Lecture 14

Regression with Quantitative and Qualitative Predictors & Polynomial Regression

STAT 8020 Statistical Methods II
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Agenda

1. **Regression with Both Quantitative and Qualitative Predictors**

2. **Polynomial Regression**

Regression with Both Quantitative and Qualitative Predictors

Multiple Linear Regression

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \cdots + \beta_{p-1} X_{p-1} + \varepsilon, \quad \varepsilon \sim \mathrm{N}(0, \sigma^2)$$

$X_1, X_2, \cdots, X_{p-1}$ are the predictors.

Question: What if some of the predictors are qualitative (categorical) variables?

$\Rightarrow$ We will need to create **dummy (indicator) variables** for those categorical variables

Example: We can encode `Gender` into 1 (Female) and 0 (Male)

Salaries for Professors Data Set

The 2008-09 nine-month academic salary for Assistant Professors, Associate Professors and Professors in a college in the U.S. The data were collected as part of the on-going effort of the college's administration to monitor salary differences between male and female faculty members.

```
> head(Salaries)
       rank discipline yrs.since.phd yrs.service  sex salary
1      Prof          B            19          18 Male 139750
2      Prof          B            20          16 Male 173200
3  AsstProf          B             4           3 Male  79750
4      Prof          B            45          39 Male 115000
5      Prof          B            40          41 Male 141500
6 AssocProf          B             6           6 Male  97000
```

Predictors

```
> summary(Salaries)
       rank     discipline yrs.since.phd    yrs.service
 AsstProf : 67   A:181      Min.   : 1.00   Min.   : 0.00
 AssocProf: 64   B:216      1st Qu.:12.00   1st Qu.: 7.00
 Prof     :266              Median :21.00   Median :16.00
                            Mean   :22.31   Mean   :17.61
                            3rd Qu.:32.00   3rd Qu.:27.00
                            Max.   :56.00   Max.   :60.00
     sex          salary
 Female: 39   Min.   : 57800
 Male  :358   1st Qu.: 91000
              Median :107300
              Mean   :113706
              3rd Qu.:134185
              Max.   :231545
```

We have three categorical variables, namely, `rank`, `discipline`, and `sex`.

Dummy Variable

For binary categorical variables:

$$X_{\texttt{sex}} = \begin{cases} 0 & \text{if } \texttt{sex} = \text{male}, \\ 1 & \text{if } \texttt{sex} = \text{female}. \end{cases}$$

$$X_{\texttt{discip}} = \begin{cases} 0 & \text{if } \texttt{discip} = \text{A}, \\ 1 & \text{if } \texttt{discip} = \text{B}. \end{cases}$$

For categorical variable with more than two categories:

$$X_{\texttt{rank1}} = \begin{cases} 0 & \text{if } \texttt{rank} = \text{Assistant Prof}, \\ 1 & \text{if } \texttt{rank} = \text{Associated Prof}. \end{cases}$$

$$X_{\texttt{rank2}} = \begin{cases} 0 & \text{if } \texttt{rank} = \text{Associated Prof}, \\ 1 & \text{if } \texttt{rank} = \text{Full Prof}. \end{cases}$$

Design Matrix

```
> head(X)
  (Intercept) rankAssocProf rankProf disciplineB yrs.since.phd
1           1             0        1           1            19
2           1             0        1           1            20
3           1             0        0           1             4
4           1             0        1           1            45
5           1             0        1           1            40
6           1             1        0           1             6
  yrs.service sexMale
1          18       1
2          16       1
3           3       1
4          39       1
5          41       1
6           6       1
```

With the design matrix $\boldsymbol{X}$, we can now use method of least squares to fit the model $\boldsymbol{Y} = \boldsymbol{X}\boldsymbol{\beta} + \boldsymbol{\varepsilon}$

