*YOUR TA’S NAME*:

*Lecture Worksheet*

*Thursday 12/3/2020*

**MAIN POINTS OF LECTURE**

1. MAIN TOPIC: Models with *k* continuous predictor variables (X1 through Xk) and a continuous response variable
	1. Sample Prediction Equation:
	2. The ordinary least squares (OLS) method is used to estimate a and b1 through bj … again, this method minimizes the sum of the squared prediction errors
	3. The intercept, *a*, equals the predicted value of Y when each of the k predictor variables (X1 through Xj) equal 0
	4. Multiple regression coefficient *b*k represents the expected change in Y associated with a one unit increase in *X*j, controlling for all other predictors in the model
	5. R2 expresses the proportion of variation in Y that is accounted for by the predictor variables taken as a whole
	6. We use R2Y•X1…Xk to estimate 2Y•X1…Xk; Hypothesis tests about 2Y•X1…Xk are F tests with dfnum=k and dfdenom= n-k-1. The test statistic is the same as for two variable regression (except for the different numbers of degrees of freedom)
	7. We use bk to estimate k; Hypothesis tests about k are t tests with n-k-1 degrees of freedom. The test statistic is 
2. BONUS TOPIC #1: Call the model that contains the full set of X variables the complete model; it has k2 impendent variables. Call a model that contains a subset of those X variables the reduced model; it contains k1 independent variables. Question: Does the addition of the k2-k1 new predictor variables in the complete model improve our ability to predict Y (relative to the reduced model)? Answer: Test the null hypothesis that the additional variables explain no additional variation in Y. This test is an F test, with dfnum=k2-k2, dfdenom=n-k2-1, and 
3. BONUS TOPIC #2: In a model with a discrete independent variable X that has j categories, X should be represented by a series of j-1 “dummy variables” that indicate whether individuals belong to categories of X. This is directly analogous to ANOVA.
4. BONUS TOPIC #3: Interaction terms … a strategy for allowing the effect of X1 on Y to vary across levels of X2 and simultaneously allowing the effect of X2 on Y to vary across levels of X1 … can be modeling by adding a new variable that equals X1×X2

**QUESTIONS**

**From the recorded lecture**





1. Interpret the intercept, the slopes, and R2
2. Test the hypothesis that 2=0; use =0.05
3. Test the hypothesis that ProblemSets=0; use a=0.05