4 Multiple Linear Regression Part 3

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If the effect of one predictor variable depends on the value of another,
One way to approximate this is by including a third variable
which is the product of the other two multiplied by each other.
Examples: Alcohol & barbiturates, Poison & antidote, Soil & Fertilizer acidity

4.9 Using Dummy Variables to Model Qualitative Independent Variables 183

Turn one qualitative predictor with c categories into c-1 binary variables.
Choose one category is "all zeros"
the choice does not affect predictive power, but can affect clarity

4.10 The Partial F-Test: Testing the Significance of a Portion of a Regression Model 193

Suppose we have two competing models of the same dependent variable y:
The "complete model"

\[ y = \beta_0 + \beta_1 x_1 + \ldots + \beta_g x_g + \beta_{g+1} x_{g+1} + \ldots + \beta_k x_k + \varepsilon = \beta_0 + \sum_{j=1}^{k} \beta_j x_j \]

and the "reduced model"

\[ y = \beta_0 + \beta_1 x_1 + \ldots + \beta_g x_g + \varepsilon = \beta_0 + \sum_{j=1}^{g} \beta_j x_j \]

The complete model has all the predictors in the reduced model plus more besides

\[ H_0 : \beta_{g+1} = \beta_{g+2} = \ldots = \beta_k = 0 \]
is the hypothesis that the complete model
does not add any real explanatory model over and above the reduced model.
We can reduce \( H_0 \) in favor of \( H_1 \): at least one of \( \beta_{g+1}, \beta_{g+2}, \ldots, \beta_k \neq 0 \)

at significance level \( \alpha \) if \( F = \frac{(SSE_r-SSE_c)/(k-g)}{SSE_c/(n-k-1)} > F_{k-g,n-k-1}^{\alpha} \)

p-Value for Partial F-test \( p = Pr\left(I_{k-g,n-k-1}^{\alpha} \geq \frac{(SSE_r-SSE_c)/(k-g)}{SSE_c/(n-k-1)}\right) \)

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