

S1211Q Introduction to Statistics

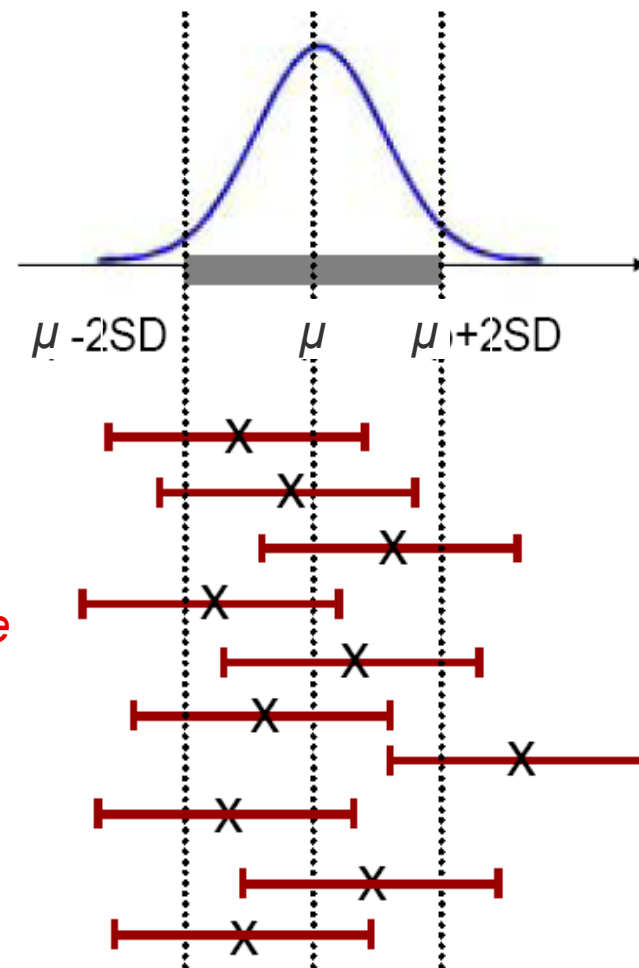
Lecture 15

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July 25, 2012

Random Interval

- By constructing a confidence interval like this, we never be sure whether μ actually lies in our confidence interval. However, we know that about 95 out of 100 times intervals constructed using this method will capture the true parameter.
- Interpreted as: “*the probability is .95 that the random interval includes or covers the true value of μ .*”



Confidence Interval

- Definition:

A 100(1- α)% confidence interval for the mean μ of a normal population when the value of σ is known is given by

$$\left(\bar{x} - z_{\alpha/2} \cdot \frac{\sigma}{\sqrt{n}}, \bar{x} + z_{\alpha/2} \cdot \frac{\sigma}{\sqrt{n}} \right)$$

- $z_{\alpha/2}$ is the upper $\alpha/2$ quantile of a standard normal distribution, i.e., $P(Z > z_{\alpha/2}) = \alpha/2$.

Remarks

- When constructing a confidence interval, *confidence level*, *precision*, and *sample size* are closely related. Is there a finite 100% confidence interval?
- The precision, or the width of the confidence interval when σ is known is, $2z_{\alpha/2}\sigma/\sqrt{n}$. Thus we can see, the confidence level of the interval is *inversely related* to its precision.
- The precision is also inversely related to the sample size.
- An appealing strategy is to specify both the desired confidence level and interval width and then determine the necessary sample size.

Sample Size Calculation

- The general formula for the sample size n necessary to ensure an interval width w is obtained from $w = 2 \cdot z_{\alpha/2} \cdot \sigma / \sqrt{n}$.

$$n = \left(2 \cdot z_{\alpha/2} \cdot \frac{\sigma}{w} \right)^2$$

Ex. A new operating system has been installed, and we wish to estimate the true average response time μ to a particular editing command. Assuming that response times are normally distributed with $\sigma=25$ millisec. How many tests should we do to ensure that the resulting 95% CI has a width of at most 10?

