX News	9/11 - 9/14	867 LV	3.0	41	40	8	3	Clinton +1

3 CENTRAL LIMIT THEOREM

3. CENTRAL LIMIT THEOREM

A POPULATION

```
. sysuse auto.dta, clear
(1978 Automobile Data)



. summarize mpg

    Variable |        Obs        Mean    Std. Dev.       Min        Max
-------------+---------------------------------------------------------
         mpg |         74     21.2973    5.785503         12         41
```

A RANDOM SAMPLE

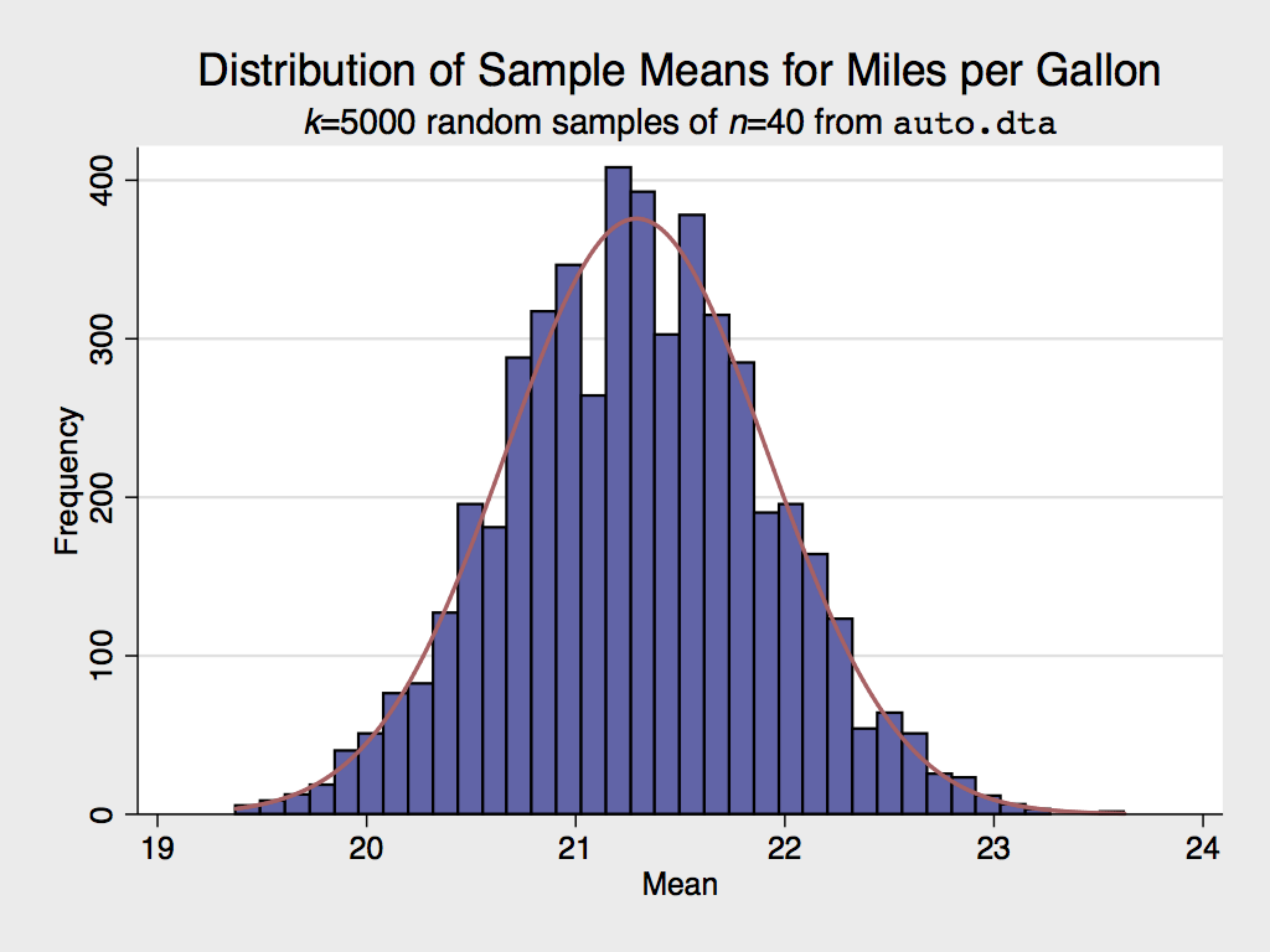
```
. sysuse auto.dta, clear
(1978 Automobile Data)



. sample 54
(34 observations deleted)



. summarize mpg

    Variable |        Obs        Mean    Std. Dev.       Min        Max
-------------+---------------------------------------------------------
         mpg |         40        20.9    5.485646         12         41
```

A SECOND RANDOM SAMPLE

```
. sysuse auto.dta, clear
(1978 Automobile Data)



. sample 54
(34 observations deleted)



. summarize mpg

    Variable |        Obs        Mean    Std. Dev.       Min        Max
-------------+---------------------------------------------------------
         mpg |         40       20.35    6.150047         12         41
```

ANOTHER 4,998 RANDOM SAMPLES

```
. summarize mpgMeans

    Variable |        Obs        Mean    Std. Dev.       Min        Max
-------------+---------------------------------------------------------
    mpgMeans |      5,000    21.29119    .6266256     19.375     23.625
```


Distribution of Sample Means for Miles per Gallon
k=5000 random samples of n=40 from auto.dta
Frequency
0
100
200
300
400
19
20
21
22
23
24
Mean

THE “MAGIC” OF THE CLT

- This holds up for any population regardless of its underlying distribution.

https://goo.gl/qYaZlx

DEFINITION

- Population:
    - Parameters of μ , **σ**
    - Sample size of *n*
    - Sample means of $\overline{x}_1, \overline{x}_2, \overline{x}_3, \ldots \overline{x}_k$
- Distribution of $\overline{X}$:
    - Has mean of μ
    - Has a standard deviation of $\dfrac{\sigma}{\sqrt{n}}$
    - Normal as *n* → ∞

COMPARING A POPULATION AND RELATED SAMPLES

```
. summarize mpg

    Variable |        Obs        Mean    Std. Dev.       Min        Max
-------------+---------------------------------------------------------
         mpg |         74     21.2973    5.785503         12         41
```

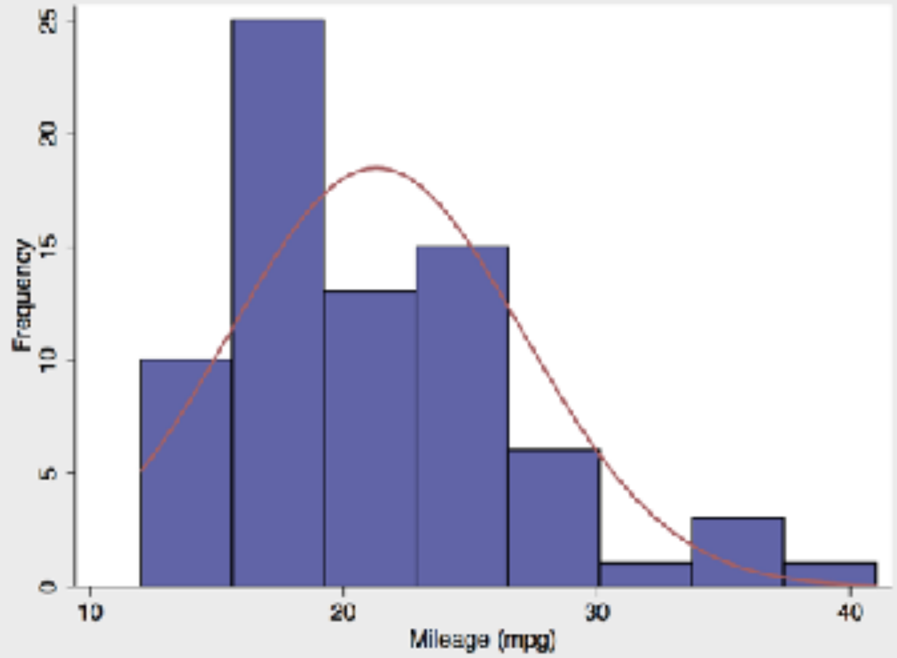
```
. summarize mpgMeans

    Variable |        Obs        Mean    Std. Dev.       Min        Max
-------------+---------------------------------------------------------
    mpgMeans |      5,000    21.29119    .6266256     19.375     23.625
```

STANDARD ERROR

- The standard deviation of the distribution of sample means ($\overline{X}$) is known as the *standard error*.
- A means for assessing the reliability of a particular statistic by estimating the difference between the sample statistic and the population statistic.

