1. Derive a formula for the confidence interval of the individual parameter $\beta_0$ from the formula for the confidence interval of a linear combination of parameters, which is

$$ t^T b \pm t_{\alpha/2} s \sqrt{t^T (X^T X)^{-1} t}. $$

**Solution:** We set

$$ t = \begin{bmatrix} 1 \\ 0 \\ \vdots \\ 0 \end{bmatrix} $$

so that $t^T b = b_0$. Then $t^T (X^T X)^{-1} t$ is equal to the top left element of $(X^T X)^{-1}$. But this is $c_{00}$ in our notation, so the confidence interval for $\beta_0$ is

$$ b_0 \pm t_{\alpha/2} s \sqrt{c_{00}}. $$

2. We model the energy consumption of a household in terms of the household income. The data we collect is:

<table>
<thead>
<tr>
<th>Income ($k$)</th>
<th>Energy consumption ($\times 10$ Btu/yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>1.8</td>
</tr>
<tr>
<td>30</td>
<td>3.0</td>
</tr>
<tr>
<td>40</td>
<td>4.8</td>
</tr>
<tr>
<td>55</td>
<td>5.0</td>
</tr>
<tr>
<td>60</td>
<td>6.5</td>
</tr>
</tbody>
</table>

(a) Find a 95% confidence interval for the average energy consumption of households with yearly income $50,000. You may use $t_{0.025} = 3.182$ for 3 degrees of freedom.

**Solution:**

$$ X^T X = \begin{bmatrix} 5 & 205 \\ 205 & 9525 \end{bmatrix}, X^T y = \begin{bmatrix} 21.1 \\ 983.0 \end{bmatrix}, \begin{bmatrix} 1.701 \\ -0.036 \\ 0.00089 \end{bmatrix}, b = \begin{bmatrix} -0.096 \\ 0.105 \end{bmatrix} $$

$$ s^2 = 0.359 $$

The confidence interval is

$$ \begin{bmatrix} 1 & 50 \end{bmatrix} \begin{bmatrix} -0.096 \\ 0.105 \end{bmatrix} \pm 3.182 \sqrt{0.359} \sqrt{1 + \begin{bmatrix} 1 & 50 \end{bmatrix} \begin{bmatrix} 1.701 \\ -0.036 \\ 0.00089 \end{bmatrix} \begin{bmatrix} 1 \\ 50 \end{bmatrix}} = (4.17, 6.16). $$

(b) Find a 95% prediction interval for the energy consumption of a randomly selected household with yearly income $50,000.

**Solution:**

The prediction interval is

$$ \begin{bmatrix} 1 & 50 \end{bmatrix} \begin{bmatrix} -0.096 \\ 0.105 \end{bmatrix} \pm 3.182 \sqrt{0.359} \sqrt{1 + \begin{bmatrix} 1 & 50 \end{bmatrix} \begin{bmatrix} 1.701 \\ -0.036 \\ 0.00089 \end{bmatrix} \begin{bmatrix} 1 \\ 50 \end{bmatrix}} = (3.02, 7.32). $$
(c) Find a joint 95% confidence region for the two parameters $\beta_0$ and $\beta_1$. You may keep your answer as an implicit inequality, and use $f_{0.05} = 9.55$ for 2 and 3 degrees of freedom.

Solution:

\[
\begin{bmatrix}
-0.096 - \beta_0 \\
0.105 - \beta_1
\end{bmatrix}
\begin{bmatrix}
5 \\
205
\end{bmatrix}
\begin{bmatrix}
-0.096 - \beta_0 \\
0.105 - \beta_1
\end{bmatrix}
\leq 2 \times 0.359 \times 9.55
\]

\[
5\beta_0^2 + 9525\beta_1^2 + 410\beta_0\beta_1 - 1960.9\beta_0 + 100.9 \leq 6.86.
\]

For simple linear regression, $y = \beta_0 + \beta_1 x + \epsilon$, show that a $100(1 - \alpha)\%$ CI for the mean response when $x = x^*$ can be written as

\[
b_0 + b_1 x^* \pm t_{\alpha/2} s_{xx} \sqrt{\frac{1}{n} + \frac{(x^* - \hat{x})^2}{s_{xx}}}
\]

where $s_{xx} = \sum_{i=1}^{n} x_i^2 - nx^2$.