Constructing a CI

- The previous examples show the general procedure of constructing confidence intervals. Suppose X_1, X_2, \dots, X_n are the sample on which the CI for a parameter θ is to be based. Then we construct a so-called “pivotal” quantity whose distribution does not depend on parameters.
- In other words, the pivotal quantity is a function of both samples and parameters, i.e., $h(X_1, X_2, \dots, X_n, \theta)$, and the distribution of $h(\cdot)$ does not depend on θ or any other unknowns.
- Then one can find a and b to satisfy $P(a < h(X_1, X_2, \dots, X_n; \theta) < b) = 1 - \alpha$, by the pivotal property, a and b do not depend on θ . Then the inequality can be manipulated to isolate θ , giving the equivalent probability statement

$$P(l(X_1, X_2, \dots, X_n) < \theta < u(X_1, X_2, \dots, X_n)) = 1 - \alpha$$

Large-Sample Confidence Intervals for a Population Mean and Proportion

- ▶ However, in most cases, it is impossible to locate a pivotal quantity. In the previous setting, we can do this because the unlikely assumption of knowing σ .
- ▶ We often need to resort to large-sample theory, namely Central Limit Theorem to construct CIs.
- ▶ The most common application is to construct CIs for a Population Mean and Proportion.

Key Results

- ▶ If X_1, X_2, \dots, X_n IID from a general distribution with mean μ and variance σ^2 , then CLT tells us

$$\bar{X} \sim N\left(\mu, \frac{\sigma^2}{n}\right)$$

or

$$\frac{\bar{X} - \mu}{\sigma/\sqrt{n}} \sim N(0, 1)$$

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- ▶ Further, if we substitute σ with its estimator $\hat{\sigma}$, this still holds

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General Results

- **Proposition:**

A 100(1- α)% confidence interval for the mean μ of any population when the value of σ is unknown and sample size n is sufficiently large is given by

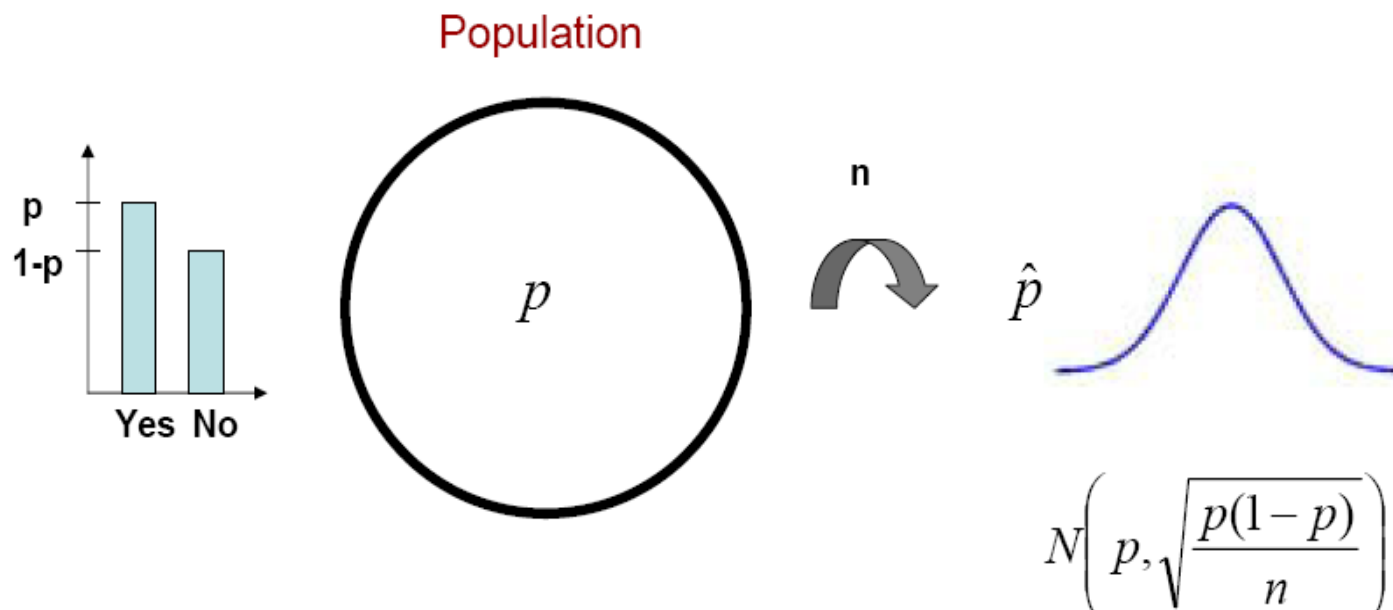
$$\left(\bar{x} - z_{\alpha/2} \cdot \frac{\hat{\sigma}}{\sqrt{n}}, \bar{x} + z_{\alpha/2} \cdot \frac{\hat{\sigma}}{\sqrt{n}} \right)$$