$$\sigma_{\bar{x}} = \frac{\sigma}{\sqrt{n}}$$

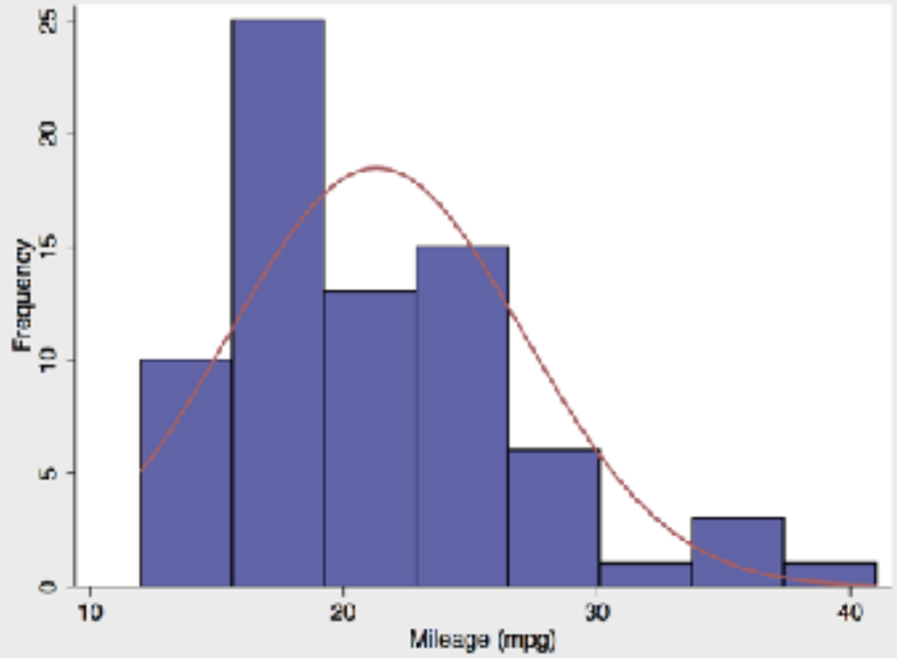
Population



$$\sigma_x = \sqrt{\frac{\sum (x-\mu)^2}{n}}$$

$$\mu = \frac{\sum x}{n}$$

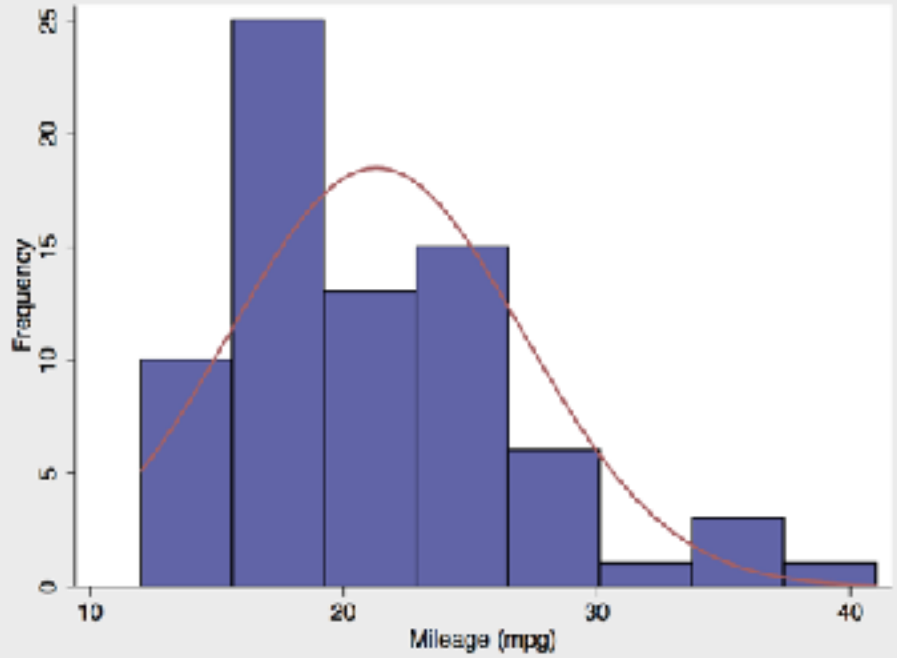
Population



$$\sigma_x = 5.746$$

$$\mu = 21.297$$

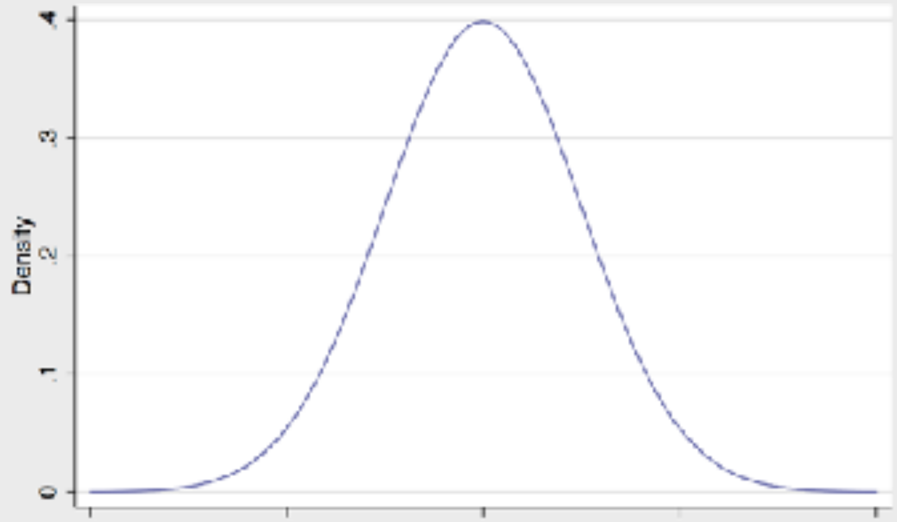
Population



$$\sigma_x = 5.746$$

$$\mu = 21.297$$

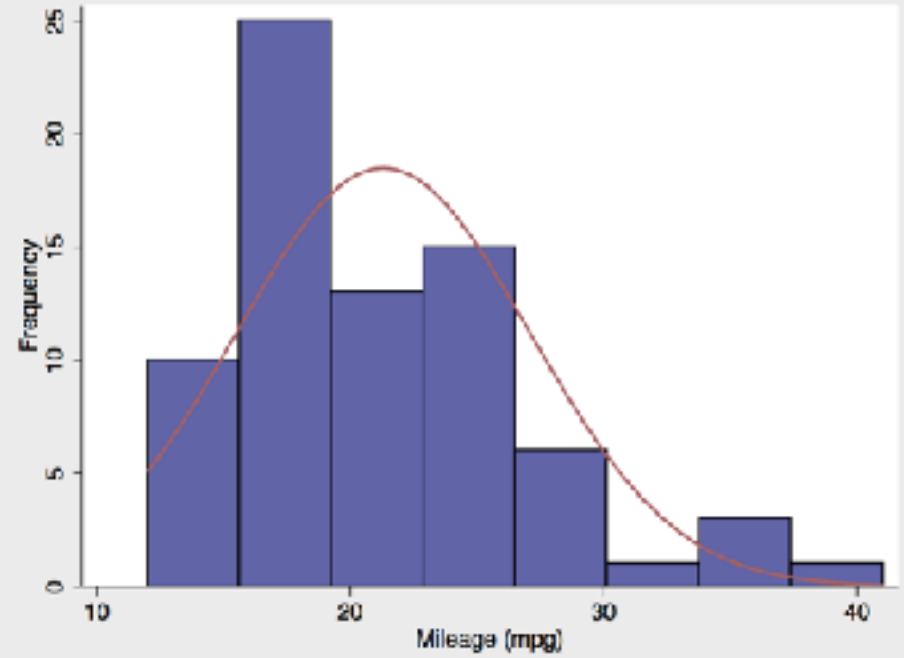
Samples of $\bar{X}$



$$\sigma_{\bar{X}} = \frac{\sigma_x}{\sqrt{n}}$$

$$\mu = 21.297$$

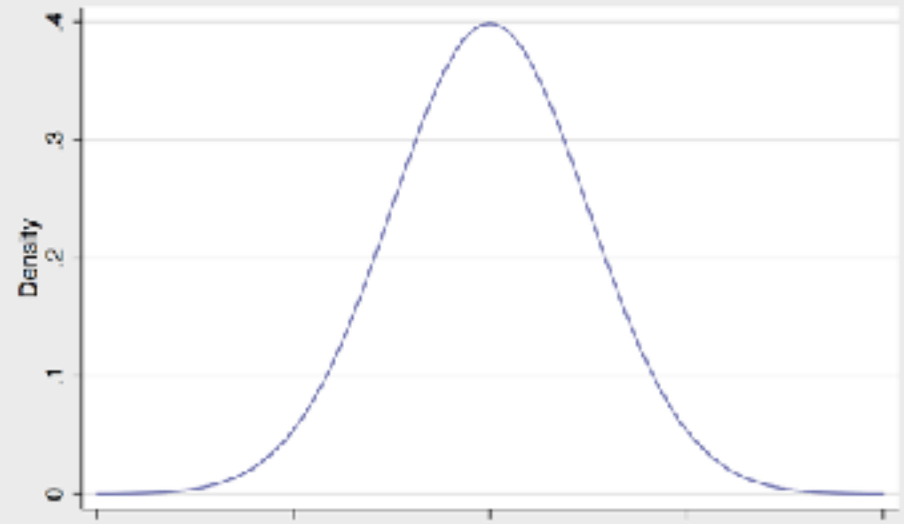
Population



$$\sigma_x = 5.746$$

$$\mu = 21.297$$

Samples of $\bar{X}$



$$\sigma_{\bar{X}} = \frac{5.746}{\sqrt{40}} = 0.909$$

$$\mu = 21.297$$

Z-SCORES

- The value of an observation expressed in standard deviations.

$$z = \frac{x - \mu}{\sigma}$$

Z-SCORES FOR SAMPLING DISTRIBUTIONS

- The value of an observation expressed in standard deviations.

$$z = \frac{\bar{x} - \mu}{\frac{\sigma}{\sqrt{n}}}$$

Z-SCORES FOR SAMPLING DISTRIBUTIONS

- Taking repeated samples of *n*=40 from this population, what proportion of these samples will have means ≥ 25?

$$z = \frac{25 - 21.297}{\frac{5.746}{\sqrt{40}}} = \frac{3.703}{0.909} = 4.074$$

Z-SCORES FOR SAMPLING DISTRIBUTIONS

- Taking repeated samples of *n*=40 from this population, what proportion of these samples will have means ≥ 25?

$$z = \frac{25 - 21.297}{\frac{5.746}{\sqrt{40}}} = \frac{3.703}{0.909} = 4.074$$

```
. display 1-normal(4.074)
.00002311
```

- The likelihood of obtaining a sample mean that is ≥ 25 from that population is very, very small (0.002%).

ESTIMATING SAMPLE SIZES

- The CLT can be used to estimate sample sizes based on how close we want our sample to be to the population. This is one version of what we call *power analyses*.

$$\left(\frac{1.96\sigma}{\Delta}\right)^2$$

- The Greek uppercase letter Δ (“Delta”) is used to represent the amount of error we are willing to tolerate.
- We want our sample to be within ± Δ of the population mean.

ESTIMATING SAMPLE SIZES

- Given the population parameters we have been using in this case for miles per gallon, what sample size would we need to have sample mean that is within 3 miles per gallon of the population's?

$$\left(\frac{1.96\sigma}{\Delta}\right)^2$$

ESTIMATING SAMPLE SIZES

- Given the population parameters we have been using in this case for miles per gallon, what sample size would we need to have sample mean that is within 3 miles per gallon of the population's?

$$\left(\frac{(1.96)(5.746)}{3}\right)^2 = \left(\frac{11.26216}{3}\right)^2 = (3.754053333)^2 = 14.093$$

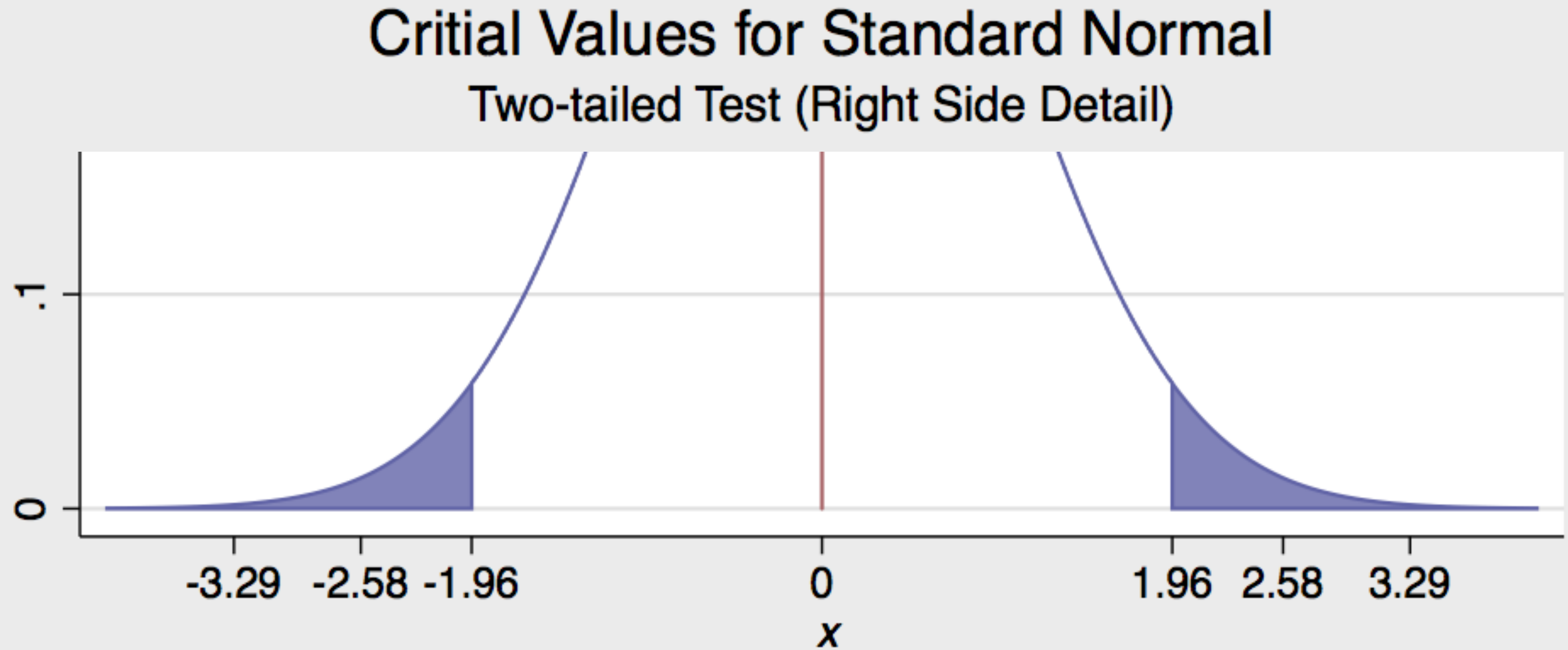
- We need to have a sample size of at least 15 vehicles to have a sample mean within 3 miles per gallon of the population's.
- To be within 2 miles per gallon, we need *n*=32.
- To be within 1 miles per gallon, we need *n*=127.

