

## Midterm Topics

- numerical vs categorical data
- cross sectional, time series, panel data
- experimental vs observational data
- summations
- sample mean, variance, standard deviation, skew, kurtosis, coefficient of variation
- median and quantiles (especially quartiles, interquartile range)
- histogram, pie chart, box-and-whisker plot, line chart
- population mean, variance, standard deviation
- unbiased and consistent estimators
- standardization,  $z$ -scores
- properties of normal distribution
- Central Limit Theorem, expected value and standard error of  $\bar{X}$
- confidence intervals, hypothesis testing, critical values,  $p$ -values

I don't think I'm forgetting anything, however I am very much fallible; consider this my caveat emptor.

## Practice Solutions

**Answer 1.** The formula is

$$z = \frac{w - 52}{2}.$$

**Answer 2.**  $(2 + 6/1) + (2 + 6/2) + (2 + 6/3) = 8 + 5 + 4 = 17$ .

**Answer 3a.** Its skewness is pretty small, so yes. (Absolute value of 1 indicates at least mild skewness; anything less is unclear.)

**Answer 3b.** 95% of observations would lie within

$$[\bar{x} \pm 2 \times s] = [0.6663 \pm 2 \times 0.1602] = [0.3459, 0.9867].$$

**Answer 3c.** For 193 degrees of freedom, the 90% confidence interval has critical value of 1.6528, giving (approximately)

$$\left[ 56257.22 \pm 1.6528 \times \frac{14535.76}{\sqrt{194}} \right] = [54535.27, 57979.17].$$

**Answer 3d.** mean earlycareer, level(90)

**Answer 3e.**  $H_0 : \mu = 60,000$ ,  $H_1 : \mu \neq 60,000$ .

$$t = \frac{56,257.22 - 60,000}{14535.76/\sqrt{194}} = -3.5864.$$

This exceeds the critical value 1.6528 in magnitude, so we reject the null hypothesis.

**Answer 3f.** We fail to reject the null because the  $p$ -value is greater than our chosen significance level. In words, the  $t$ -statistic we find isn't quite improbable enough to reject based on our standard of 5% significance.

**Answer 4.** The calculations are

$$\begin{aligned}\bar{x} &= \frac{12 + 15 + 13 + 12}{4} = 13, \\ s^2 &= \frac{1}{3}[(12 - 13)^2 + (15 - 13)^2 + (13 - 13)^2 + (12 - 13)^2] = 2, \\ s &= \sqrt{2} = 1.4142.\end{aligned}$$

The median is 12.5. Since the mean is larger than the median, we conclude that the sample is right-skewed.<sup>1</sup>

**Answer 5.** The calculations are

$$\begin{aligned}E[X] &= 0.6(10) + 0.3(20) + 0.1(30) = 15, \\ \text{Var}(X) &= 0.6(10 - 15)^2 + 0.3(20 - 15)^2 + 0.1(30 - 15)^2 = 45, \\ \text{SD}(X) &= \sqrt{45} = 6.7082.\end{aligned}$$

**Answer 6.** We expect

$$E[\bar{X}] = 200, \quad \text{SD}(\bar{X}) = \frac{10}{\sqrt{25}} = 2.$$

---

<sup>1</sup>Here's some intuition. Consider sample  $\{13, 14, 15\}$ . This has median and mean both 14, and it's also symmetrical. Now instead consider  $\{13, 14, 100\}$ . The median is still 14, but the mean is well above 14, and it's also right-skewed.

This is the Central Limit Theorem at work. The distribution will be centered around the mean, and the standard deviation (in this case, also called the standard error of  $\bar{X}$ ) will shrink as  $n$  gets bigger.

**Answer 7.** The interquartile range is given by

$$IQR \equiv Q_3 - Q_1 = 5.9934 - 2.0566 = 3.9368.$$

**Answer 8.** Skewness is not zero (absolute value of 1 indicates at least mild skewness) and kurtosis is not 3, so it does not appear to be normally distributed.

**Answer 9: b.** Having an estimator that varies a lot depending on our random sample is an undesirable property. Having an estimator that is usually pretty close to the true population value, on the other hand, is a desirable property.

Just to refresh your memory, an **unbiased** estimator is an estimator that we expect, on average, to equal the true population value. For example, if  $X_i \sim (\mu, \sigma^2)$ , then the sample mean

$$\bar{X} = \frac{X_1 + \dots + X_n}{n}$$

is an example of an unbiased estimator because  $E[\bar{X}] = \mu$ . This can be shown mathematically by utilizing two properties of the expectations operator. First, for two random variables  $X$  and  $Y$ , we have

$$E[X + Y] = E[X] + E[Y].$$

Furthermore, for any real number  $a$ , we have

$$E[aX] = aE[X].$$

These two properties constitute a *linear operator*. Accordingly, we can calculate

$$\begin{aligned} E[\bar{X}] &= E\left[\frac{X_1 + \dots + X_n}{n}\right] \\ &= \frac{1}{n}E[X_1 + \dots + X_n] \\ &= \frac{1}{n}\left(E[X_1] + \dots + E[X_n]\right) \\ &= \frac{1}{n}\left(\underbrace{\mu + \dots + \mu}_{n \text{ times}}\right) \\ &= \frac{1}{n}(n\mu) \\ &= \mu. \end{aligned}$$

A **consistent** estimator is one that converges (in probability) to the true population value as  $n$  gets bigger. In other words, as the sample size gets bigger (we get more data), we expect the estimate to get closer and closer to the true population value. Sample mean  $\bar{X}$  is also consistent because  $se(\bar{X}) = s/\sqrt{n} \rightarrow 0$  as  $n \rightarrow \infty$ .