- **Rule of Thumb:** generally speaking, $n > 40$ will be sufficient to justify the use of this interval. This is somewhat more conservative than the rule of thumb for the CLT, because of the additional randomness coming from $\hat{\sigma}$.
- One can also derive a similar sample size calculation formula in this case

$$n = \left(2 \cdot z_{\alpha/2} \cdot \frac{\hat{\sigma}}{w} \right)^2$$

Proportions

- A special case of non-normal population is Bernoulli population. And the parameter of interest is the population proportion p .



Large Sample CI

- One can directly apply the proposition from the large sample case to construct the CI for the population proportion p .

$$\left(\bar{x} - z_{\alpha/2} \cdot \frac{\hat{\sigma}}{\sqrt{n}}, \bar{x} + z_{\alpha/2} \cdot \frac{\hat{\sigma}}{\sqrt{n}} \right)$$

- In this case $\bar{x} = \hat{p}$, $\hat{\sigma}^2 = \hat{p}(1 - \hat{p})$.
- If we set $q=1-p$, then the large sample confidence interval for p should be

$$\left(\hat{p} - z_{\alpha/2} \sqrt{\hat{p}\hat{q}/n}, \hat{p} + z_{\alpha/2} \sqrt{\hat{p}\hat{q}/n} \right)$$

- To calculate sample size: $n = \left(2 \cdot z_{\alpha/2} \cdot \frac{\sqrt{\hat{p}\hat{q}}}{w} \right)^2$

Another way

- The large sample confidence interval works fine if we have enough data. But for finite samples we can construct a better CI.
- Since in this case, we only have 1 parameter p , by CLT, we have

$$P \left(-z_{\alpha/2} < \frac{\hat{p} - p}{\sqrt{p(1-p)/n}} < z_{\alpha/2} \right) \approx 1 - \alpha$$

- If we solve the resulting quadratic function, we'll have a new confidence interval for p .

$$\left(\frac{\hat{p} + \frac{z_{\alpha/2}^2}{2n} - z_{\alpha/2} \sqrt{\frac{\hat{p}\hat{q}}{n} + \frac{z_{\alpha/2}^2}{4n^2}}}{1 + z_{\alpha/2}^2/n}, \frac{\hat{p} + \frac{z_{\alpha/2}^2}{2n} + z_{\alpha/2} \sqrt{\frac{\hat{p}\hat{q}}{n} + \frac{z_{\alpha/2}^2}{4n^2}}}{1 + z_{\alpha/2}^2/n} \right)$$

Remarks

- The latter confidence interval looks complicated, but it “**can be recommended for use with nearly all sample sizes and parameter values**”. Therefore we don’t have to check for large sample conditions.

- In the latter case, we can also derive a new sample size calculation formula

$$n = \frac{2z_{\alpha/2}^2 \hat{p}\hat{q} - z_{\alpha/2}^2 w^2 \pm \sqrt{4z_{\alpha/2}^4 \hat{p}\hat{q}(\hat{p}\hat{q} - w^2) + w^2 z_{\alpha/2}^4}}{w^2}$$

“+” sign is used!

- When sample size is large, the confidence interval we just constructed and the sample size calculation formula will be equivalent to

$$\left(\hat{p} - z_{\alpha/2} \sqrt{\hat{p}\hat{q}/n}, \hat{p} + z_{\alpha/2} \sqrt{\hat{p}\hat{q}/n} \right) \quad \text{and} \quad n = \left(2 \cdot z_{\alpha/2} \cdot \frac{\sqrt{\hat{p}\hat{q}}}{w} \right)^2$$

One-sided CI

- In some situations, an investigator will want only one upper bound or one lower bound for the parameter.
- Follow a similar argument as in the two-sided case, we have the following result

A large sample $100(1-\alpha)\%$ confidence upper bound for the mean μ is

$$\mu < \bar{x} + z_{\alpha} \cdot \frac{\hat{\sigma}}{\sqrt{n}}$$

and a lower bound is

$$\mu > \bar{x} - z_{\alpha} \cdot \frac{\hat{\sigma}}{\sqrt{n}}$$

A one-sided confidence bound for p results from replacing $z_{\alpha/2}$ by z_{α} .