4 CONFIDENCE INTERVALS

THE PREDICTIVE INTERVAL

- Related to the confidence interval.
- Can be used prior to sampling to estimate a value for both *x* and $\bar{x}$.
- Use z-scores from two-sided critical values.

$$(\mu - 1.96\sigma, \mu + 1.96\sigma)$$



z	1.96	2.58	3.29
p <	0.05	0.01	0.001
% of scores inside	95%	99%	99.9%
% of scores outside	5%	1%	0.1%

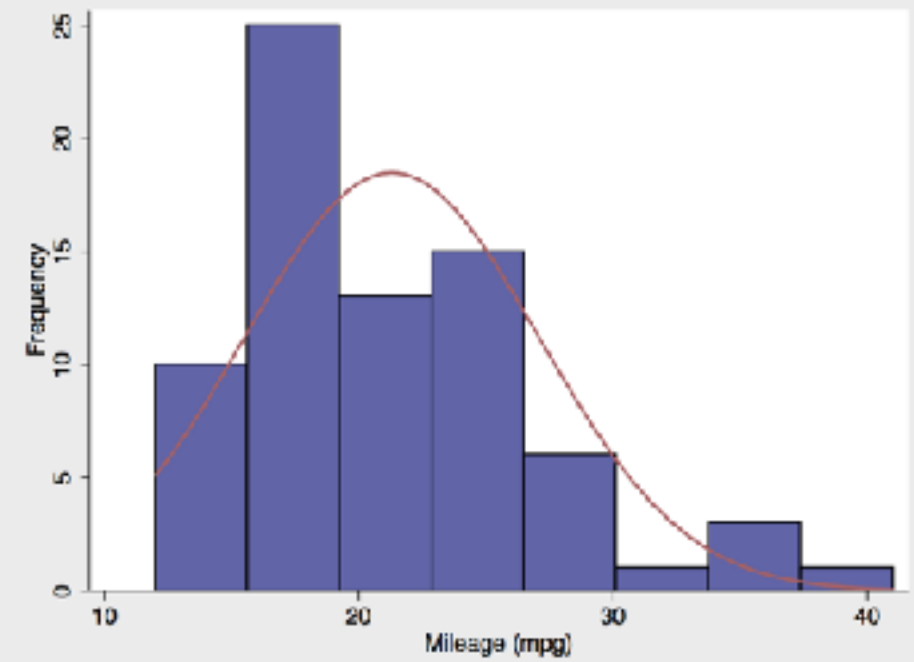
THE PREDICTIVE INTERVAL

$$(\mu - 1.96\sigma, \mu + 1.96\sigma)$$

$$(21.297 - (1.96)(5.746), 21.297 + (1.96)(5.746))$$

$$(21.297 - 11.26216, 21.297 + 11.26216)$$

$$(10.03484, 32.55916)$$



$$\mu = 21.297$$
$$\sigma_x = 5.746$$

- Based on the predictive interval, a given value of *x* selected at random will fall between 10.035 and 32.559 95% percent of the time.

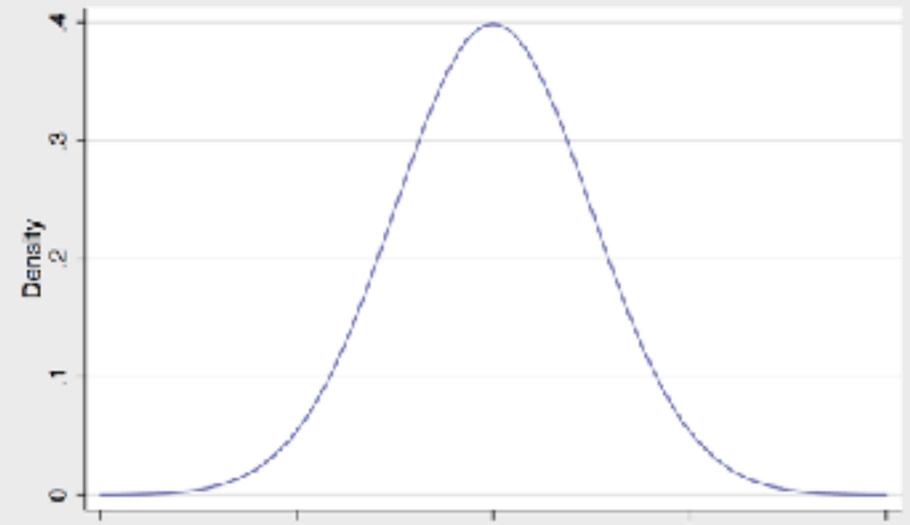
THE PREDICTIVE INTERVAL

$$\left(\mu - 1.96\frac{\sigma}{\sqrt{n}}, \mu + 1.96\frac{\sigma}{\sqrt{n}}\right)$$

$$(21.297 - (1.96)(0.909), 21.297 + (1.96)(0.909))$$

$$(21.297 - 1.78164, 21.297 + 1.78164)$$

$$(19.51536, 23.07864)$$



$$\mu = 21.297$$

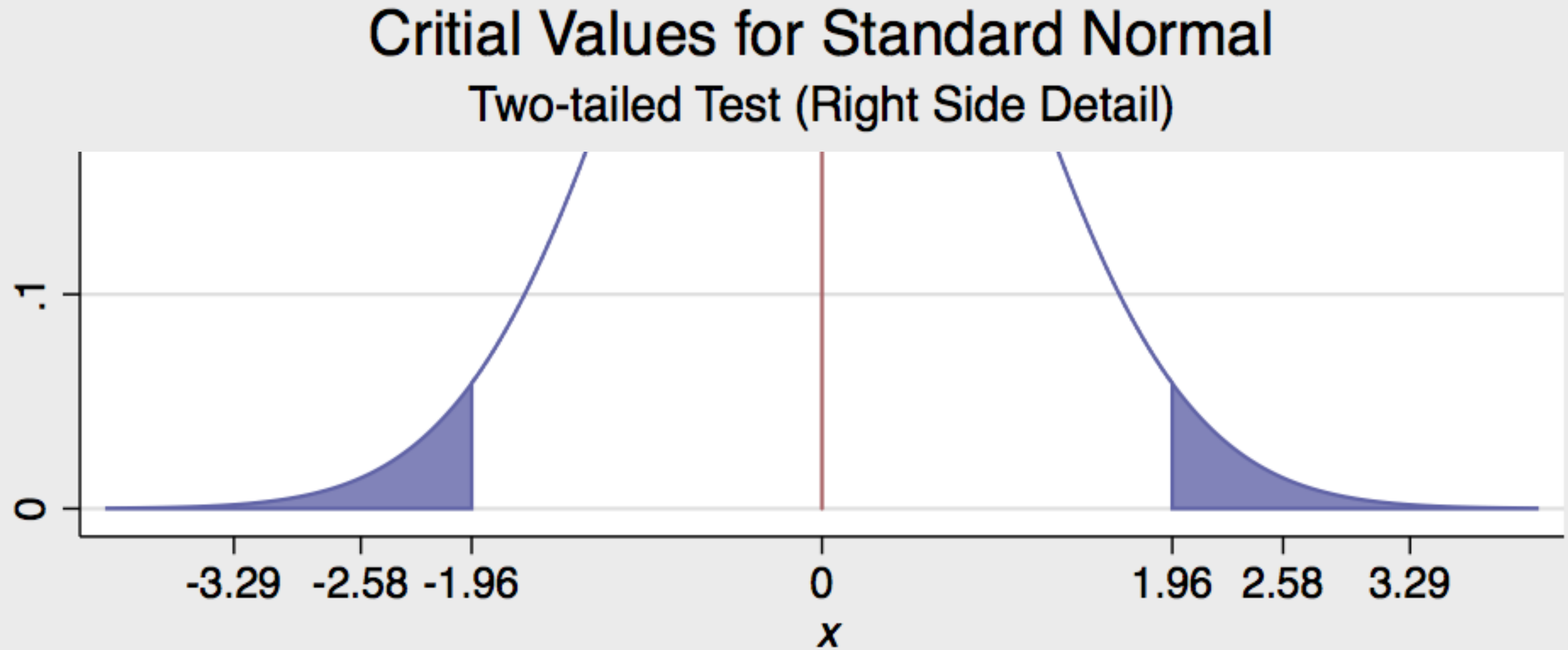
$$\sigma_{\bar{X}} = \frac{5.746}{\sqrt{40}} = 0.909$$

- Based on the predictive interval, a sample mean will fall between 19.515 and 23.079 95% percent of the time.

THE CONFIDENCE INTERVAL

- Used after sampling to the amount of possible error between the given sample mean (for example) and the population sample mean.
- Like predictive intervals, use z-scores from two-sided critical values.

$$\left(\bar{x} - 1.96\frac{\sigma}{\sqrt{n}}, \bar{x} + 1.96\frac{\sigma}{\sqrt{n}}\right)$$



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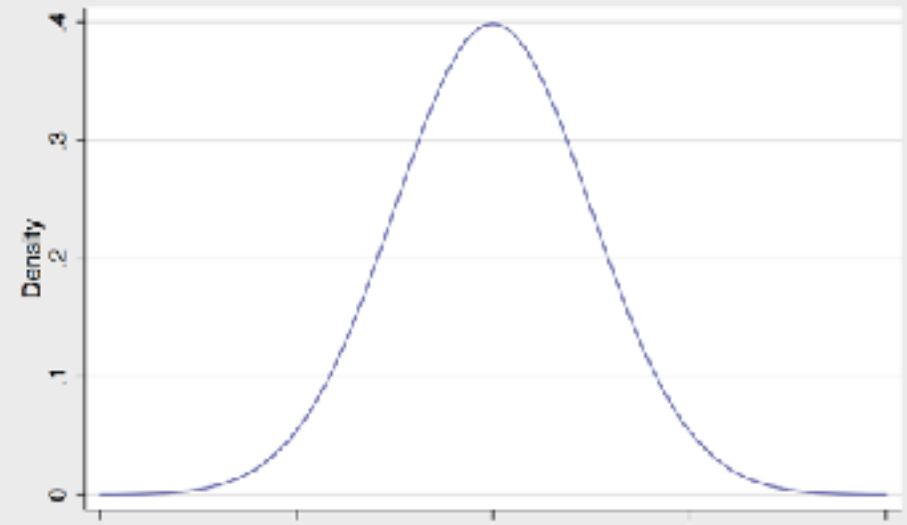
THE CONFIDENCE INTERVAL



$$\left(\bar{x} - 1.96\frac{\sigma}{\sqrt{n}}, \bar{x} + 1.96\frac{\sigma}{\sqrt{n}}\right)$$

$$(\bar{x} - 1.78164, \bar{x} + 1.78164)$$

$$\mu = 21.297$$

$$\sigma_{\bar{X}} = \frac{5.746}{\sqrt{40}} = 0.909$$

- If we take a sample of size *n*=40 from our population, the the interval of the sample mean ± 1.782 has a 95% chance of covering μ.

