



Lecture 29

Residuals

Slides created by John DeNero (denero@berkeley.edu) and Ani Adhikari (adhikari@berkeley.edu)
Contributions by Fahad Kamran (fhdkmrn@berkeley.edu) and Vinitra Swamy (vinitra@berkeley.edu)

Announcements

Error in Estimation (Review)

- **error = actual value - estimate**
 - Some errors are positive and some negative
 - To measure the rough size of the errors
 - **square** the **errors** to eliminate cancellation
 - take the **mean** of the squared errors
 - take the square **root** to fix the units
 - **root mean square error** (rmse)
-

Residuals

- Error in regression estimate
- One residual corresponding to each point (x, y)
- **residual**
 - = **observed y - regression estimate of y**
 - = observed y - height of regression line at x
 - = vertical distance between the point and the best line

(Demo)

Residual Plot

A scatter diagram of residuals

- Should look like an unassociated blob for linear relations
 - But will show patterns for non-linear relations
 - Used to check whether linear regression is appropriate
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Regression Diagnostics

Dugong



(Demo)

Properties of Residuals

Discussion Questions

- What should the average of the residuals be?
 - Does your answer depend on whether the scatter diagram looks linear or shows a nonlinear pattern?
-

Average of Residuals

- The average of the residuals is always 0
- No matter what the scatter looks like

- Just as the average of the deviations from mean is always 0
- No matter what the data look like

(Demo)

A Measure of Clustering

Correlation, Revisited

- “The correlation measures how clustered the points are about a straight line.”
- We can now quantify this statement.

(Demo)

SD of Fitted Values

- SD of fitted values

$$\frac{\text{SD of fitted values}}{\text{SD of } y} = |r|$$

- SD of fitted values = $|r| * (\text{SD of } y)$
-

Variance of Fitted Values

- Variance = Square of the SD
= Mean Square of the Deviations
- Variance has bad units, but good math properties

- Variance of fitted values

$$\frac{\text{Variance of fitted values}}{\text{Variance of } y} = r^2$$

A Variance Decomposition

- Variance of fitted values

$$\frac{\text{-----}}{\text{Variance of } y} = r^2$$

- Variance of residuals

$$\frac{\text{-----}}{\text{Variance of } y} = 1 - r^2$$

Residual Average and SD

- The average of residuals is always 0

- Variance of residuals

$$\frac{\text{Variance of residuals}}{\text{Variance of } y} = 1 - r^2$$

- SD of residuals = $\sqrt{1 - r^2}$ SD of y

(Demo)

Discussion Question

Midterm: Average 70, SD 10

Final: Average 60, SD 15

$$r = 0.6$$

Fill in the blank:

For at least 75% of the students, the regression estimate of final score based on midterm score will be correct to within _____ points.