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CIs Based on the t Distribution

- ▶ The above discussions are based on the large-sample assumptions. But what can we do if we don't have a large sample?
- ▶ When the distribution under discussion is normal, we do have a solution, that is based on the so-called t distribution.
- ▶ Our assumption right now is X_1, X_2, \dots, X_n IID from *normal* distribution with unknown mean μ and unknown σ .

The t Distribution

- ▶ When \bar{X} is the sample mean of a simple random sample from normal under the previous assumptions, then RV

$$T = \frac{\hat{X} - \mu}{\sigma / \sqrt{n}}$$

has a probability distribution called a t distribution with $n - 1$ degrees of freedom (df). We write

$$\frac{\hat{X} - \mu}{\sigma / \sqrt{n}} \sim t_{n-1}$$

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- ▶ The property of the t distribution
 - ▶ Bell-shaped curve center at 0.
 - ▶ More spread-out than standard normal curve (heavy-tail).
 - ▶ When the degrees of freedom approach infinity, t distribution converges to standard normal.

t distribution table

Table entry for p and C is the critical value t^* with probability p lying to its right and probability C lying between $-t^*$ and t^* .

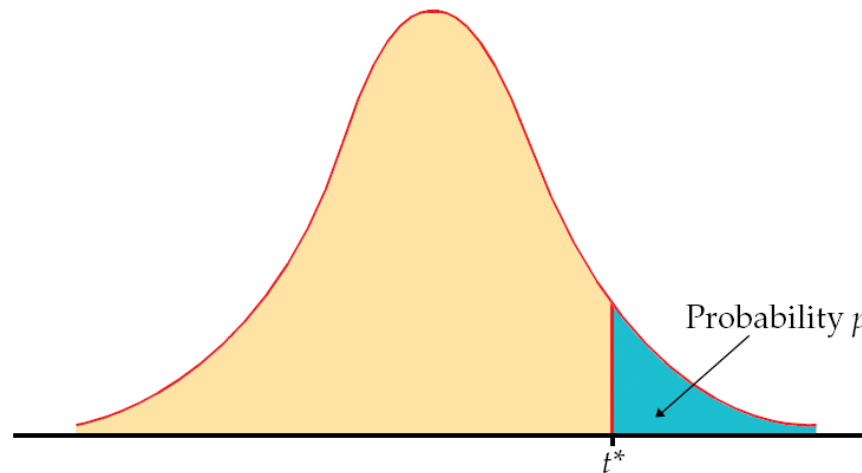


TABLE D

t distribution critical values

	Upper-tail probability p											
df	.25	.20	.15	.10	.05	.025	.02	.01	.005	.0025	.001	.0005
1	1.000	1.376	1.963	3.078	6.314	12.71	15.89	31.82	63.66	127.3	318.3	636.6
2	0.816	1.061	1.386	1.886	2.920	4.303	4.849	6.965	9.925	14.09	22.33	31.60
3	0.765	0.978	1.250	1.638	2.353	3.182	3.482	4.541	5.841	7.453	10.21	12.92
4	0.741	0.941	1.190	1.533	2.132	2.776	2.999	3.747	4.604	5.598	7.173	8.610
5	0.727	0.920	1.156	1.476	2.015	2.571	2.757	3.365	4.032	4.773	5.893	6.869
6	0.718	0.906	1.134	1.440	1.943	2.447	2.612	3.143	3.707	4.317	5.208	5.959
7	0.711	0.896	1.119	1.415	1.895	2.365	2.517	2.998	3.499	4.029	4.785	5.408

Confidence Interval for μ

- ▶ Let \hat{x} and s be the sample mean and sample standard deviation computed from a simple random sample from a normal population with mean μ , then a $100(1 - \alpha)\%$ confidence interval for μ is

$$\left(\hat{x} - t_{\alpha/2, n-1} \frac{s}{\sqrt{n}}, \hat{x} + t_{\alpha/2, n-1} \frac{s}{\sqrt{n}} \right)$$

- ▶ An upper confidence interval is

$$\hat{x} + t_{\alpha, n-1} \frac{s}{\sqrt{n}}$$