WIDTH OF CONFIDENCE INTERVALS

Confidence Interval	Formula	Width
95%	$\overline{X} \pm 1.96 \frac{\sigma}{\sqrt{n}}$	$3.92 \frac{\sigma}{\sqrt{n}}$
99%	$\overline{X} \pm 2.58 \frac{\sigma}{\sqrt{n}}$	$5.16 \frac{\sigma}{\sqrt{n}}$

CONFIDENCE INTERVALS & N

n	95% CI for μ	Width
10	$\overline{X} \pm 0.620\sigma$	1.240σ
100	$\overline{X} \pm 0.196\sigma$	0.392σ
1000	$\overline{X} \pm 0.062\sigma$	0.124σ

5 HYPOTHESIS TESTING

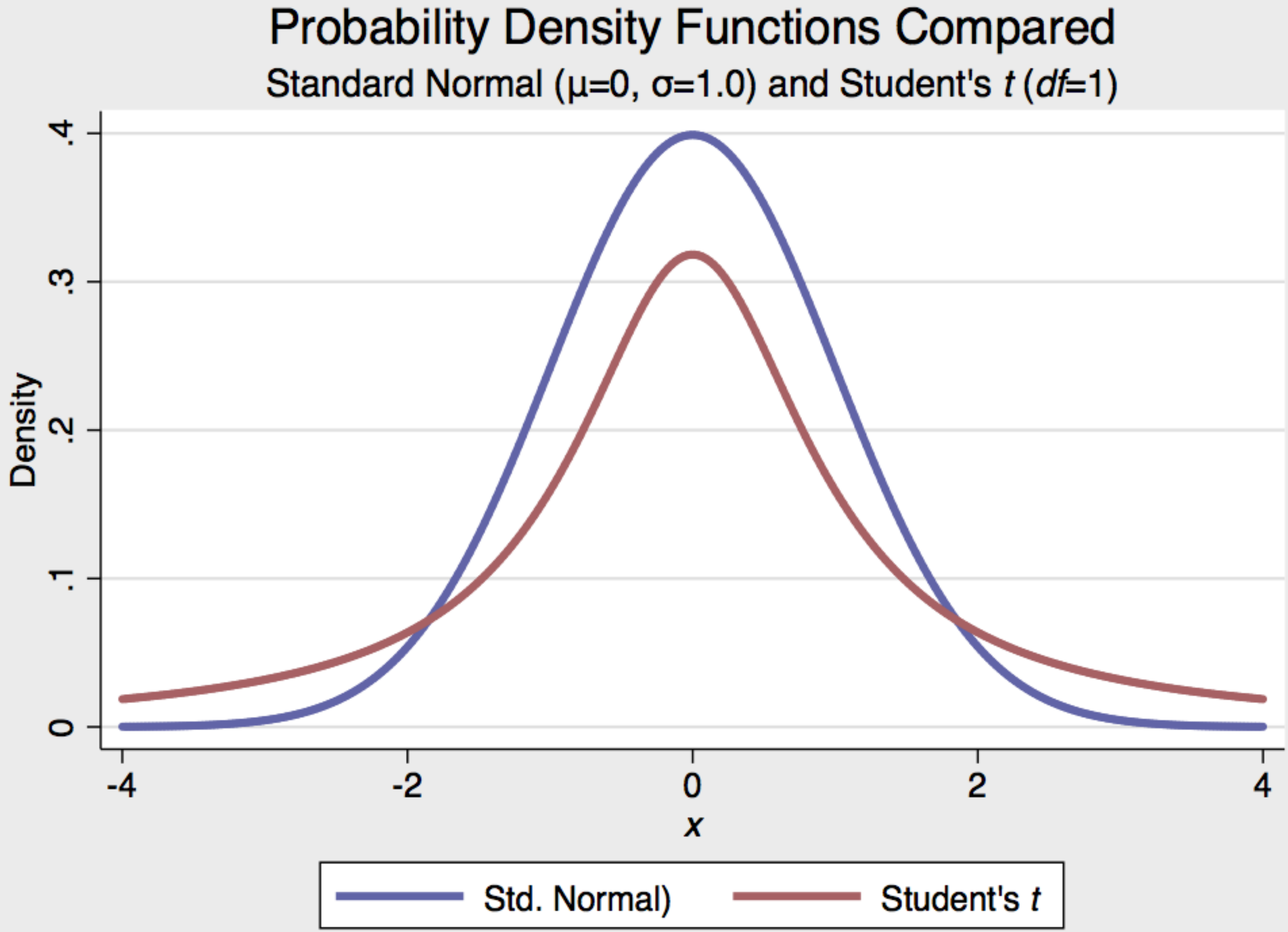
THE PROBLEM: EVERYTHING WE HAVE DONE SO FAR ASSUMES WE KNOW THE POPULATION PARAMETERS

WILLIAM SEALY GOSSET (1876–1937)
“STUDENT”

AN ALTERNATIVE

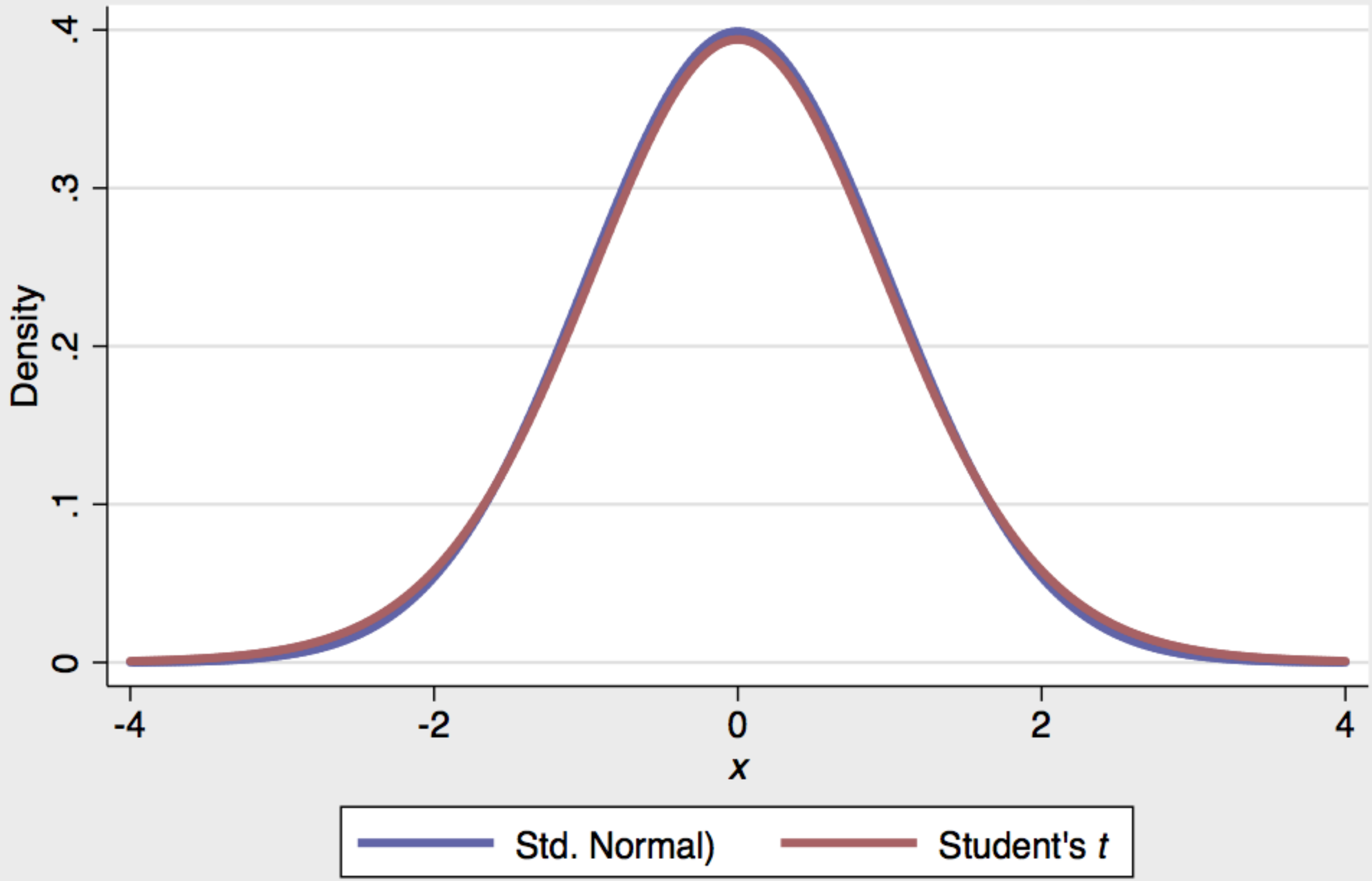
- As part of his work with Guisness, Gosset identified a solution to the problem of not knowing the population parameters.
- The Student’s *t* distribution approximates normal once the degrees of freedom (*n*-1) is ≥ 30.

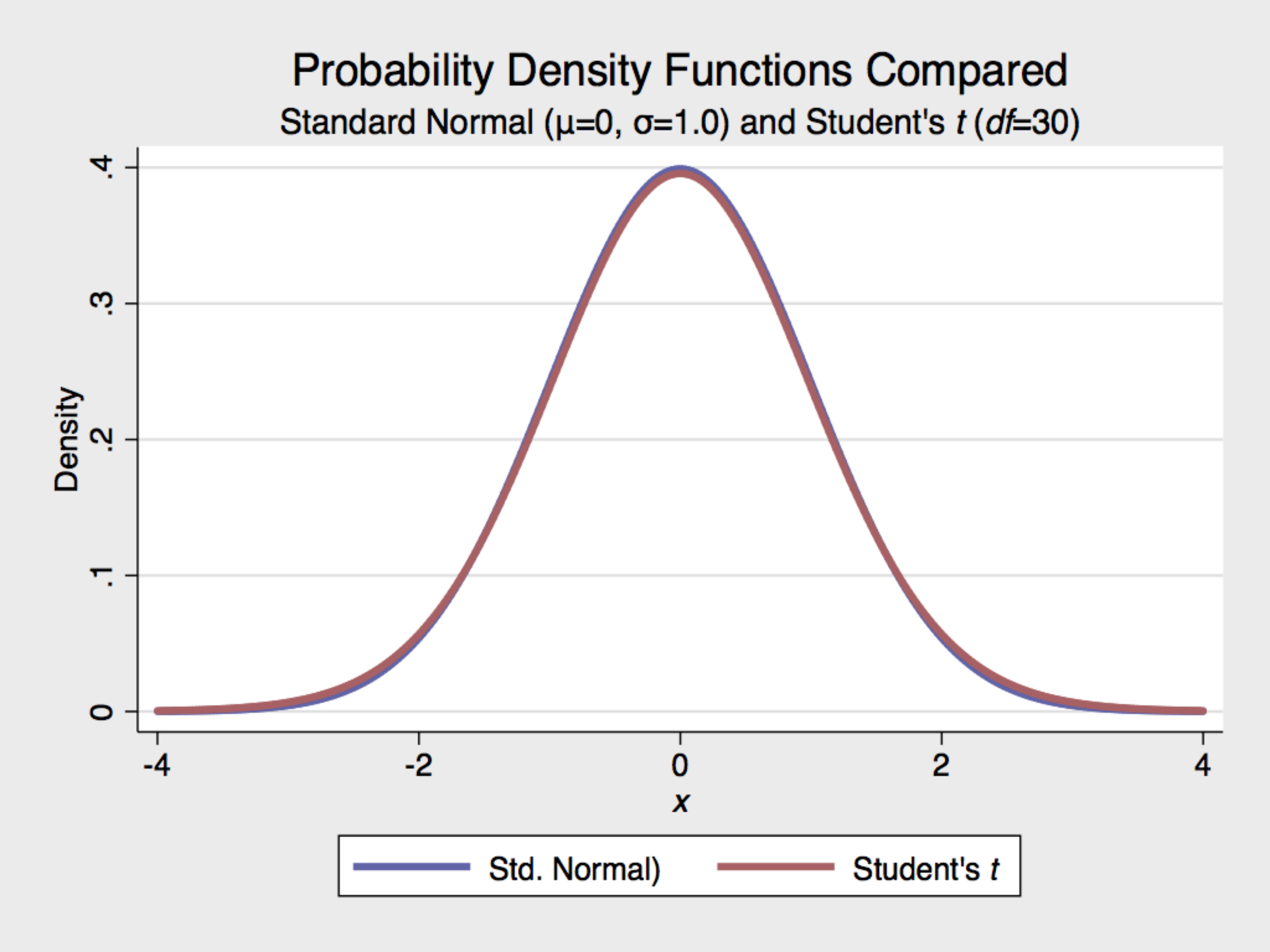
$$t = \frac{\bar{x} - \mu}{\frac{s}{\sqrt{n}}}$$