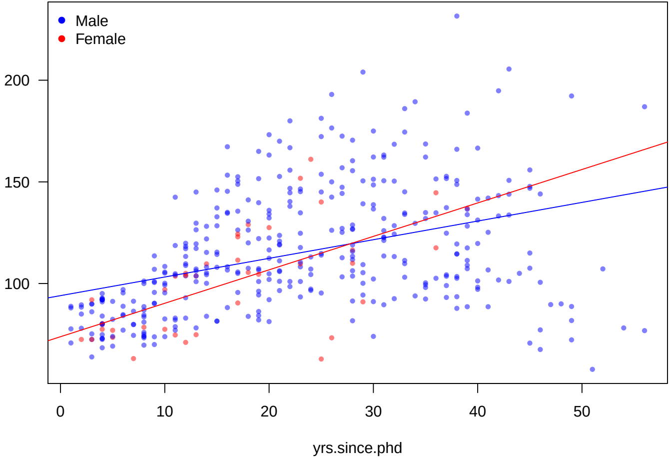
Model Fit

```
Coefficients:
               Estimate Std. Error t value Pr(>|t|)    
(Intercept)     70738.7     3403.0  20.787  < 2e-16 ***
rankAssocProf   12907.6     4145.3   3.114  0.00198 ** 
rankProf        45066.0     4237.5  10.635  < 2e-16 ***
disciplineB     14417.6     2342.9   6.154 1.88e-09 ***
yrs.since.phd     535.1      241.0   2.220  0.02698 *  
yrs.service      -489.5      211.9  -2.310  0.02143 *  
sexFemale       -4783.5     3858.7  -1.240  0.21584    
---
Signif. codes:  0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

Residual standard error: 22540 on 390 degrees of freedom
Multiple R-squared:  0.4547,	Adjusted R-squared:  0.4463 
F-statistic:  54.2 on 6 and 390 DF,  p-value: < 2.2e-16
```

Question: Interpretation of these dummy variables (e.g. $\hat{\beta}_{\texttt{rankAssocProf}}$)?

$\texttt{lm}(\texttt{salary} \sim \texttt{sex} * \texttt{yrs.since.phd})$



Polynomial Regression

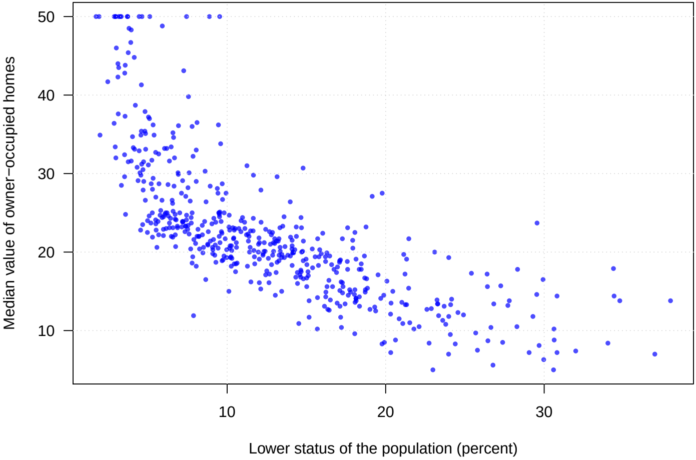
Suppose we would like to model the relationship between response Y and a predictor X as a p_{th} degree polynomial in X:

$$Y_i = \beta_0 + \beta_1 X_i + \beta_2 X_i^2 + \cdots + \beta_p X_i^p + \varepsilon$$

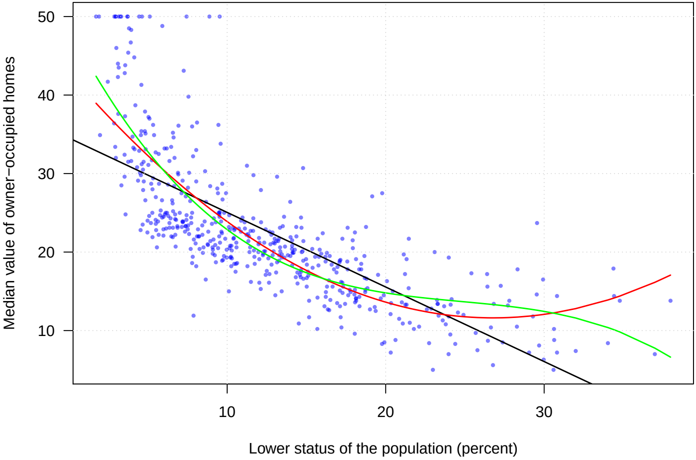
We can treat polynomial regression as a special case of multiple linear regression. In specific, the design matrix takes the following form:

$$\boldsymbol{X} = \begin{pmatrix} 1 & X_1 & X_1^2 & \cdots & X_1^p \\ 1 & X_2 & X_2^2 & \cdots & X_2^p \\ \vdots & \dots & \ddots & \vdots & \vdots \\ 1 & X_n & X_n^2 & \cdots & X_n^p \end{pmatrix}$$

Housing Values in Suburbs of Boston Data Set



Polynomial Regression Fits



Potential Topics for Next Lecture

- Nonlinear Regression
- Non-Parametric Regression
- Regression Tree
- Ridge Regression
- Least Absolute Shrinkage and Selection Operator (LASSO)