Similarly, show that a $100(1 - \alpha)\%$ PI for a new response when $x = x^*$ can be written as

\[
b_0 + b_1 x^* \pm t_{\alpha/2} s_{xx} \sqrt{1 + \frac{1}{n} + \frac{(x^* - \hat{x})^2}{s_{xx}}}
\]

Solution: For simple linear regression we have

\[
X^T X = \begin{bmatrix}
1 & 1 & \ldots & 1 \\
x_1 & x_2 & \ldots & x_n
\end{bmatrix}
\begin{bmatrix}
1 & x_1 \\
1 & x_2 \\
\vdots & \vdots \\
1 & x_n
\end{bmatrix}
\]

\[
(X^T X)^{-1} = \frac{1}{n \sum_{i=1}^{n} x_i^2 - (\sum_{i=1}^{n} x_i)^2}
\begin{bmatrix}
\sum_{i=1}^{n} x_i^2 - \sum_{i=1}^{n} x_i \\
\sum_{i=1}^{n} x_i
\end{bmatrix}
\begin{bmatrix}
1 \\
1
\end{bmatrix}
\]

Let $t = [1 x^*]^T$ then our CI for the mean response when $x = x^*$ is

\[
t^T b \pm t_{\alpha/2} s_{xx} \sqrt{t^T (X^T X)^{-1} t} = b_0 + b_1 x^* \pm t_{\alpha/2} s_{xx} \sqrt{t^T (X^T X)^{-1} t}.
\]

The term in the square root is

\[
t^T (X^T X)^{-1} t = \frac{1}{n \sum_{i=1}^{n} x_i^2 - (\sum_{i=1}^{n} x_i)^2}
\begin{bmatrix}
1 & x^* \\
x^* & 1
\end{bmatrix}
\begin{bmatrix}
\sum_{i=1}^{n} x_i^2 - \sum_{i=1}^{n} x_i \\
\sum_{i=1}^{n} x_i
\end{bmatrix}
\begin{bmatrix}
1 \\
1
\end{bmatrix}
\]

\[
= \frac{1}{n s_{xx}} \left[ \sum_{i=1}^{n} x_i^2 - 2x^* \sum_{i=1}^{n} x_i + n(x^*)^2 \right]
\]

\[
= \frac{1}{n s_{xx}} \left[ \sum_{i=1}^{n} x_i^2 - n\bar{x}^2 + n x^2 - 2nx^* \bar{x} + n(x^*)^2 \right]
\]

\[
= \frac{1}{n s_{xx}} \left[ s_{xx} + n(x^* - \bar{x})^2 \right]
\]

\[
= \frac{1}{n} + \frac{(x^* - \bar{x})^2}{s_{xx}}
\]

as required.

The proof for the PI is much the same.
4. We can generate some data for a simple linear regression as follows:

```r
> n <- 30
> x <- 1:n
> y <- x + rnorm(n)
```

Construct 95% CI's for $E_y$ and 95% PI's for $y$, when $x = 1, 2, \ldots, n$. Join them up and plot them on a graph of $y$ against $x$. Your plot should look something like this:

![Graph of y against x](image)

What proportion of the $y$'s could you reasonably expect to lie beyond the outer lines?

**Solution:**

```r
> fit <- lm(y ~ x)
> b0 <- fit$coefficients[1]
> b1 <- fit$coefficients[2]
> s2 <- sum(fit$residuals^2)/(n-2)
> s_xx <- sum(x^2) - n*mean(x)^2
> CI_u <- b0 + b1*x + qt(.975, n-2)*sqrt(s2)*sqrt(1/n + (x - mean(x))^2/s_xx)
> CI_l <- b0 + b1*x - qt(.975, n-2)*sqrt(s2)*sqrt(1/n + (x - mean(x))^2/s_xx)
> PI_u <- b0 + b1*x + qt(.975, n-2)*sqrt(s2)*sqrt(1 + 1/n + (x - mean(x))^2/s_xx)
> PI_l <- b0 + b1*x - qt(.975, n-2)*sqrt(s2)*sqrt(1 + 1/n + (x - mean(x))^2/s_xx)
> plot(x, y)
> abline(b0, b1)
> lines(x, CI_u, col="blue")
> lines(x, CI_l, col="blue")
> lines(x, PI_u, col="red")
> lines(x, PI_l, col="red")
```

We expect around 5% of the $y$'s to lie beyond the PI's.