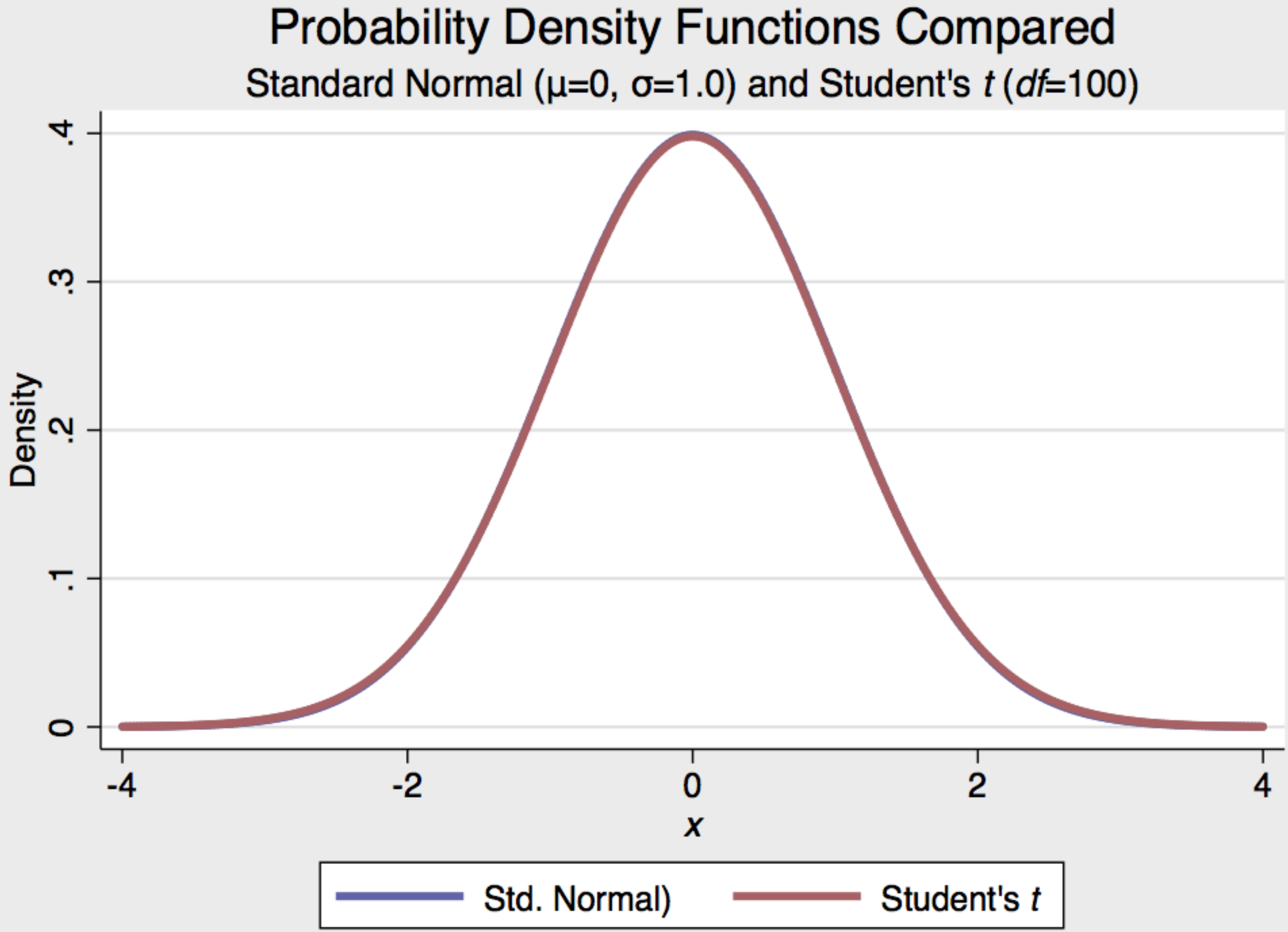

Probability Density Functions Compared
Standard Normal (μ=0, σ=1.0) and Student's t (df=1)
Density
0
.1
.2
.3
.4
-4
-2
0
2
4
x
Std. Normal)
Student's t

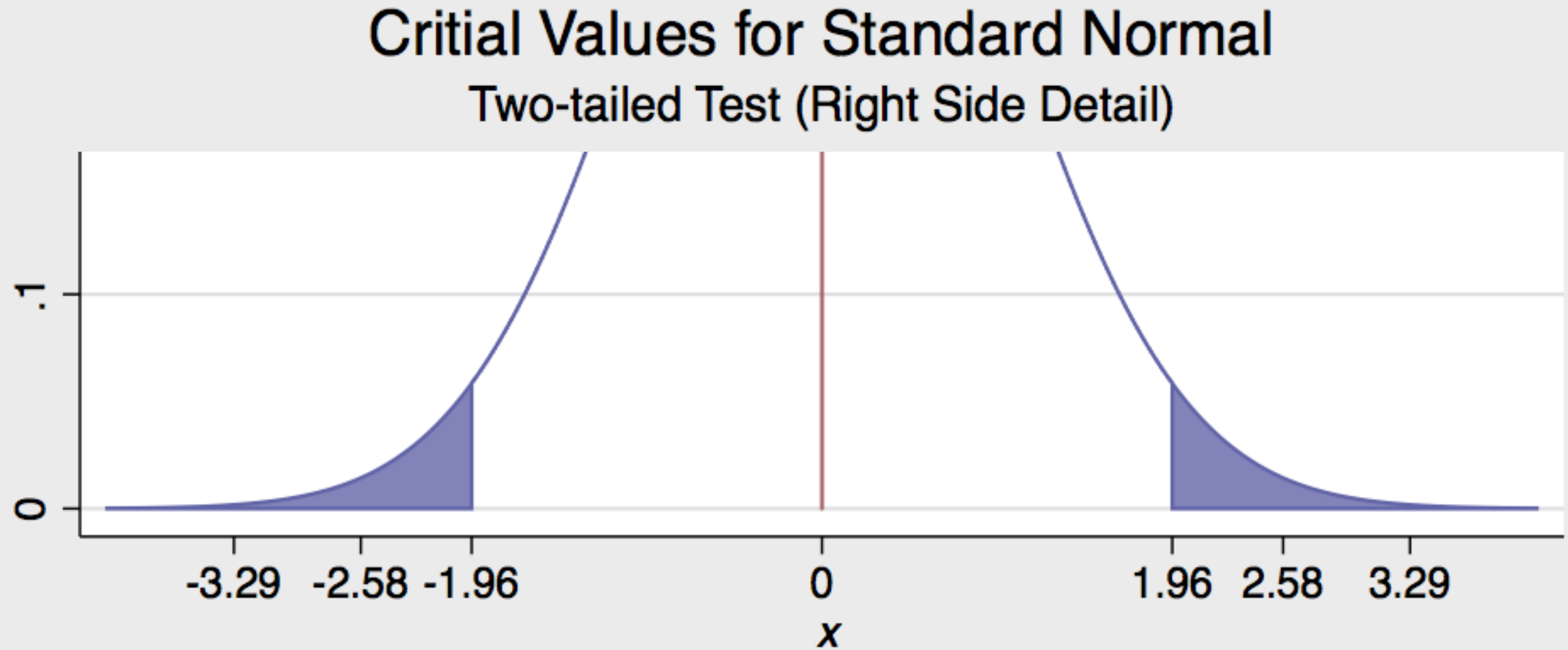
Probability Density Functions Compared

Standard Normal (μ=0, σ=1.0) and Student's *t* (*df*=20)




Probability Density Functions Compared
Standard Normal (μ=0, σ=1.0) and Student's t (df=30)
Density
.4
.3
.2
.1
0
-4
-2
0
2
4
x
Std. Normal)
Student's t


Probability Density Functions Compared
Standard Normal (μ=0, σ=1.0) and Student's t (df=100)
Density
.4
.3
.2
.1
0
-4
-2
0
2
4
x
Std. Normal)
Student's t



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p <	0.05	0.01	0.001
% of scores inside	95%	99%	99.9%
% of scores outside	5%	1%	0.1%

ERROR

Sample	Population	
	$\mu = \mu_0$	$\mu \neq \mu_0$
Not Reject	yes	Type II
Reject	Type I	yes

*The null hypothesis is that $\mu = \mu_0$

ERROR

Pr(Type II)=β

1-β=power

Sample	Population	
	$\mu = \mu_0$	$\mu \neq \mu_0$
Not Reject	yes	Type II
Reject	Type I	yes

*The null hypothesis is that $\mu=\mu_0$

Pr(Type I)=α

THE PROBABILITY OF GETTING RESULTS AT LEAST AS EXTREME AS THE ONES YOU OBSERVED, GIVEN THAT THE NULL HYPOTHESIS IS CORRECT

Christie Aschwanden

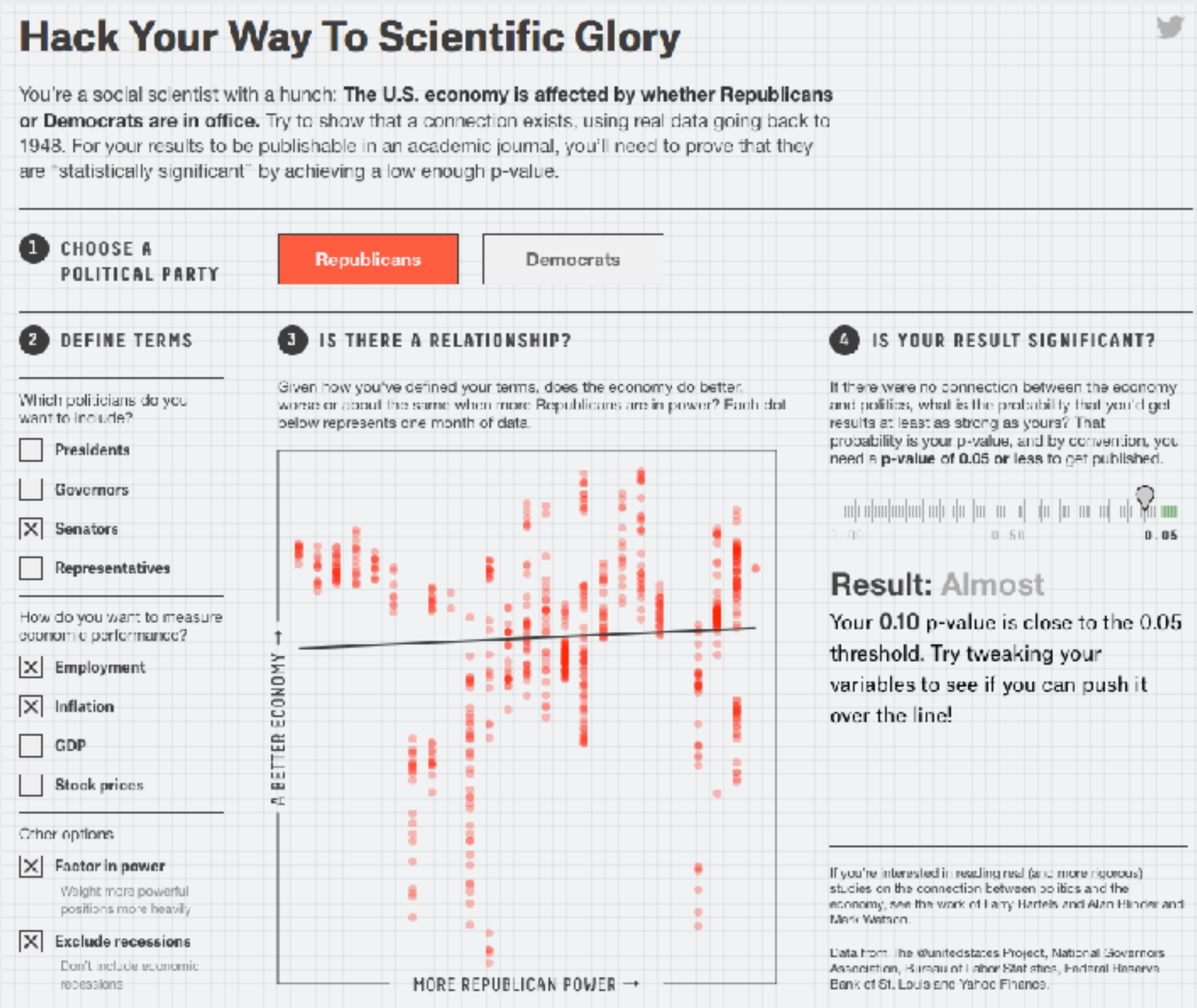
FiveThirtyEight's [p-value story]

AES STATEMENT ON P-VALUES

1. P-values do not measure the probability that the studied hypothesis is true, or the probability that the data were produced by random chance alone.
2. Scientific conclusions and business or policy decisions should not be based only on whether a p-value passes a specific threshold.
3. Proper inference requires full reporting and transparency.
4. A p-value, or statistical significance, does not measure the size of an effect or the importance of a result.
5. By itself, a p-value does not provide a good measure of evidence regarding a model or hypothesis.

P-HACKING

https://goo.gl/3oVKaP



Hack Your Way To Scientific Glory

You're a social scientist with a hunch: **The U.S. economy is affected by whether Republicans or Democrats are in office.** Try to show that a connection exists, using real data going back to 1948. For your results to be publishable in an academic journal, you'll need to prove that they are "statistically significant" by achieving a low enough p-value.

1 CHOOSE A POLITICAL PARTY

Republicans | Democrats

2 DEFINE TERMS

Which politicians do you want to include?

- [ ] Presidents
- [ ] Governors
- [x] Senators
- [ ] Representatives

How do you want to measure economic performance?

- [x] Employment
- [x] Inflation
- [ ] GDP
- [ ] Stock prices

Other options

- [x] Factor in power
  Weight more powerful positions more heavily
- [x] Exclude recessions
  Don't include economic recessions

3 IS THERE A RELATIONSHIP?

Given how you've defined your terms, does the economy do better, worse or about the same when more Republicans are in power? Each dot below represents one month of data.

A BETTER ECONOMY →

MORE REPUBLICAN POWER →

4 IS YOUR RESULT SIGNIFICANT?

If there were no connection between the economy and politics, what is the probability that you'd get results at least as strong as yours? That probability is your p-value, and by convention, you need a **p-value of 0.05 or less** to get published.

1.00 0.50 0.05

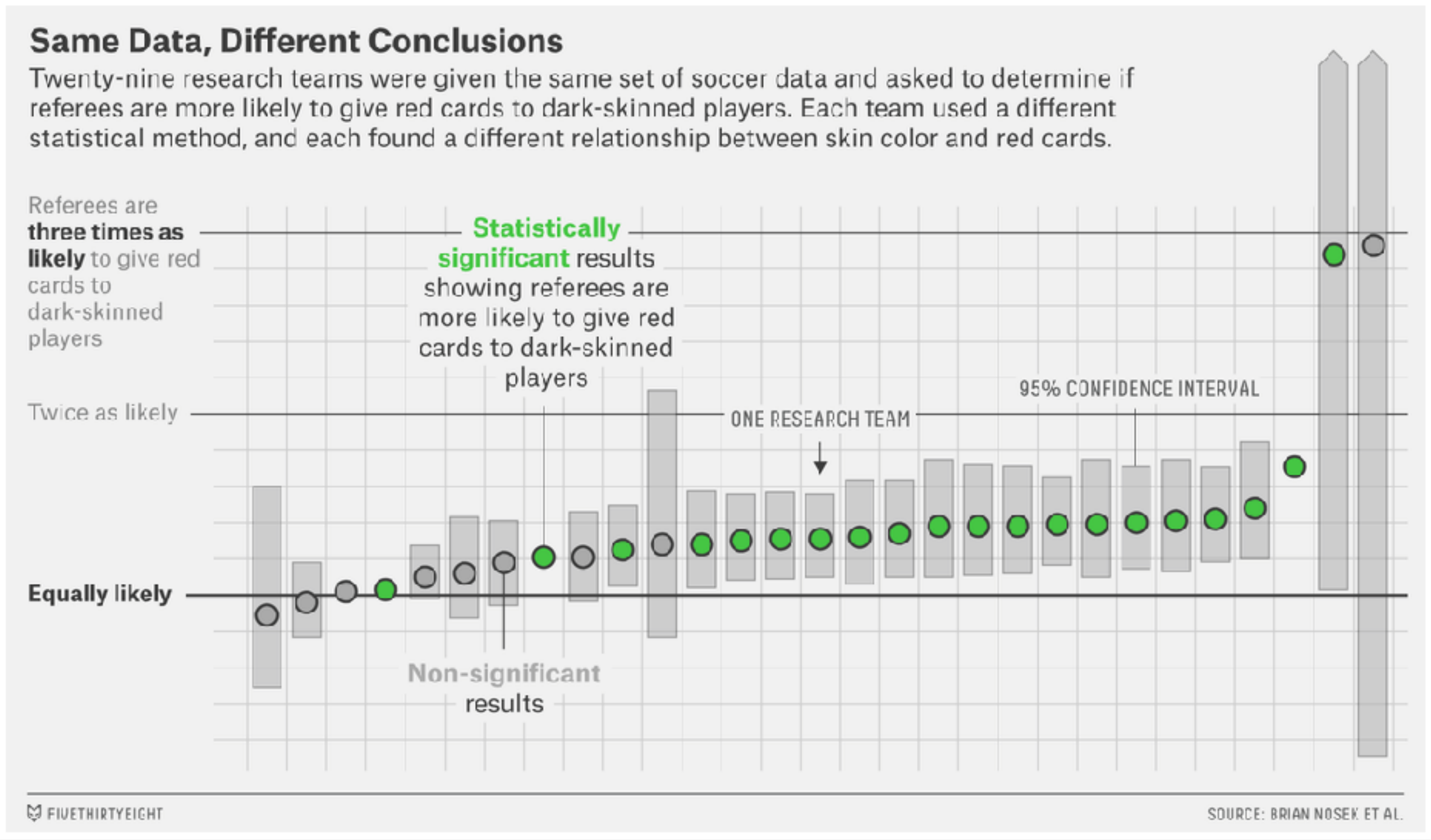
Result: Almost

Your 0.10 p-value is close to the 0.05 threshold. Try tweaking your variables to see if you can push it over the line!

If you're interested in reading real (and more rigorous) studies on the connection between politics and the economy, see the work of Larry Bartels and Alan Blinder and Mark Watson.

Data from The @unitedstates Project, National Governors Association, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis and Yahoo Finance.

P-HACKING



Same Data, Different Conclusions
Twenty-nine research teams were given the same set of soccer data and asked to determine if referees are more likely to give red cards to dark-skinned players. Each team used a different statistical method, and each found a different relationship between skin color and red cards.
Referees are three times as likely to give red cards to dark-skinned players
Statistically significant results showing referees are more likely to give red cards to dark-skinned players
Twice as likely
ONE RESEARCH TEAM
95% CONFIDENCE INTERVAL
Equally likely
Non-significant results
FIVETHIRTYEIGHT
SOURCE: BRIAN NOSEK ET AL.