5. In generalised least squares we have $y \sim N(X\beta, V)$.

Let $R$ be the principle square root of $V^{-1}$ (why does $R$ exist?). Put $v = Ry$, and show that $v \sim N(Z\beta, I)$ for some $Z$. From the usual least squares estimate of $\beta$ using $v$, obtain the generalised least squares estimate of $\beta$ using $y$. 

3
Solution: \( V \) is symmetric and positive definite (as it is a covariance matrix of full rank), thus we can write it as \( V = P \Lambda P^T \) for \( P \) orthogonal and \( \Lambda \) diagonal with strictly positive diagonal entries. It follows that \( V^{-1} = P \Lambda^{-1} P^T \) and \( R = P \Lambda^{-1/2} P^T \). Observe that \( R \) is also symmetric and positive definite.

Since \( y \sim N(X \beta, V) \) we have \( z := R y \sim N(RX \beta, RV R^T) = N(RX \beta, I) \), so \( Z = RX \). Thus our LS estimate of \( \beta \) is

\[
(Z^T Z)^{-1} Z^T z = (X^T R^T R X)^{-1} X^T R^T R y = (X^T V^{-1} X)^{-1} X^T V^{-1} y
\]
as required.

6. Overfitting exercise.

Generate some observations from a simple linear regression:

```r
> set.seed(3)
> X <- cbind(rep(1,100), 1:100)
> beta <- c(0, 1)
> y <- X %*% beta + rnorm(100)
```

Put aside some of the data for testing and some for fitting:

```r
> Xfit <- X[1:50,]
> yfit <- y[1:50]
> Xtest <- X[51:100,]
> ytest <- y[51:100]
```

(a) Using only the fitting data, estimate \( \beta \) and hence the residual sum of squares. Also calculate the residual sum of squares for the test data, that is, \( \sum_{i=51}^{100} (y_i - b_0 - b_1 x_i)^2 \).

Solution:

```r
> betafit <- solve(t(Xfit)%*%Xfit, t(Xfit)%*%yfit)
> ( SSfit <- sum((yfit - Xfit%*%betafit)^2) )
[1] 38.16794
> ( SStest <- sum((ytest - Xtest%*%betafit)^2) )
[1] 36.22107
```

Now add some extra predictor variables which we know have nothing to do with the response:

```r
> X <- cbind(X, matrix(runif(1000), 100, 10))
> Xtest <- X[51:100,]
> Xfit <- X[1:50,]
```

Again using only the fitting data, fit the linear model \( y = X \beta + \epsilon \), and show that the residual sum of squares has reduced (this has to happen). Then show that the residual sum of squares for the test data has gone up (this happens most of the time).

Explain what is going on.

Solution:

```r
> ( betafit <- solve(t(Xfit)%*%Xfit, t(Xfit)%*%yfit) )
     [,1]
[1,] -0.63651872
[2,]  1.01113287
[3,]  0.06578001
[4,]  0.60104434
[5,]  0.29716283
[6,]  0.22470900
[7,] -0.40165740
[8,]  0.39186181
[9,] -0.34238715
[10,]  0.53698933
[11,]  0.12811422
```
With the training data, we can match some of the noise (the ε term) using the new predictor variables, however this is of no use when applied to the test data, as there is no systematic relationship between the noise and the new variables.