6 NORMALITY TESTING REVIEW

QUANTIFYING ABNORMAL

DESCRIPTIVE STATISTICS

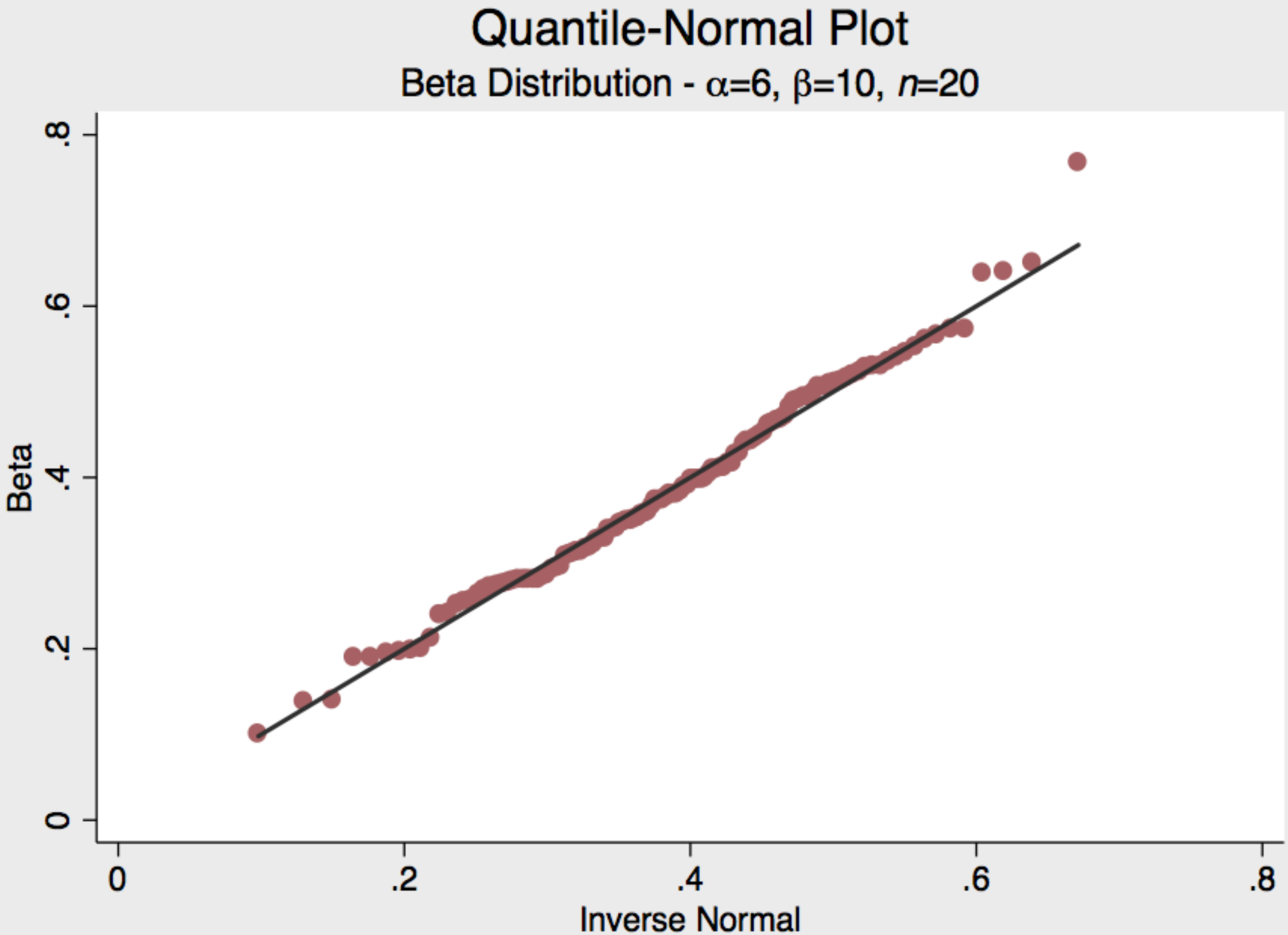
DIAGNOSTIC PLOTS

HYPOTHESIS TESTS

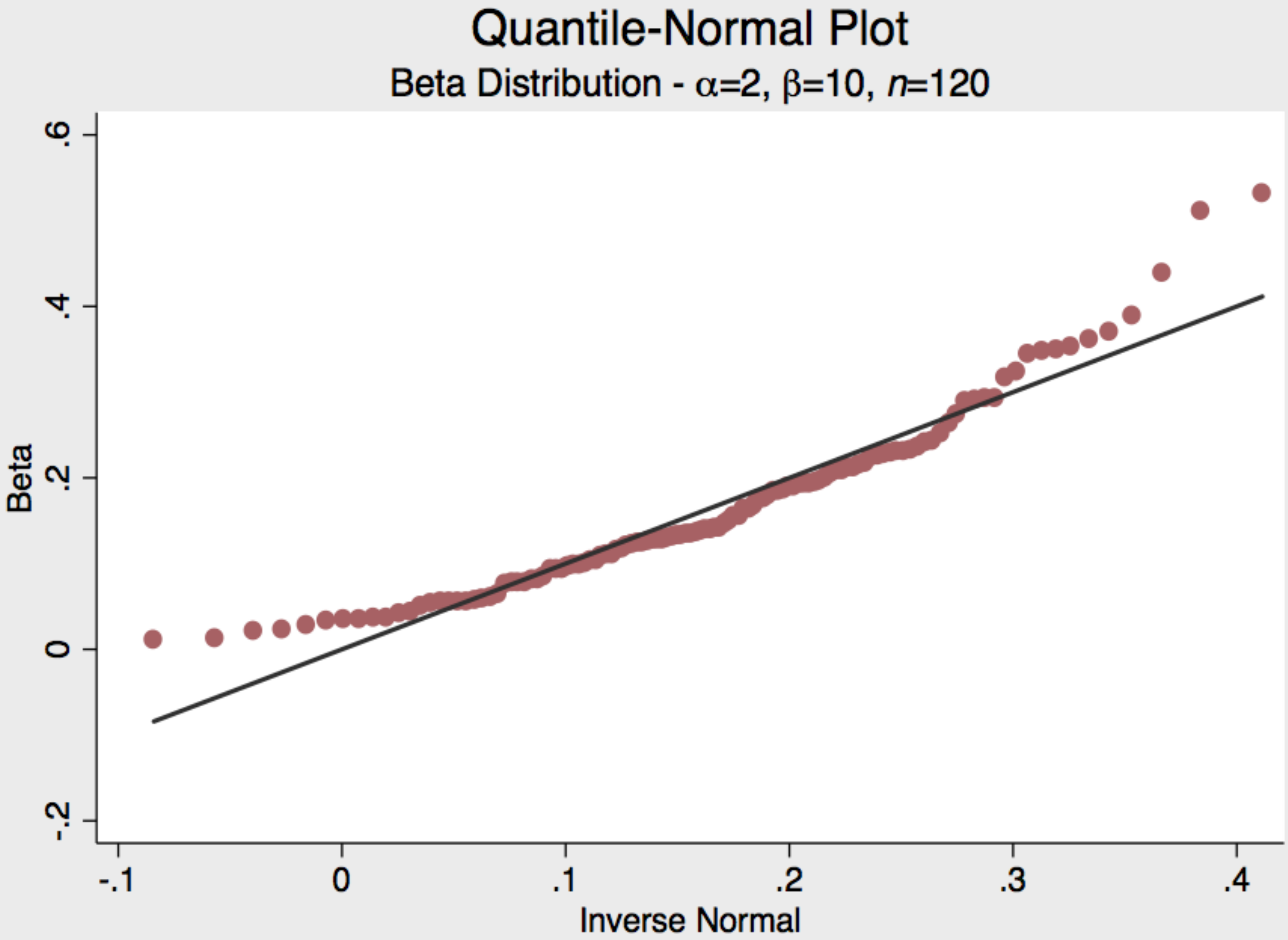
CALCULATING SKEW AND KURTOSIS

```
. summarize mpg, detail

                        Mileage (mpg)
-------------------------------------------------------------
      Percentiles      Smallest
 1%           12             12
 5%           14             12
10%           14             14       Obs                  74
25%           18             14       Sum of Wgt.          74

50%           20                      Mean            21.2973
                        Largest       Std. Dev.      5.785503
75%           25             34
90%           29             35       Variance       33.47205
95%           34             35       Skewness       .9487176
99%           41             41       Kurtosis       3.975005
```

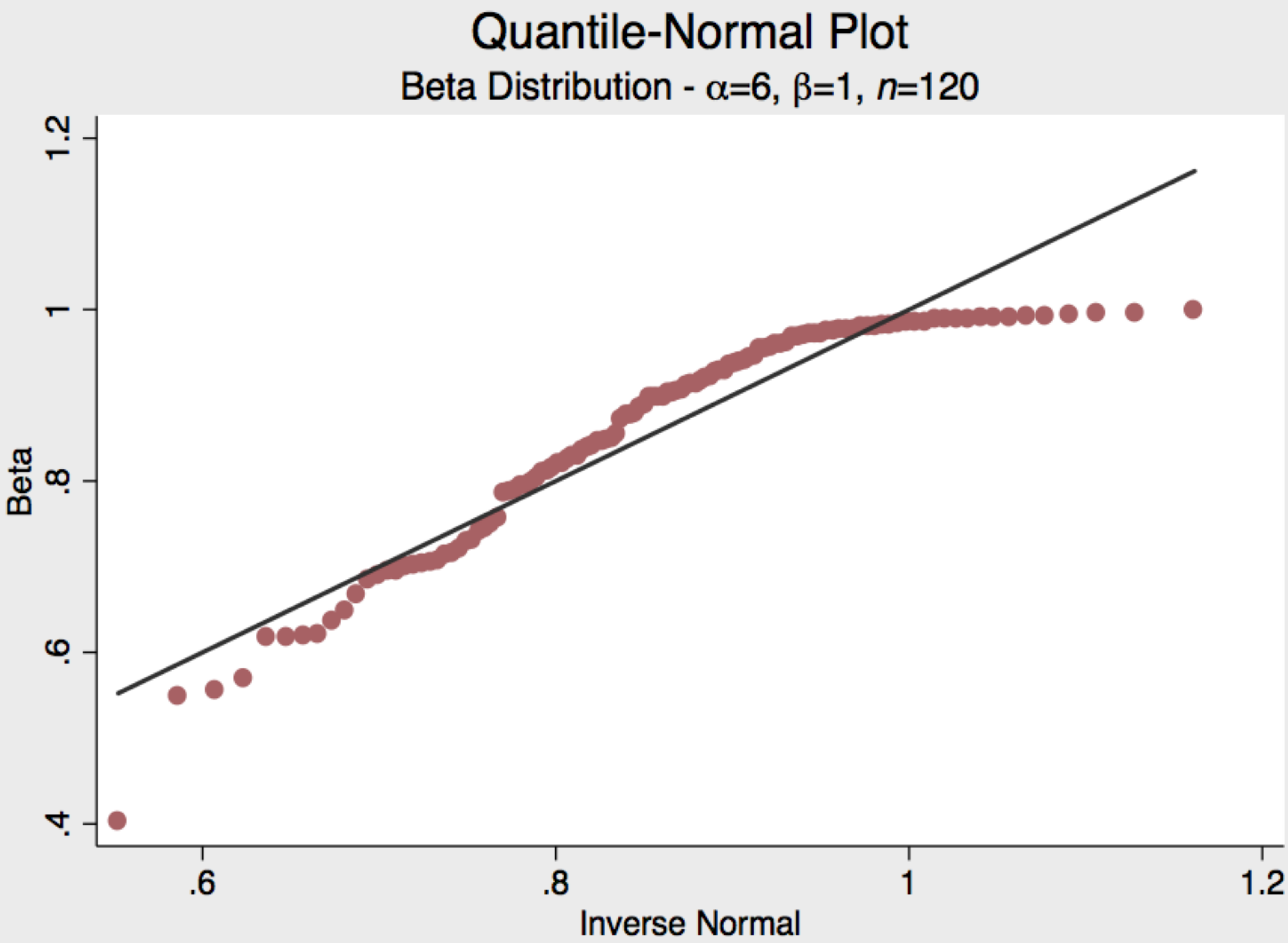
“NORMALLY DISTRIBUTED”



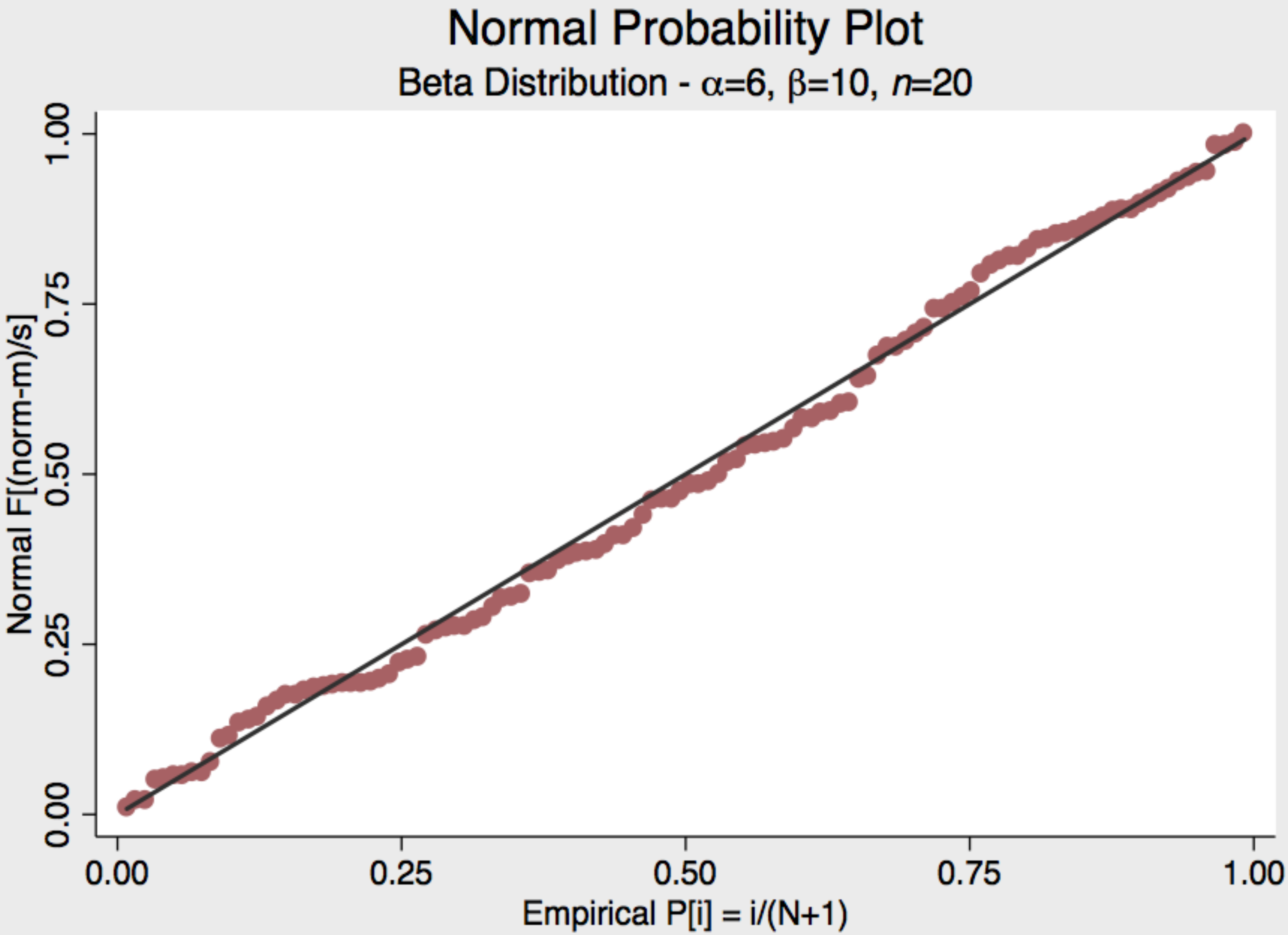
POSITIVE (RIGHT) SKEW



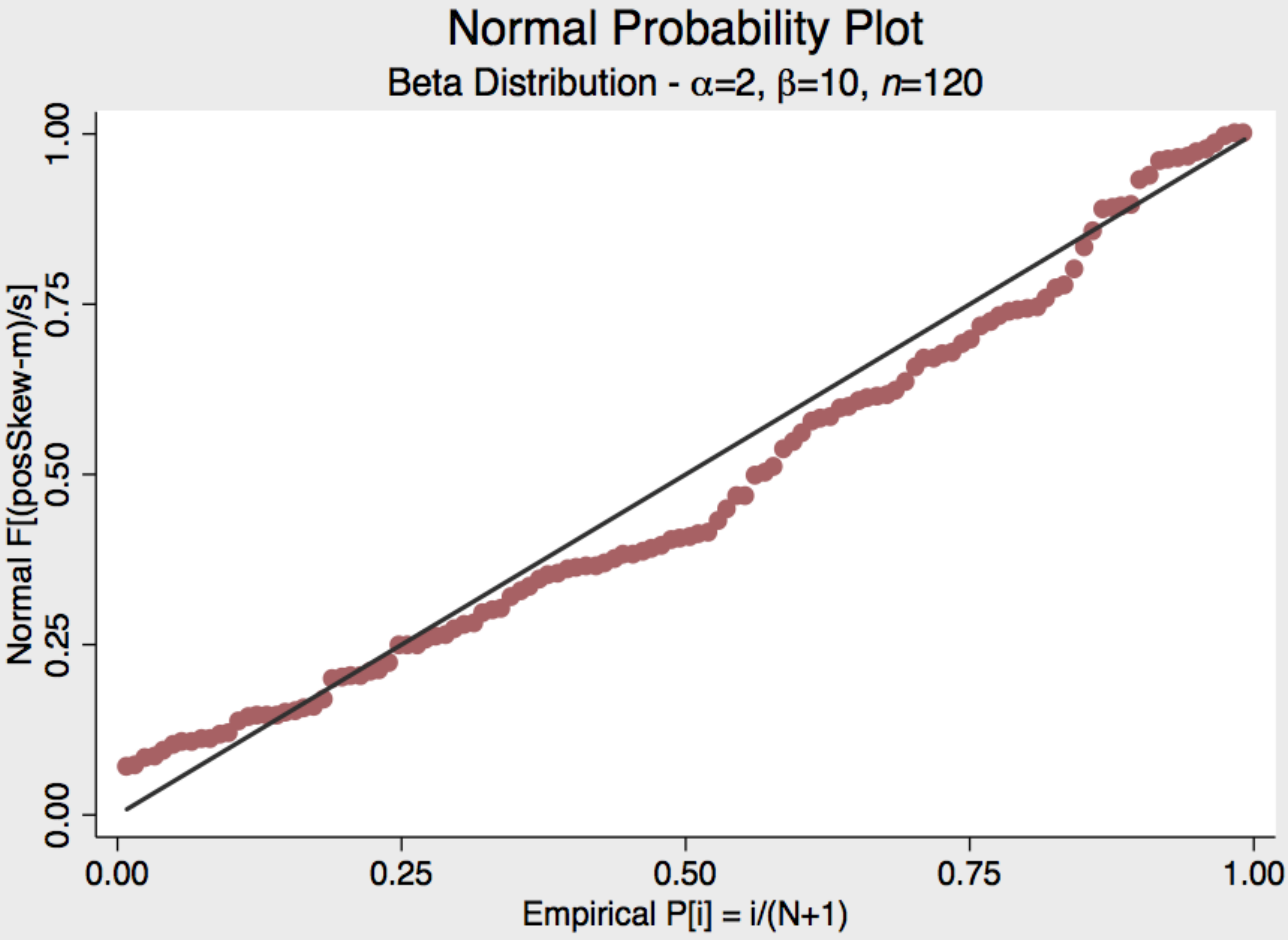
NEGATIVE (LEFT) SKEW



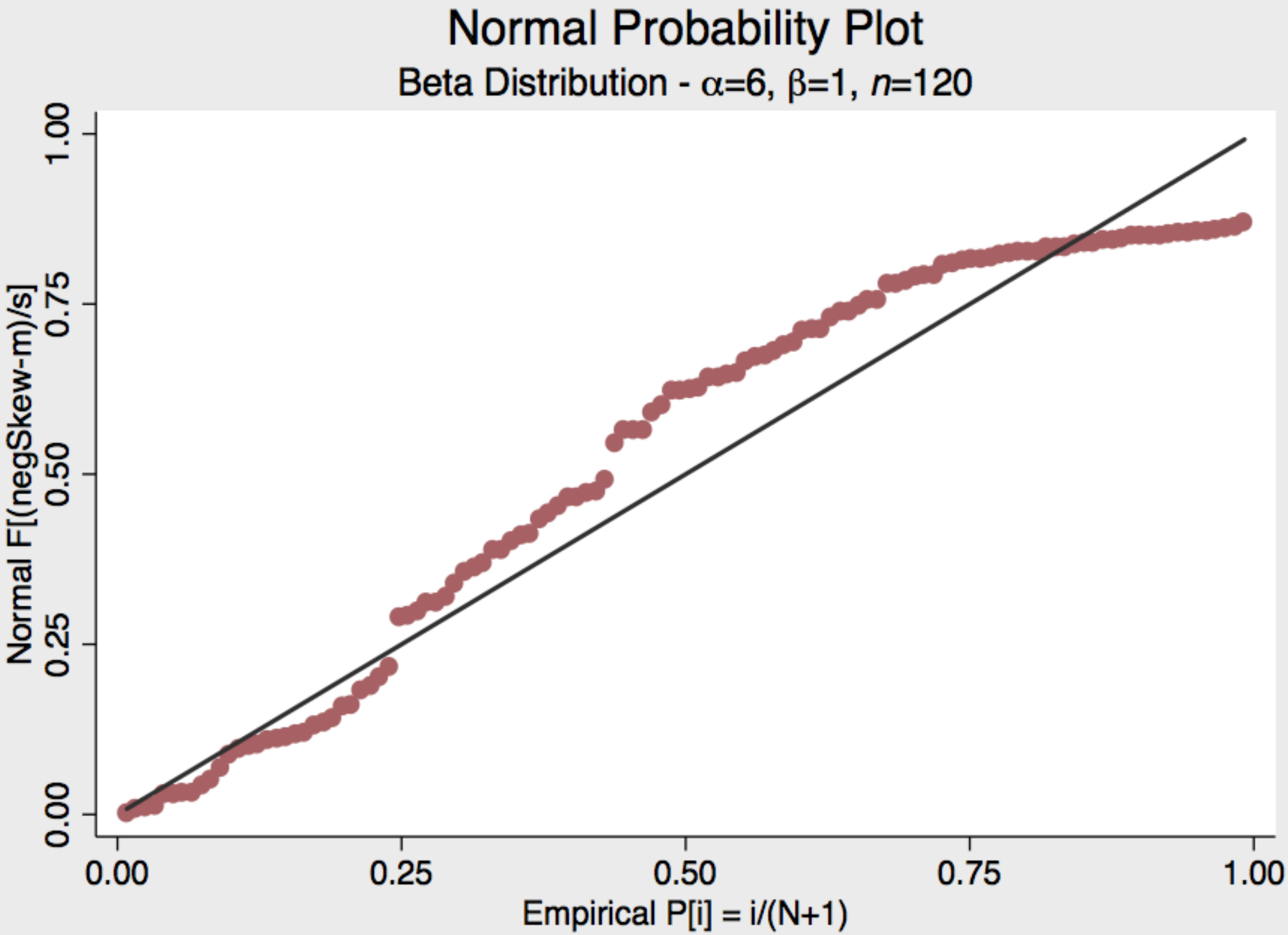
“NORMALLY DISTRIBUTED”



POSITIVE (RIGHT) SKEW



NEGATIVE (LEFT) SKEW



HYPOTHESIS TESTS FOR NORMALITY

- Both the Shapiro-Wilk (*W*) and Shapiro-Francia (*W'*) tests use the same hypotheses:
  - $\mathbf{H_0}$ = Data are not markedly different from the normal distribution.
  - $\mathbf{H_A}$ = Data are markedly different from the normal distribution.

```
. swilk mpg

                   Shapiro-Wilk W test for normal data

    Variable |        Obs       W           V         z       Prob>z
-------------+------------------------------------------------------
         mpg |         74    0.94821      3.335     2.627    0.00430
```

The results of the Shapiro-Wilk test (W=0.948; p=0.004) suggest that the variable mpg is not normally distributed.

DOCUMENT DETAILS

Document produced by Christopher Prener, Ph.D for the Saint Louis University course SOC 5050: QUANTITATIVE ANALYSIS - APPLIED INFERENTIAL STATISTICS. See the course wiki and the repository README.md file for additional details.