(b) Repeat the above, but this time add \( x^2, x^3 \) and \( x^4 \) terms:

\[
> X <- cbind(X[, 1:2], (1:100)^2, (1:100)^3, (1:100)^4)
\]

Solution:

\[
> Xfit <- X[1:50,]
> Xtest <- X[51:100,]
> ( betafit <- solve(t(Xfit)%*%Xfit, t(Xfit)%*%yfit) )
\]

\[
[,1]
[1,] -5.605561e-01
[2,] 1.124641e+00
[3,] -1.252249e-02
[4,] 4.589517e-04
[5,] -5.217886e-06
\]

\[
> ( SSfit <- sum((yfit - Xfit%*%betafit)^2) )
[1] 34.94215
> ( SStest <- sum((ytest - Xtest%*%betafit)^2) )
[1] 270310.6
\]

Here the fit for the test data is absolutely horrendous. The problem is that the term \( \beta_2 x^2 + \beta_3 x^3 + \beta_4 x^4 \) is small for the training data, where it is fitting the noise term \( \epsilon \), but for the test data this term becomes very large, resulting in a very poor fit. So overfitting is generally a bad thing, but overfitting with polynomials can be a very bad thing, in particular when you try and apply the fit beyond the range of the fitting data.

Programming questions

1. What will be the output of the following code? Try to answer this without typing it up.

```r
fb <- function(n) {
  if (n == 1 || n == 2) {
    return(1)
  } else {
    return(fb(n - 1) + fb(n - 2))
  }
}
fb(8)
```

**Solution:** \( fb(n) \) returns the \( n \)-th Fibonacci number, so \( fb(8) \) returns 21.

2. Suppose you needed all \( 2^n \) binary sequences of length \( n \). One way of generating them is with nested for loops. For example, the following code generates a matrix `binseq`, where each row is a different binary sequence of length three.

```r
> binseq <- matrix(nrow = 8, ncol = 3)
> r <- 0 # current row of binseq
> for (i in 0:1) {
+  for (j in 0:1) {
```
for (k in 0:1) {
  r <- r + 1
  binseq[r,] <- c(i, j, k)
}
}

> binseq

[,1] [,2] [,3]
[1,] 0 0 0
[2,] 0 0 1
[3,] 0 1 0
[4,] 0 1 1
[5,] 1 0 0
[6,] 1 0 1
[7,] 1 1 0
[8,] 1 1 1

Clearly this approach will get a little tedious for large n. An alternative is to use recursion. Suppose that A is a matrix of size $2^n \times n$, where each row is a different binary sequence of length n. Then the following matrix contains all binary sequences of length $n + 1$:

$$
\begin{pmatrix}
0 & A \\
1 & A
\end{pmatrix}
$$

Here 0 is a vector of zeros and 1 is a vector of ones.

Use this idea to write a recursive function `binseq`, which takes as input an integer n and returns a matrix containing all binary sequences of length n, as rows of the matrix. You should find the functions `cbind` and `rbind` particularly useful.

Solution:

```r
def binseq(n):
    # all binary sequences of length n, where n is a +ve integer
    if n == 1:
        A = matrix(0:1, nrow=2, ncol=1)
        return(A)
    else:
        A <- binseq(n-1)
        B <- rbind(cbind(0, A), cbind(1, A))
        return(B)
```

```r
> binseq(3)

[,1] [,2] [,3]
[1,] 0 0 0
[2,] 0 0 1
[3,] 0 1 0
[4,] 0 1 1
[5,] 1 0 0
[6,] 1 0 1
[7,] 1 1 0
[8,] 1 1 1
```

3. Let $A = (a_{i,j})_{i,j=1}^n$ be a square matrix, and denote by $A_{(-i,-j)}$ the matrix with row $i$ and column $j$ removed. If $A$ is a $1 \times 1$ matrix then $\text{det}(A)$, the determinant of $A$, is just $a_{1,1}$. For $n \times n$ matrices we have, for any $i$,

$$
\text{det}(A) = \sum_{j=1}^{n} (-1)^{i+j} a_{i,j} \text{det}(A_{(-i,-j)}).
$$
Use this to write a recursive function to calculate \( \text{det}(A) \).

**Solution:**

```r
> my_det <- function(X) {
+   if (length(X) == 1) {
+     return(X)
+   } else {
+     S <- 0
+     for (i in 1:dim(X)[1]) {
+       S <- S + X[1, i]*(-1)^(1+i)*my_det(X[-1, -i])
+     }
+     return(S)
+   }
+ }
> X <- matrix(runif(25), nrow=5, ncol=5)
> my_det(X)
[1] 0.07874474

> det(X) # R's built in version
[1] 0.07874474
```